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8/29/2023

ACCT – 152: Prologue selected questions

1. **How does managerial accounting differ from financial accounting?**

Financial accounting is concerned with reporting financial information to external parties (stockholders, creditors, regulators, etc.). On the other hand, managerial accounting is concerned with providing information to managers for use within the organization. Some key differences include:

* Managerial accounting deals with the future.
  + Financial accounting deals with the past.
* Managerial accounting emphasizes relevance.
  + Financial accounting emphasizes objectivity and verifiability.
* Managerial accounting emphasizes segment reports and doesn’t need to follow GAAP/IFRS.
  + Financial accounting is all about GAAP/IFRS and is mandatory (public).

1. **Pick a manufacturing company and describe some planning and control activities that its manager would engage in.**

As an example, I chose to pretend I am a mid-level manager at Allan Myers, the construction/infrastructure company. Some planning and control activities that I might engage in would be:

* Planning: Collecting data for creation of a budget for a new project.
* Planning: Collecting data for the revision of an existing project.
* Controlling: Once a project is underway, performing surveys/inspections to ensure everything is going according to plan. Are we meeting our goals?
* Controlling: Review the initial budgets and see if the reality differs from them.

1. **If you had to decide whether to continue making a component part or to begin buying the part from an overseas supplier, what quantitative and qualitative factors would influence your division?**

In the decision to continue making a component part or begin buying that part from an overseas supplier, a manager must look at many factors including finances, timelines, ethics, and longer-term strategy. To make a good decision, all these factors (and more) must be carefully considered, and quantitative analysis is the foundation to having persuasive, well-thought-out decisions.

1. **Why do companies prepare budgets?**

Companies prepare budgets all the time; they are created for new projects, existing projects, or any reasonable segment of an operation that could be measured in dollars. The reason for preparing budgets is that it benefits all parties to be working with the same numbers from the beginning to the end of a project. Budgets are a carefully calculated estimation that takes into consideration the expected cost of something while also taking into consideration the limits of cost that the company can handle.

1. **Why is managerial accounting relevant to your own major?**

As a finance major, managerial accounting is extremely relevant for me, as I will likely be working with it for most of my professional life. Regardless of what major you are, or what interests you have, it is extremely likely that your professional career will not have boundless money pouring in, and budgets (along with the planning/controlling/decision-making of the managers) will control what you are able to do.

1. **Pick any large company and explain three ways that it could segment its companywide performance.**

Using the same example company from a previous response, Allan Myers, three ways it could segment its companywide performance include but are not limited to:

1. Segment based on geography (example: only plants that are < X miles away from the shore)
2. Segment based on size of the plant (example: plants that produce > X units)
3. Segment based on customer groups (gender, ethnicity, age, volume of sales)