

# ACCT 3210: Advanced Management Accounting

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# Roadmap for Lecture 1

1. Review Resources and Policies
2. Why are we here? What is 'Management Accounting'?

# Review Resources and Policies

- ▶ Syllabus
- ▶ Canvas
- ▶ Lecture Slides and Examples

# Why are we here?

## To Study *ADVANCED* Management Accounting...

- ▶ But what is management accounting?
- ▶ And how will we make this 'advanced'?

## Simple Definition

**Management accounting is *internal* accounting.**

This definition separates managerial accounting from other forms of *external* accounting in helpful ways:

1. **Financial or Public Accounting:** External accounting for compliance with IFRS, GAAP, etc.
2. **Tax Accounting:** External accounting for compliance with tax laws.

In the external=financial/tax and internal=management distinction enough?

- ▶ On one hand, this is a helpful framing because it emphasizes that the accounting activity in the external domains is determined by accounting rules.
- ▶ On the other hand, this is not a helpful framing, because it

# What is Management Accounting? Four Answers

1. Accounting for Decision Making (Business Intelligence/Data Science).
2. Accounting for Control (Internal Audit/Performance-Evaluation).
3. A collection of topics related to how information, incentives, and resources move through an organization.
4. Facilitators of the resource bargains within the organization, critical to its survival as a viable system.

## Zimmerman's Answer (1 & 2)

*"The controller, the firm's chief management accountant, has responsibility for data collection and reporting. The controller compiles the data to prepare the firm's balance sheet, income statement, and tax returns. In addition, this person prepares the internal reports for the various divisions and departments within the firm and helps other managers by providing them with the data to make decisions-as well as the data to evaluate these managers' performance."*

...

# Resource Bargains in a Viable System

## The Viable System Model

- ▶ Comes from the study of complex systems in nature. Stafford Beer and other management scientists took observations about how complex systems in nature survive and applied them to organizations.
- ▶ The model identifies 5 systems that function in a viable system.

## The Viable System Model

- ▶ Note that this model is recursive, with systems nesting within systems.
- ▶ It is natural to think of a firm as a whole as a system, but we could also zoom in to a department, or zoom out to an industry, or zoom out further to a global economy. Our focus will be the firm as a whole.

## The Viable System Model

### Immediate and internal systems:

# Example: A Manufacturing Firm

## System 1: Operations

- ▶ Production lines and assembly
- ▶ Warehousing operations
- ▶ Distribution centers

## System 2: Coordination

- ▶ Production scheduling
- ▶ Quality control standards
- ▶ Enterprise Resource Planning (ERP)

## System 3: Internal Management

- ▶ The Comptroller (management accountant)
- ▶ Operations management
- ▶ Resource allocation (optimization)
- ▶ Performance monitoring

## System 4: Intelligence & Development

- ▶ Research & Development
- ▶ Market research

## How will we make this 'advanced'?

1. The 'Tools' section of the course is intended to give you a starting point for winning back some of the ground lost to other fields.
2. In addition to introducing traditional management accounting topics, we will also evaluate them in terms of their contribution to the viability of the firm. We will think carefully both about how a firm succeeds (is viable) and fails.