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## **WHAT IS THE PURPOSE OF MANAGEMENT ACCOUNTING - INFORMATION FOR CLIENTS Walsh West Certified Chartered Accountants 2021**

### **What is the purpose of management accounts?**

Management accounting is vital to ensure the vibrancy of a business enterprise. The ultimate objective of this type of accounting is to provide support in the decision-making processes associated with all aspects of business operations.

Managerial accounting serves a number of crucial purposes in the achievement of this objective. Here we discuss the various elements of management accounting and the relationship between them.

#### **Planning**

A fundamental purpose at the heart of managerial accounting is to assist in planning for the future needs of a business. This involves the utilization of a myriad of financial data that is incorporated into budgets.

Management accountants can be called upon to participate in planning efforts involving different elements of a business, depending on its structure and organization. The planning purpose of this type of accounting also underpins the development implementation of strategies designed to enhance competitiveness and increase profitability.

#### **Monitoring**

Another purpose of managerial accounting is involvement of accountants in the follow-through processes. Accounting of this type is involved in ensuring that strategies are appropriately implemented, and action plans are carried out as intended. Confirmation of milestone achievement and involvement in quality control related issues are also part of monitoring process.

The monitoring component is nearly always taken in conjunction with upper management of a particular business. Managerial accountants set forth recommended milestones and other elements utilized to aid in the monitoring process. These recommendations are submitted to upper management for approval.



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### **Directing**

Management accountants are involved in directing employees. These accountants serve as vital liaisons between upper-level management of a business enterprise and employees. An aspect of the directing element of managerial accounting is motivating team members as well. Directing and monitoring are elements of managerial accounting that go hand in hand.

Monitoring is designed to ensure that directives are suitably satisfied. If an issue arises in this regard, the monitoring process is designed to identify the problem as a prelude to resolving it.

### **Analysing**

The key purpose of management accounting is analysing data. The analysis of data is associated with all other elements associated with managerial accounting. The analysis of information is crucial in identifying problem areas and in developing methodologies to correct. Ultimately, data analysis is imperative to enhancing competitiveness and increasing profitability in the short and long term.

### **Reporting**

One of the components of the overall purpose of managerial accounting is reporting. Overall, the goals, plans, and other work product created by management accountants come in the form of comprehensive reports. These reports typically include an analysis of a particular matter coupled with clearly identified conclusions. In addition, these reports contain specific and usually detailed recommendation for reaching goals and objective or for solving enterprise problems.

Managerial accountants arguably are true intellectual backbones of a business enterprise. In the final analysis, management accounting is a crucial component vital to the ultimately profitable operation of a business enterprise

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For initial advice about Accounting and Taxation; call our team on 0203 488 7503, 01992 236 110 or contact us by email at [welcome@walshwestcca.com](mailto:welcome@walshwestcca.com) or via our website [www.walshwestcca.com](http://www.walshwestcca.com) and we will help you.