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## Managerial accounting and decision making, in energy industry

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### Abstract

Managerial Accounting is the branch of accounting that supports company management in planning, decision making, control and analysis. Effective use of this tool by operational management will ensure profitable growth and business optimization. For making business decisions, business owners or managers need financial and economic information relevant and structured according to their needs and analysis of information resources and business results.

But financial statements provided by accounting professionals are hard to be understood, as economic content, and are insufficient for understanding the sources of income and loss of business or to identify ways to stabilize financial and economic optimization of business. It is therefore, necessary to develop managerial accounting business, which means: developing a system for recording financial and non-financial information according to the needs of business management, to monitor sources of income and losses of the business, developing initial reports, analyzes and dashboards on revenues and costs, debts and liabilities, receipts and disbursements, funding needs and sources of business; continuous adaptation of management.

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### 1. Introduction - What is management accounting?

National Association of Accountants of the United States issued its first definition in 1981 with the document entitled Defining Management Accounting, which management accounting defined as: "... The process of identifying, measuring, accumulation, analysis, preparation, interpretation, and communication of financial information used by management to plan, evaluate, and control organization and ensure proper use and management responsibility resources. Management Accounting also includes the preparation of financial reports for non-management groups such as shareholders, creditors, regulatory agencies and tax authorities".

Therefore, managerial accounting is concerned with providing information to managers. People are within an organization, leading and controlling its operations. In contrast, financial accounting concerns the provision of information to shareholders, creditors, and those who are outside, or other organizations.

Still, financial accounting and managerial accounting are providing the most important information for business.

In business management, but requires management accounting information. Every organization which are large or small – as managers. Someone must be responsible for developing plans, organizing, resources, and personnel

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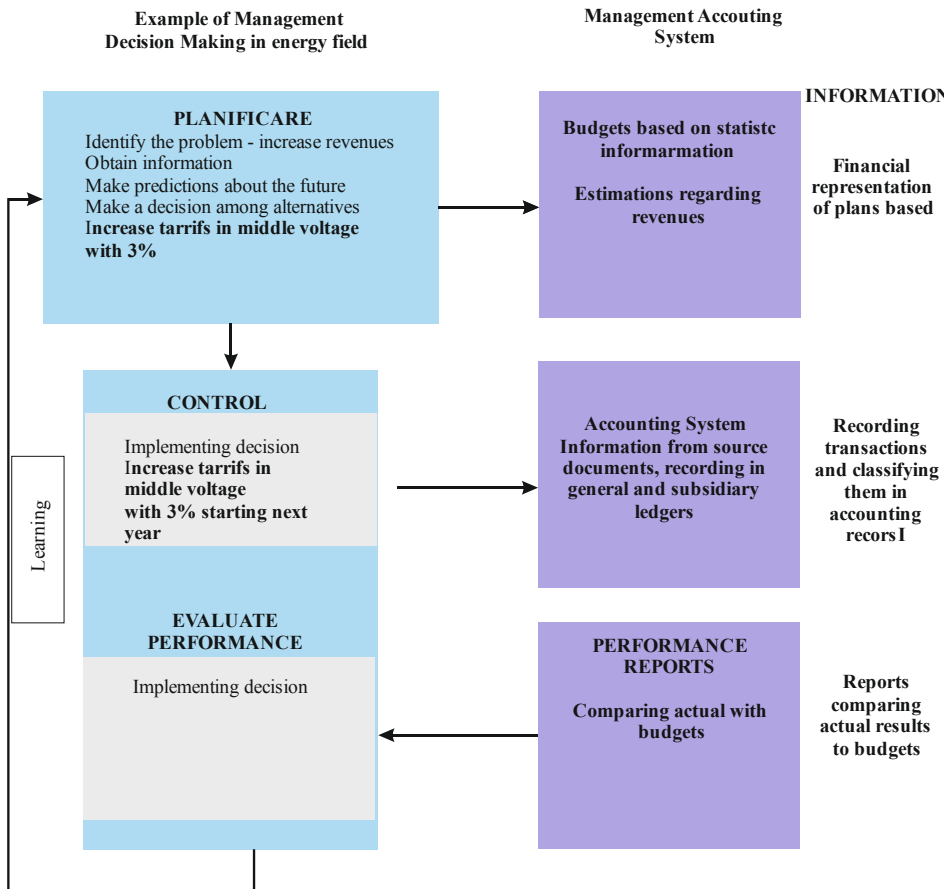
management and operations control. It takes planning. The first step in planning is to identify alternatives and then to select the best alternatives to promote the objective of the organization.

In addition to planning for the future, managers must monitor daily activities and maintain an order for the organization to function smoothly. This requires the ability to effectively motivate and coordinate people. In the performance of control, managers try to ensure that the plan is followed. Feedback, send signals that transactions are on the right path and is the key to effective control. Sophisticated organizations this feedback is ensured detailed reports of various kinds. One of these reports, which compare actual results versus budget called Performance Report. The performance emphasizes that operations are not carried out as planned and which parts of the organization may require further attention.

What does it mean to manage finally? To manage requires: vision, leadership and ability to mobilize financial and human resources. Also, being, a manager requires being the decision maker and for good results is required good decision making.

## 2. Decision making process

Figure 1. Decision Making in energy field



Decision making process is a process of creating value for business, through planning, controlling and evaluating performance.

Business value results from good management decision. Quality decision making can only consistently occur by reliance on valuable information. So, the relevance of managerial accounting is crucial for success of a manager and for success of a company or organization.

### 3. Management accounting in comparison with financial accounting

Financial accounting reports are prepared for the use of external parties such as shareholders and creditors.

Financial accountants maintain the bookkeeping system of nominal ledger, purchase ledger, sale ledger, etc, and prepare financial statements as required by the law and accounting standards. Information produced from the financial accounting system is usually insufficient for management's need.

Managerial accounting reports are prepared for manager inside the organization.

Managerial accounting is a system for recording data and producing information for strategic or operational decisions.

Both are very important, because are providing valuable information for management.

Figure 2. Management accounting versus financial accounting

	<b>Management Accounting</b>	<b>Financial Accounting</b>
<b>Purpose of information</b>	Help managers to make decision to fulfil the organisation's goals	Communicate organisation's financial position: investors, banks, regulators and other external
<b>Primary users</b>	Managers of the organisation	External users
<b>Focus and emphasis</b>	Future - oriented	Past oriented
<b>Rules of measurement and reporting</b>	Internal measures and reports	Financial statements must be prepared according Accounting Law
<b>Behaviour implications</b>	Designed to influence behaviour of manager and employees	Primarily reports economic events, but has influence, also, on employees, as often employees are paid function economic results of the company
<b>Information for management</b>	Is based on primary accounting information and is providing information.	Is based on primary accounting information and is providing information.

### 4. Planning, directing, motivating, controlling

The first step in planning is to identify alternatives and then to select from among the alternatives the one that des the best job of furthering organization's objective. First of all a business must plan for success. Planning must occur at all levels. First it occurs at the high level of setting strategy. Planning, finnaly must be undertaken thrugh budgeting, to see perspective of financial realities.

In addition to planning for the future, managers must oversee day-to-day activities.

In carrying out the control function, managers seek to ensure that the plan is being followed. Feedback, which signals whether operations are on track, is the key to effective control. Things rarely go exactly as planned, so management must make a concerted effort to monitor and adjust any deviation, in order to reach the target, no matter the constraints.

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