

While watching the Module 1, Video 1 – Introduction to Management Accounting, answer the following questions. This document will then become part of your study notes.

Be sure to answer IN YOUR OWN WORDS instead of just copying down what I say. Remember – our retention of information is much higher if we first “make sense” of what we hear and then write it in our own words.

Question 1:

What is the difference between financial accounting and management accounting?

	Financial Accounting	Management Accounting
Who are the main stakeholders? (Internal or External)		
What types of decisions are the stakeholders trying to make?		
The perspective is (historical, future, both)?		
The focus is on (precision, relevance, timeliness, verifiability)?		

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	Financial Accounting	Management Accounting
Do accounting standards apply? If so, which standards?		
What part of the organization is the focus?		
How are financial and management accounting similar?		

Question 2:

a) What is the focus of strategic decisions?

Question 2, continued:

b) When making strategic decisions what must managers consider?

c) Strategic decisions are generally long term. Explain why you think this is true and give an example (that you think of yourself...not the one from the video) of a strategic decision that a company might make.

d) What is the main risk of strategic decisions?

Question 3:

a) What is the focus of operational decisions?

b) When making operational decisions what must managers consider?

c) Give 3 examples (that you have thought of yourself) of what you consider to be operational decisions. This helps you to better understand what operational decisions are.

Expand your knowledge:

Large organizations generally have vision and mission statements. Define each of these terms.

A vision Statement is:

A mission statement is:

How does an organization's vision and mission statement tie into what you learned about management accounting?

Check Your Understanding:

Classify each of the following as primarily financial or management accounting. Be sure to support your answer with reasons WHY you think so!

- a) Determine if a proposed new product will be profitable.
- b) Prepare a cash flow statement for the last year.
- c) Prepare a budget for the upcoming 5 years.
- d) Record business activities for the past six months.
- e) Determine if a product line should be discontinued.

Note that this question will be solved in a future video!