

What is Managerial Accounting?

Worksheet

Managerial accounting collects, analyzes, and reports financial and non-financial data to help managers plan budgets, evaluate costs, and make strategic decisions. It is confidential, non-standardized, and timely.

Questions

1. Managerial accounting is primarily for
 - A) External investors and creditors
 - B) Internal managers and decision-makers
 - C) Government tax authorities
 - D) Auditors
2. Which is NOT a typical managerial accounting task?
 - A) Preparing quarterly earnings for the SEC
 - B) Analyzing product profitability
 - C) Creating departmental budgets
 - D) Evaluating cost variances
3. Why is managerial accounting less standardized than financial accounting?
 - A) It does not require accuracy
 - B) It is only for small companies
 - C) Each organization has unique needs and decisions
 - D) It ignores costs and revenues
4. Managerial accounting is primarily
 - A) Historical, reporting past results
 - B) Forward-looking, supporting future planning
 - C) Only for manufacturing
 - D) Publicly disclosed in annual reports
5. A factory manager wants to decide whether to keep or close a production line. What managerial accounting data is needed?
6. How can managerial accounting help with R&D budget allocation across three product lines?
7. A restaurant wants to lower food costs while keeping quality. What managerial reports help?
8. Define: What is managerial accounting?
9. Define: Main users of managerial accounting?
10. Define: Is managerial accounting standardized?

Answer Key

1. B) Internal managers and decision-makers - Managerial accounting supports internal decision-making; financial accounting is for external stakeholders.
2. A) Preparing quarterly earnings for the SEC - SEC filings are financial accounting (external). Managerial accounting focuses on internal analysis.
3. C) Each organization has unique needs and decisions - Organizations tailor managerial reports to their specific operations and strategy.
4. B) Forward-looking, supporting future planning - Managerial accounting focuses on planning and control for the future; it is internal.
5. Identify relevant costs (direct materials, direct labor, overhead allocated to that line) Calculate contribution margin (sales revenue variable costs) Compare to fixed costs that would be eliminated if line closes Make close/keep decision based on profitability
6. Segment sales revenue and past R&D spending by product line Analyze return on investment (ROI) for each line's innovation Forecast future market demand for each line Allocate budget to highest-ROI or highest-growth segments
7. Prepare variance reports: actual costs vs. budget Compare ingredient costs per dish with industry benchmarks Track labor hours and productivity per shift Use cost-volume-profit (CVP) analysis to test pricing scenarios
8. The use of accounting data internally to support management decisions, planning, and control of business operations.
9. Managers, executives, and department heads who make operational and strategic decisions.
10. No. It is flexible and customized to each organization's needs; no regulatory requirement.

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