



Management Accounting Is Important

We may not realize it sometimes, but our role as management accountants is critical to a business running efficiently, effectively, and profitably.

It is with great pleasure that I share in this column my first thoughts as IMA® Chair. This month, I focus on what most of us do—management accounting—and why it's important.

Most of my career was spent in management accounting—that is, working as an accountant inside a business. This work included preparing the general purpose financial statements, which is important. Even more critically, it focused on establishing systems to provide specific data, turning this data into information, and providing the information to decision makers to improve the profitability of the operation. The purpose of improving profitability was to create and increase wealth in a company.

The use of the term “wealth” elicits different responses from different individuals. I don't mean becoming super rich, but I do mean an accumulation of assets that makes good things possible. (After all, who would want to retire with no wealth? Who could afford to?)

Those of us who work in man-

agement accounting must realize that what we do isn't merely a job—it's an essential role. We design systems with controls to accumulate accurate data, implement these systems and controls, and manage them as well. We develop reports to provide timely data desired by management as tools to run the business and analyze that

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data to provide fact-based information that directs strategy execution. Yes, we prepare financial statements and use them to communicate to a company's publics how the entity is doing: We compare the company's current results against its prior period results and against those of other entities and other industries. Yet, just as critically, we prepare internal plans, budgets, and reports so we can benchmark progress against objectives, compare to best practices, and make decisions about capital, such as where to employ it and whether to increase it, decrease it,

or harvest it.

Our job doesn't stop there: We analyze cost behavior as fixed or variable; we use contribution accounting and value-added measurements; we analyze causes of variances from plans and standards. We use techniques related to the time value of money, such as discounted cash flow to measure cash flows. We identify risk and avenues of risk mitigation, evaluate the effectiveness of strategy, and measure the realization of goals and objectives and, ultimately, the performance of management. We also use quantitative tools, such as regression analysis, simulations, and more.

When we use all of these tools effectively as management accountants, organizations make better decisions (even if those decisions mean shutting down an operation, leaving a line of business, or exiting a business entirely), use resources more wisely, deploy capital more efficiently, and create value and wealth.

When wealth is created, there's more to work with. On a business level, entities grow and expand. This leads to change on a personal level, where career opportunities develop, earnings improve, profes-

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sional and personal goals are realized, families thrive, travel increases, and a more robust retirement is possible. On a community level, schools are built, communities of faith grow, healthcare improves, and there are greater opportunities for recreation.

Your role as a management accountant is a valuable one. All of us have a responsibility to continue to assure the highest level of quality in our profession. Each of us should seek to:

- ◆ Develop competency in the field—get into a CMA® program.
- ◆ Demonstrate this competency—obtain the CMA certification.
- ◆ Maintain and sharpen this competency—learn through continuing education.
- ◆ Foster this competency in the profession—associate with like-minded individuals.
- ◆ Help ensure the strength of the discipline—affiliate with IMA communities, and become active in chapters and councils.

I leave you with this thought: Your skills, your chapter, your council, and your IMA are important, and they are as good as you make them.

Please share your thoughts with me at wknese@imanet.org. **SF**

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