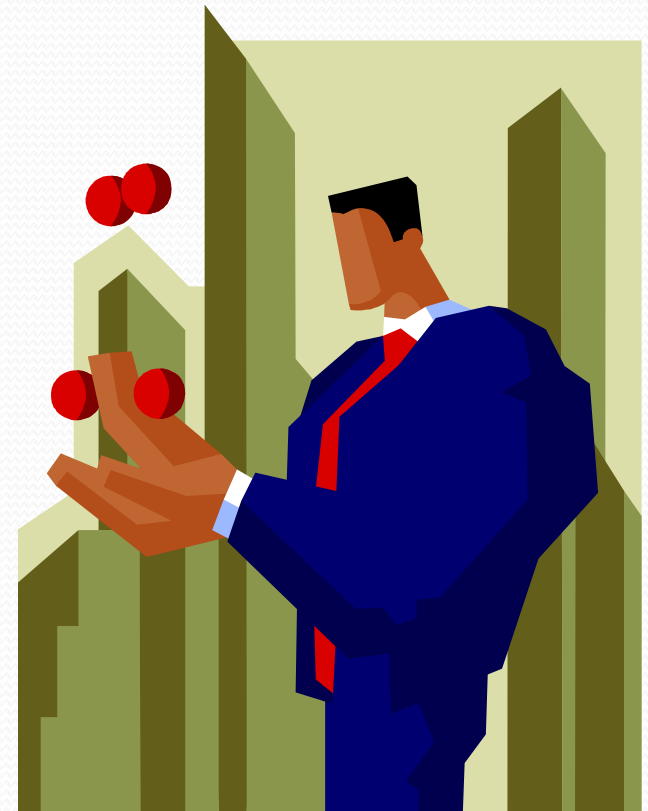


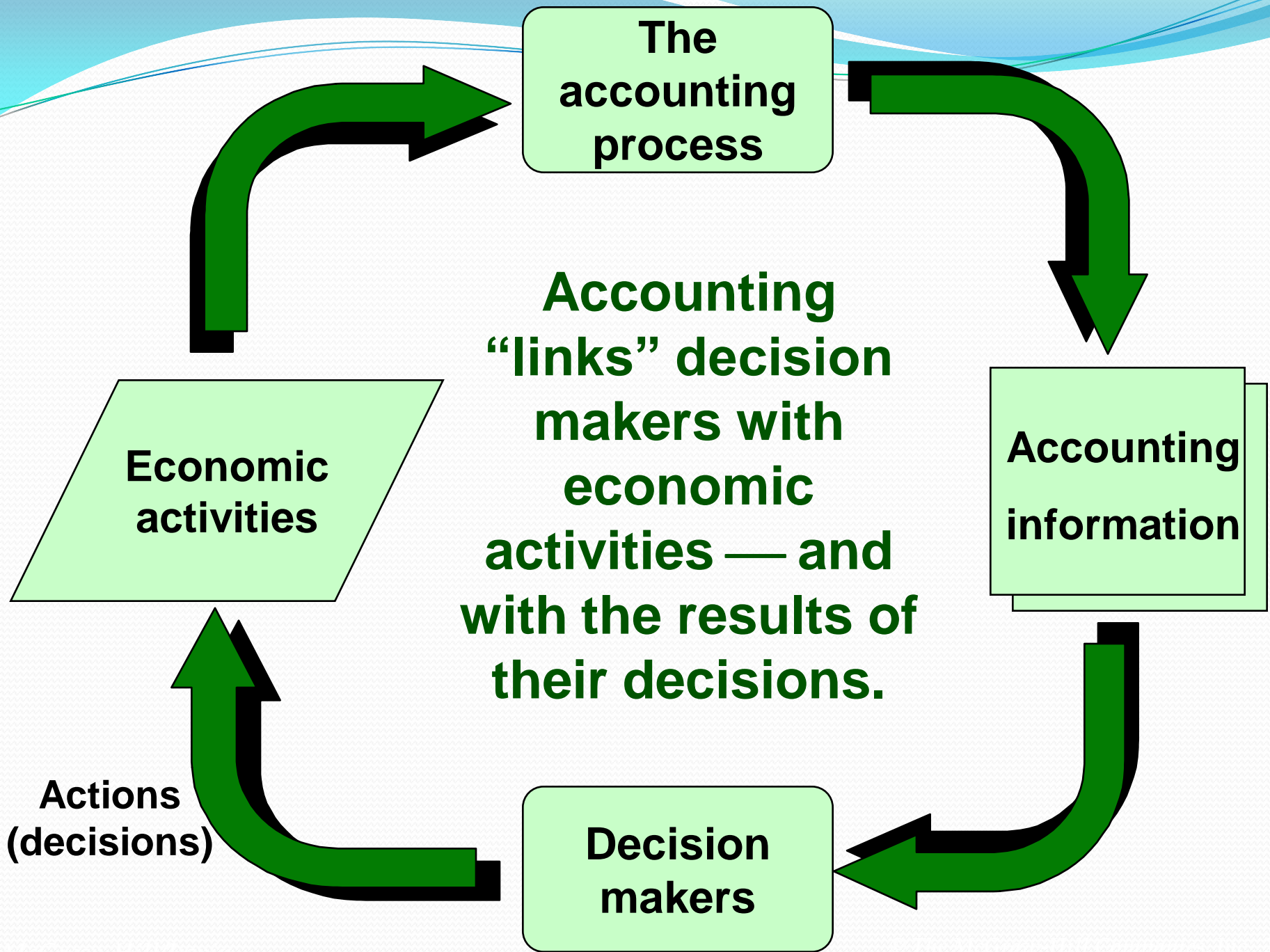
Chapter

1

ACCOUNTING: **Information for Decision Making**

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Types of Accounting Information

Financial

Tax

Managerial



Information System

Information Users

- Investors
- Creditors
- Managers
- Owners
- Customers
- Employees
- Regulatory agencies
 - SEC
 - IRS
 - EPA

Cost & Revenue Determination

- Job costing
- Process costing
- ABC
- Sales

Assets & Liabilities

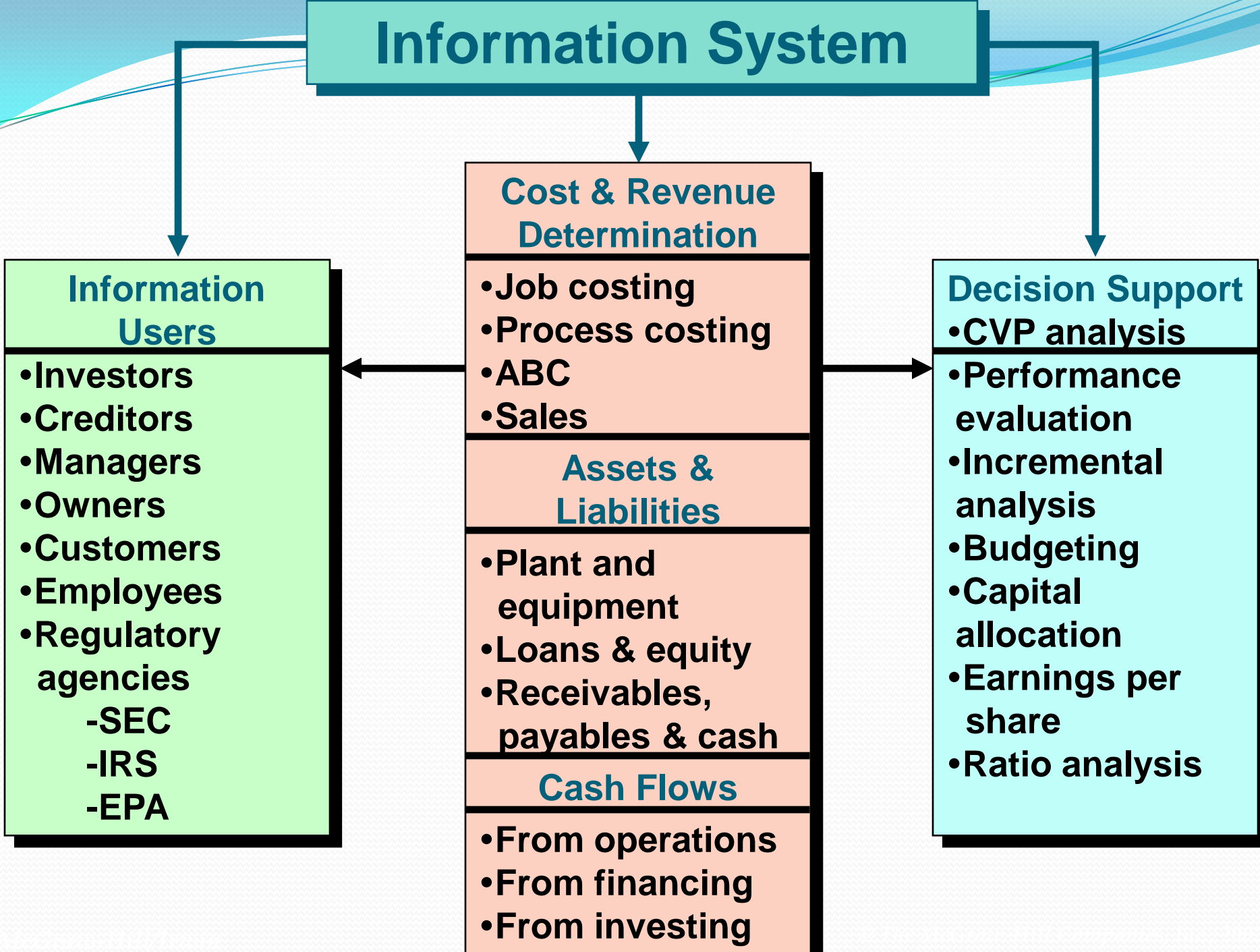
- Plant and equipment
- Loans & equity
- Receivables, payables & cash

Cash Flows

- From operations
- From financing
- From investing

Decision Support

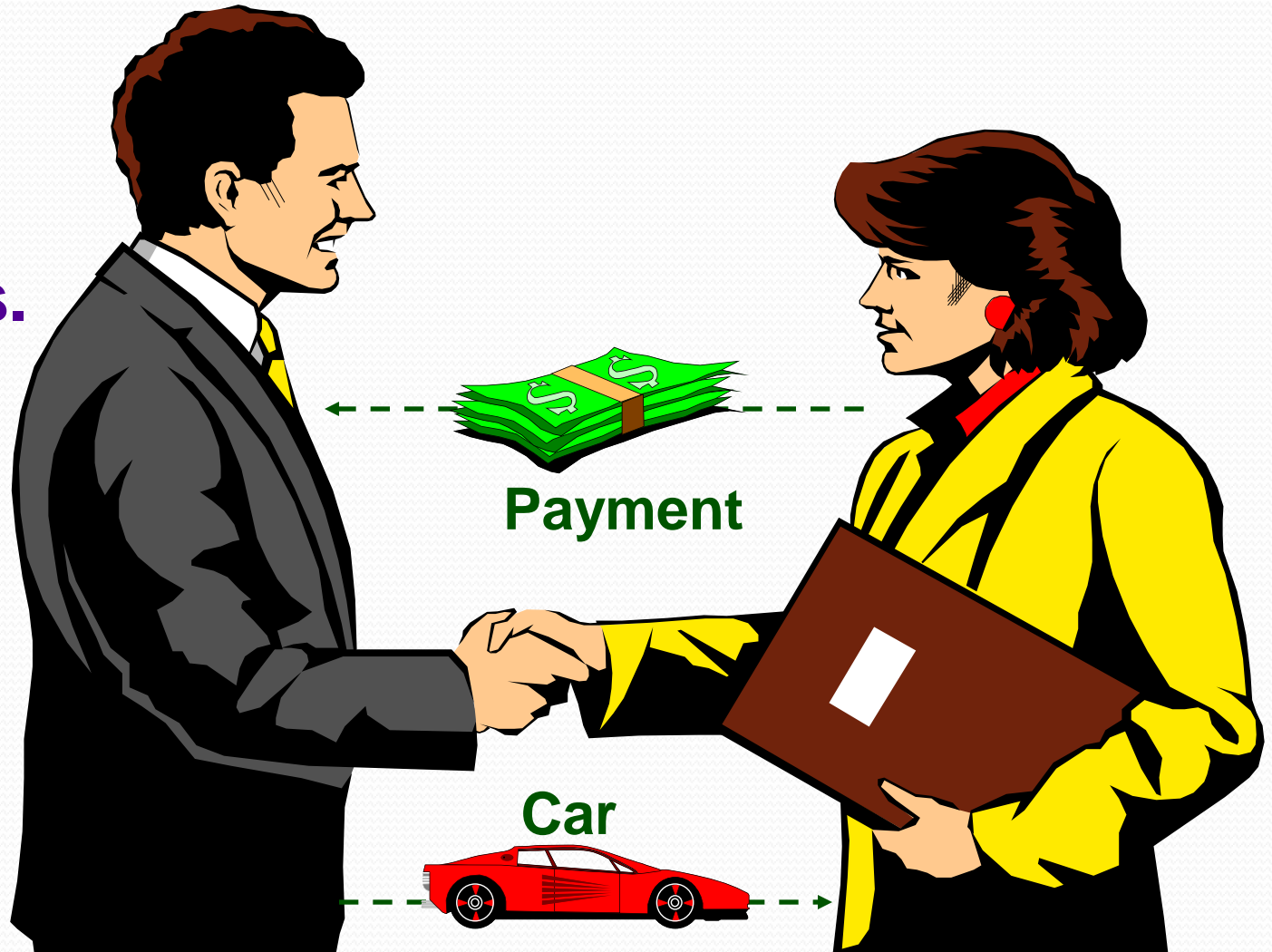
- CVP analysis
- Performance evaluation
- Incremental analysis
- Budgeting
- Capital allocation
- Earnings per share
- Ratio analysis



Basic Functions of an Accounting

System

1 Interpret and record business transactions.



Basic Functions of an Accounting

System

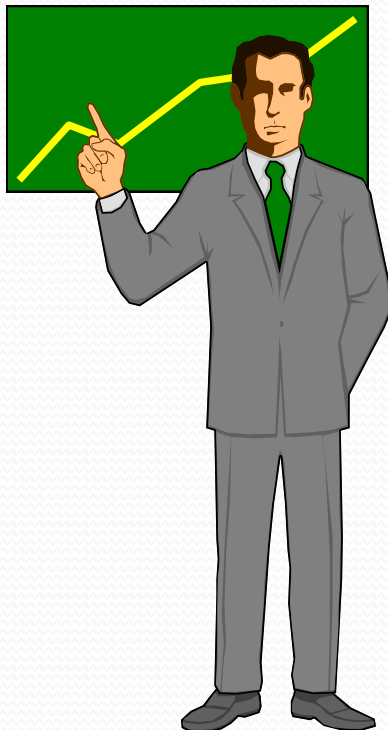
① Interpret and record business transactions.



② Classify similar transactions into useful reports.



③ Summarize and communicate information to decision makers.



Objectives of External Financial Reporting

The primary external users of financial information are **investors** and **creditors**.

Cash Flow Prospects

	Investors	Creditors
Return on Investment	Periodic dividends	Periodic interest
Return of Investment	Sale of ownership at a future date	Repayment of loan at a future date

Objectives of Financial Reporting

(Specific)

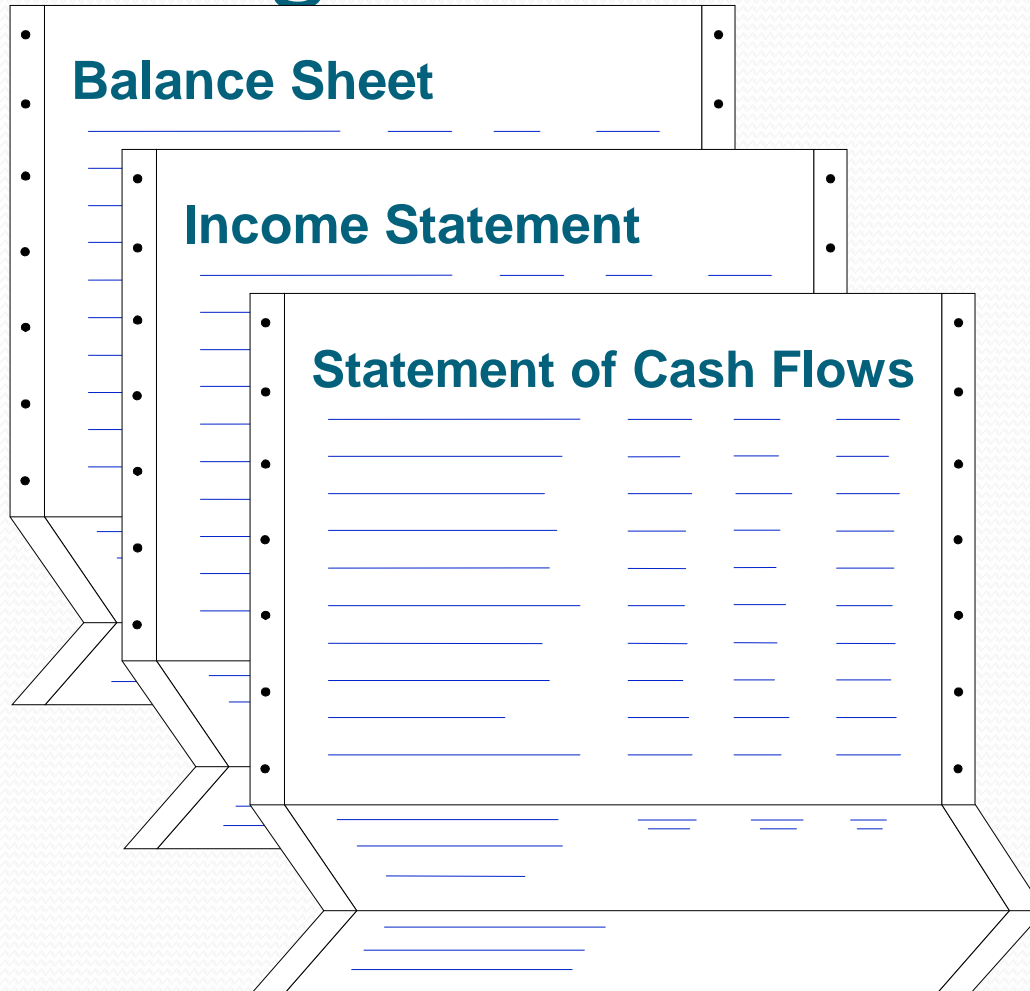
Information about economic resources, claims to resources, and changes in resources and claims.

Information useful in assessing amount, timing and uncertainty of future cash flows.

Information useful in making investment and credit decisions.

(General)

Objectives of External Financial Reporting



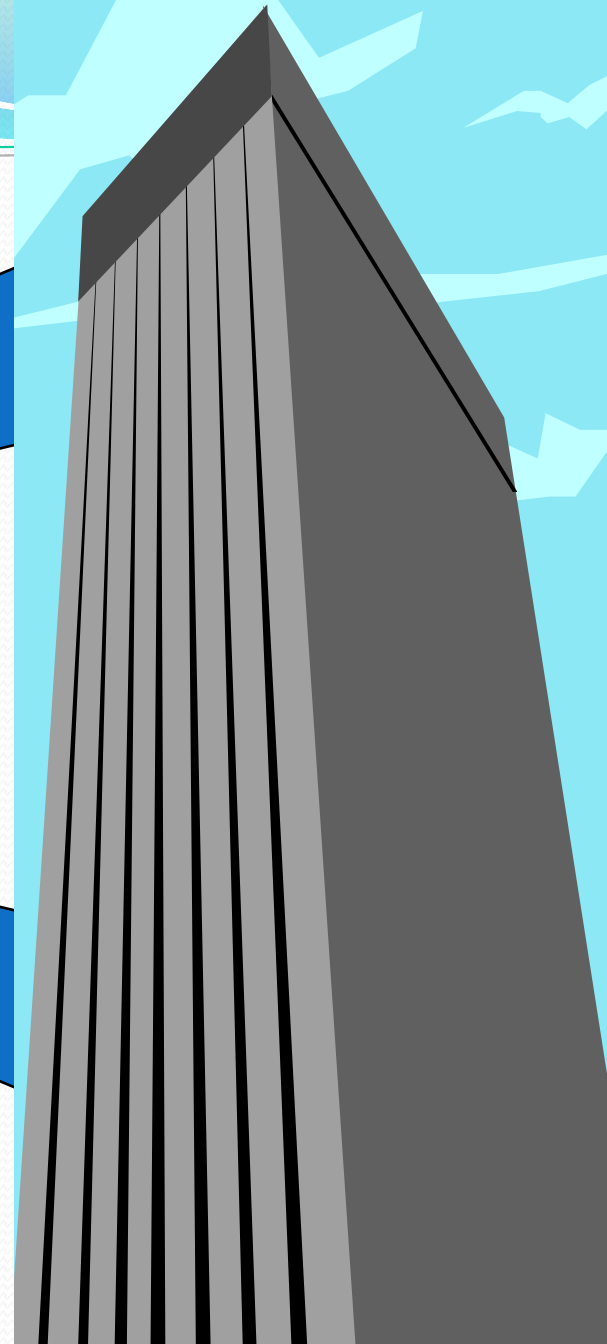
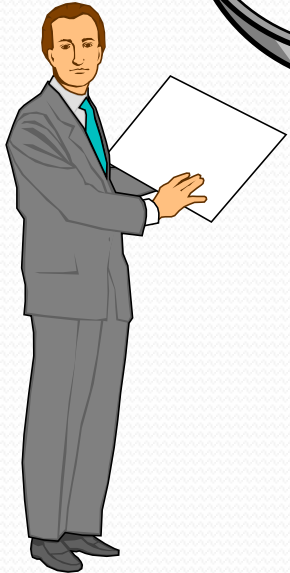
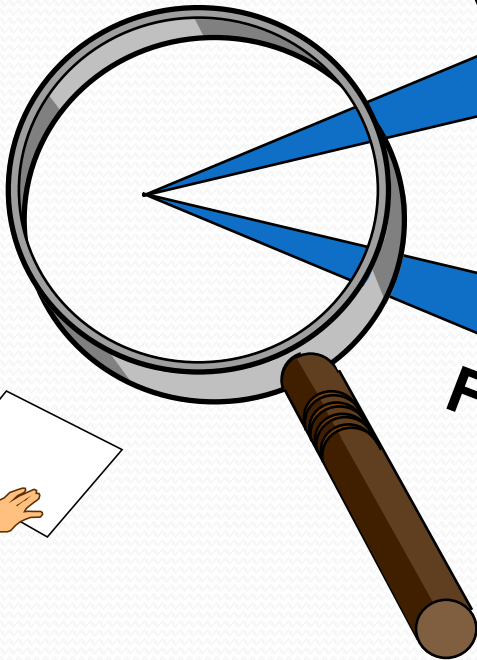
The primary financial statements.

Financial Statements: *A Lens to View Business*

Financial Reporting

Financial
Statements

Financial Reporting



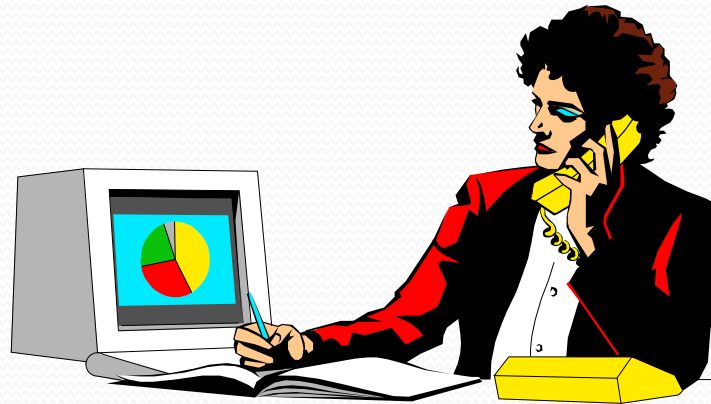
Characteristics of Externally Reported Information

A Means to an End

Usefulness Enhanced via Explanation

Broader than Financial Statements

Based on General Purpose Assumption



Historical in Nature

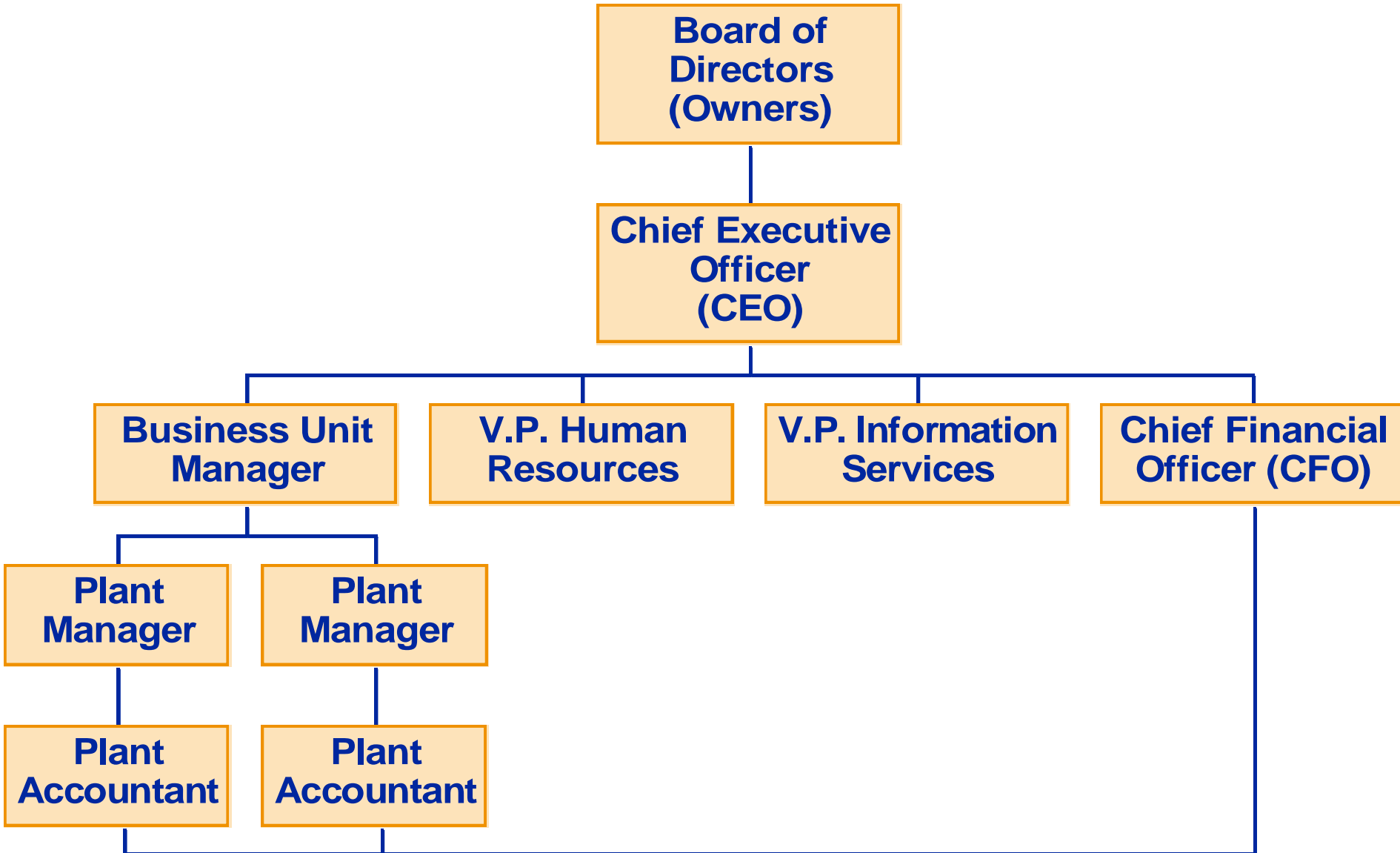
Results from Inexact and Approximate Measures

Internal Users of Accounting Information

- **Board of Directors**
- **Chief Executive Officer**
- **Chief Financial Officer**
- **Vice Presidents**
- **Business Unit Managers**
- **Plant Managers**
- **Store Managers**
- **Line Supervisors**



Typical Simple Organization Chart



Information about decision-making authority, for decision-making support, and for evaluating and rewarding decision-making performance.

Information useful in assessing both the past performance and future directions of the enterprise and information from external and internal sources.

Information useful to help the enterprise achieve its goal, objectives and mission.

Objectives of Managerial Reporting

Characteristics of Management Accounting Information

Timeliness

**A Means to
an End**

**Identify
Decision-
Making
Authority**

**Measures of
Efficiency and
Effectiveness**



**Oriented
Toward
Future**

Integrity of Accounting Information

Institutional Features

- **Generally Accepted Accounting Principles (GAAP)**
- **Financial Accounting Standards Board**
- **Securities and Exchange Commission**
- **Internal Control Structure**
- **Audits**



Integrity of Accounting Information

Professional Organizations

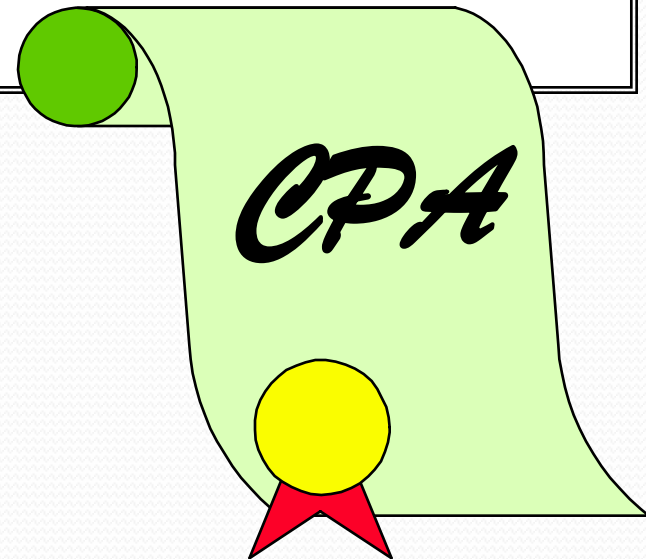
- American Institute of Certified Public Accountants
- Institute of Management Accountants
- Institute of Internal Auditors
- American Accounting Association



Integrity of Accounting Information

Competence, Judgment and Ethical Behavior

- Certified Public Accountants (CPAs)
- Certificate in Management Accounting (CMA)
- Certificate in Internal Auditing (CIA)
- Code of Professional Conduct



Reference

Williams et al. 2011. *Financial and Managerial Accounting: The Basis for Business Decision* 16 ed. New York: McGraw-Hill.