

Course: B.Com Part III

Paper: VI

Topic: Functions of Management Accountant

Teacher's Name: Prof. (Dr.) Reyazuddin

School: Commerce and Management

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Role of Management Accountant:

The management accountant plays a vital role in the decision-making process of the organization. He is variously known as Controller of Finance, Financial Controller, Financial Advisor or Chief Accounts Officer, etc.

He is responsible for the installation, development and efficient functioning of the management accounting system. He plays an important role in gathering, compiling, reporting and interpreting internal accounting information.

He designs the framework of the financial and cost control reports in order to satisfy the information needs of different levels of management. He computes the variances by comparing the actual performance with standards or budget estimates and interprets the results of operations to all levels of management and to the owners of the business.

The management accountant occupies a pivotal position in the organization. He performs staff function and also has line of authority over the accountants and other employees in his office.

He educates the executives on the need for controlling information and on the ways of using it. He sifts the relevant information from the irrelevant and reports the same in an intelligible form to the management and sometimes to interested external parties.

However, his job is limited to provision of required information in a comprehensive as well as reliable form to the management for decision-making purposes. But the actual decision-making responsibility lies with the management.

Functions of the Management Accountant:

In the U S A the management accountant is called Controller or Comptroller. He is considered to be part of the management team since he has the responsibility for collecting vital information, both within and outside the company.

He has to design a framework for the management accounting system; therefore he safeguards the accuracy of information and develops devices required for their meaningful organization and interpretation.

The functions of the Controller have been laid down by the Controllers' Institute of America. They are typical of the functions of any management accountant by whatever name called.

These functions are:

1. To establish, coordinate, and administer as an integral part of management, an adequate plan for the control of operations. Such a plan would provide for profit planning, for capital

requirements and financing, sales forecasts, expense budgets and cost standards, together with necessary procedures to effectuate the plan.

2. To compare performance with operating plans and standards and to report the results of operation to all levels of management, and to owners of the business.

This function includes the formulation and administration of accounting policy and compilation of statistical records and special reports as required.

3. To consult with all segments of management responsible for policy or action concerning any phase of the operations of the business as it relates to the attainment of objectives, and the effectiveness of policies, organization structures and procedures.

4. To administer tax policies and procedures.

5. To supervise and coordinate preparation of reports to government agencies.

6. To assure fiscal protection for the assets of the business through adequate internal control and proper insurance coverage.

7. To continuously appraise economic and social forces and government influences, and interpret their effect upon business.

It may be noted that these seven functions of a Controller are broad enough to include all phases of policy and organization within the jurisdiction of Controller.

This has elevated his position to the top management cadre, to the level of Vice President or Director for Finance.

