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MANAGEMENT ACCOUNTING: INFORMATION FOR DECISION MAKING AND STRATEGY EXECUTION

Atkinson, A. A., Kaplan, R. S., Matsumura, E. M., & Young, S. M. (2012). (The 6th Edition)
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In the book entitled *Management Accounting: Information for Decision Making and Strategy Execution,* authors Atkinson, A. A., Kaplan, R. S., Matsumura, E. M., and Young, S. M. analyse comprehensively and in detail important issues related to the process of providing managers and employees with financial and non-financial information related to decision making and resource allocation, in accordance with a company's strategies as well as the process of the monitoring and evaluation of performances.

The purpose of the book is to provide the basic theoretical, categorical and methodological frameworks of management accounting. In broad terms, it is intended for all information users in business decision making, and, above all, for all those involved in the education process and the management of the profit and non-profit sectors. Furthermore, the authors depict, a large number of practical examples managers encounter in their business in a comprehensive, detailed and informative manner, which can be considered very useful.

The book contains 11 chapters representing the complete whole from both theoretical and practical standpoint.

In the first chapter, entitled *How Management Accounting Information Supports Decision Making* (pp. 25-38), the authors define management accounting and draw a clear demarcation line between management and financial accounting, emphasizing the importance of management and accounting information in strategic and operational decision making. Likewise, in this section, the authors describe the implementation of a company's strategy by using the PDCA (Plan-Do-Check-Act) cycle.

The subject of the study in the second chapter is *Balanced Scorecard (BSC) and Strategy Map* (pp. 39-85). The authors point out that the contemporary performance measurement system involves the use of a multidimensional set of performance measures, both financial and non-financial, i.e. measures quantifying the results of the past and those based on which the future is predicted. One such measure is the BSC. Unlike traditional measures starting from financial control, the BSC starts from the organizational vision and strategy. In the chapter, the authors also explain the four basic BSC perspectives (financial, customer

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perspective, internal, and developmental), the strategic map, the application of the BSC in non-profit and non-governmental organizations and point out barriers to an efficient use of the BSC.

In the next two chapters, *Using Costs in Decision Making* (pp. 86-144) and *Accumulating and Assigning Costs to Products* (pp. 145-188), the authors define various categories of costs (fixed, variable, mixed, incremental, sunk, relevant, opportunity, avoidable), with the CVP (Cost-Volume-Profit) analysis, emphasizing the importance of the relevant costs concept in alternative business decision making and direct and indirect costs in cost accounting per product.

In the fifth chapter entitled: *Activity-Based Cost Systems* (pp. 189-241), the authors discuss the theoretical bases, implementation phases, and organizational and methodological flaws of the Activity-Based Cost System – the ABC system. The authors offer a new approach, called Time-Driven Activity-Based Costing – the TDABC approach, as a response to the weaknesses of the ABC system. The TDABC approach to cost accounting and cost management gives companies very practical options for determining costs, the utility of facilities, the processes and profitability of orders, customers, and products. Due to accurate and current data as well as resulting information on costs and profitability, a management can make numerous business decisions in a simpler and inexpensive manner.

Chapters six, seven, and eight discuss the issues related to the customer relationship management and measurement, process performances, and life cycle cost (pp. 242-363). In this part of the book, the authors point out that, in addition to operational efficiency, which is a priority for most companies, enterprises should also focus on current and potential customers, their profitability, loyalty, satisfaction, and willingness to recommend an enterprise's products. The ability to measure and manage customer relationship is one of the most important benefits arising from the information produced by management accounting. The seventh chapter provides answers to the questions on how to effectively manage and measure the performance of production process. Lean and just-in-time production systems, kaizen costing, and benchmarking are given as possible solutions. Cost accounting and cost management of a product life cycle is the broadest approach in cost accounting and cost management and the subject of the study presented in the eighth chapter. The concept includes all costs, starting from research and development, through production, ending with post-sale services and product disposal. In this section, the authors picturesquely show management and accounting tools for measuring and managing life cycle costs, such as target costing, breakeven time, environmental costing, highlighting which tool needs to be implemented in each of the life cycle phases.

In the ninth chapter, *Behavioural and Organizational Issues in Management Accounting and Control Systems* (pp. 364-416), the authors cite and analyse four key behavioural characteristics of the well-designed Management Accounting and Control Systems – the MACS systems. The first characteristic is the implementation of the code of ethics in MACS. The development and use of appropriate performance measures are directly related to the second behavioural characteristic, which involves a combined use of the short-term and long-term measures of qualitative performance (the BSC approach). The third characteristic is the encouragement of employees to participate in decision making and MACS designing, while the fourth one is associated with the development of an appropriate stimulation system in order to reward employees' performances. At the end of this chapter, the authors illustrate the organizational and behavioural aspect of budgeting supported by numerous examples.

The tenth chapter, *Using Budgets for Planning and Coordination* (pp. 417-485), analyses the issues related to the budget process in manufacturing and service companies and non-profit organizations. Budgeting is a process of estimating future financial needs enabling the realization of the desired level of profitability, the maintenance of the satisfactory level of liquidity, and the achievement of an anticipated financial situation. Budgeting coordinates activities towards the achievement of organizational goals and increases employee commitment in achieving budgetary goals. In addition to the above-mentioned, the chapter discusses the "what if" analysis as a modelling tool examining what effects a change in the key assumptions of a budget process has on planned activities and financial results (productivity, purchase prices, the production volume, and sales, etc).

In the final part of the book – *Financial Control* (pp. 486-533), the emphasis is on the scope, nature, role, and importance of financial control within and outside a company. A company uses information produced by financial control to assess whether the organizational units within the company meet their goals. The authors also analyse the importance of responsibility decentralization in decision making, control, and employees' motivation, specifying the types of responsibility centres and their performance measures. At the end of this section, they explain transfer prices as an instrument for the allocation of jointly earned revenues and profits between divisions participating in internal transfers.

The subject-matter issue of the study in this book is complex and diverse, and requires an interdisciplinary approach to the study of problems companies are faced with in business decision making and strategy implementation. It takes an integrated analysis, simultaneously using not only accounting, mathematical, and statistical methods, but also methods of psychology, bearing in mind the importance of human resources in corporate actions. The integration of different scientific disciplines is desirable, given the tendency that problems in some scientific disciplines are only being observed from one angle.

Without diminishing the contribution of the book to economic theory and practice, the insufficiently detailed analysis of the issues regarding the TDABC, target costing, Kaizen costing, environmental costing, as well as other contemporary systems of cost accounting and cost management, may be indicated as a constructive comment on the book.

Given that the majority of the chapters contain many practical examples and application procedures of certain concepts and techniques for measuring and managing costs, as well as the effects of the implemented changes on corporate activities, the book can serve as a very useful guide for business decision making, and the effective formulation and implementation of a company's strategy, i.e. referencing to the book can help Serbian companies to adapt to changes, support and even challenge them, in order to advance their respective market and competitive orientations.

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