DOWNLOAD PDF CHARACTERISTICS OF MANAGEMENT ACCOUNTING INFORMATION

Chapter 1 : Management accounting - Wikipedia

Management accounting fixes the standard for various business activities on the basis of the historical information provided by the financial accounting. Actual performance is recorded to compare the actual with standard.

The following points highlight the top eleven characteristics of accounting information. Relevance is closely and directly related to the concept of useful information. In general, information that is given greater weight in decision-making is more relevant. It means that information relevant for one purpose may not be necessarily relevant for other purposes. Information that is not relevant, is useless because that will not aid users in making decisions. A necessary test of the relevance of reportable data is the ability to predict events of interest to statement users. To say that accounting information has predictive value is not to say that it is itself a prediction. Predictive value here means value as an input into a predictive process, not value directly as a prediction. Users can be expected to favour those sources of information and analytical methods that have the greatest predictive value in achieving their specific objectives. In judging relevance of general purpose information, attention is focused on the common needs of users and specific needs of particular users will not be considered in this relevance judgement. It is difficult to prepare a general purpose report which may provide optimal information for all possible users and which may command universal relevance. However, this has been recognised a potentially satisfactory solution. To conclude, relevance is the dominant criterion in taking decisions regarding information disclosure. It follows that relevant information must be reported Relevance has been defined in accounting literature, but no satisfactory set of relevant items of information has been suggested. In this regard, an important task is to determine the needs of user s and the terms of information that are relevant to target user s. Reliability is described as one, of the two primary qualities relevance and reliability that make accounting information useful for decision-making. Reliable information is required to form judgements about the earning potential and financial position of a business firm. Reliability differs from item to item. Some items of information presented in an annual report may be more reliable than others. For example, information regarding plant and machinery may be less reliable than certain information about current assets because of differences in uncertainty of realisation. Reliability is that quality which permits users of data to depend upon it with confidence as representative of what it purports to represent. The reliability of a measure rests on the faithfulness with which it represents what it purports to represent, coupled with an assurance for the user that it has that representational quality. To be useful, information must be reliable as well as relevant. Degrees of reliability must be recognised. It is hardly ever a question of black or white, but rather of more reliability or less. Reliability rests upon the extent to which the accounting description or measurement is verifiable and representationally faithful. Neutrality of information also interacts with those two components of reliability to affect the usefulness of the information. FASB USA finds that it is not always easy to maintain a clear distinction between relevance and reliability, yet it is important to try to keep the two concepts apart. It could mean that the drug can be relied on to cure or alleviate the condition for which it was prescribed, or it could mean that a dose of the drug can be relied on to conform to the formula shown on the label. The first meaning implies that the drug is effective at doing what it is expected to do. The second meaning implies nothing about effectiveness but does imply a correspondence between what is represented on the label and what is contained in the bottle. Accounting measurements, like others, may be subject to error. A continuing source of misunderstanding about accounting information and measurements is the tendency to attribute to them a level of precision which is not practicable or attainable. The possibility of error in measuring information and business events may create difficulty in attaining high degree of reliability. Thus, measurement constraints in accounting place restriction on the accuracy and reliability of information. Adequate disclosure in annual reports, however, requires that users should be informed about the data limitations and the magnitude of possible measurement errors. The reliability concept does not imply per cent reliability or accuracy. Non-disclosure of limitations attached with information will mislead the users. It is the responsibility of management to report reliable information in annual reports. If corporate management decides to disclose uncertainties and assumptions in annual reports, they will increase the value of the information expressed therein. Relevance and reliability are the two primary characteristics that make accounting information useful for decision-making. Ideally, financial reporting should produce information that is both more reliable and more relevant. In some situations, however, it may be necessary to sacrifice some of one quality for a gain in another. Reliability and relevance often impinge upon each other. Reliability may suffer when an accounting method is changed to gain relevance, and vice versa. Sometimes it may not be clear whether there has been a loss or gain either of relevance or of reliability. The introduction of current cost accounting will illustrate the point. Proponents of current cost accounting believe that current cost income from continuing operations is a more relevant measure of operating performance than is operating profit computed on the basis of historical costs. They also believe that if holding gains and losses that may have accrued in past periods are separately displayed, current cost income from continuing operations better portrays operating performance. The uncertainties surrounding the determination of current costs, however, are considerable, and variations among estimates of their magnitude can be expected. Because of those variations, verifiability or representational faithfulness components of reliability, might diminish. Whether there is a net gain to users of the information obviously depends on the relative weights attached to relevance and reliability assuming, of course, that the claims made for current cost accounting are accepted. It has also been argued that there is no conflict between relevance and reliability concepts when applied to financial accounting and reporting. For example, Stanga concludes in his study that financial accounting concepts of relevance and reliability are complementary rather than conflicting in nature. That is, increases in relevance tend to be associated with increases in reliability and vice versa. The results of the study do not support that a substantial amount of one quality must necessarily be sacrificed or traded off in order to enhance the value of the other. Instead, both qualities may be enhanced simultaneously. An implication is that accounting researchers and policy-makers should not be content with merely trying to improve the relevance of accounting disclosures. Resources must also be directed toward the development and perfection of methods designed to enhance the reliability of accounting measurements. Understandability is the quality of information that enables users to perceive its significance. The benefits of information may be increased by making it more understandable and hence useful to a wider circle of users. Presenting information which can be understood only by sophisticated users and not by others, creates a bias which is inconsistent with the standard of adequate disclosure. Presentation of information should not only facilitate understanding but also avoid wrong interpretation of financial statements. The Corporate Report observes: It does mean that judgement needs to be applied in holding the balance between the need to ensure that all material matters are disclosed and the need to avoid confusing users by the provision of too much detail. Understandability calls for the provision, in the clearest form, of all the information which the reasonably instructed reader can make use of and the parallel presentation of the main features for the use of the less sophisticated. Understandability and other qualifies of the information , should be determined in terms of broad classes of users decision-makers rather than particular user groups. That is, accounting information should not be limited to the interests of the average investor or sophisticated users but, in fact, information should be ordered and arrayed to serve a broad range of users. Economic decision requires making choice among possible courses of actions. In making decisions, the decision-maker will make comparisons among alternatives, which is facilitated by financial information. Comparability implies to have like things reported in a similar fashion and unlike things reported differently. Comparable financial accounting information presents similarities and differences that arise from basic similarities and differences in the enterprise or enterprises and their transactions, and not merely from difference in financial accounting treatment. Information, if comparable, will assist the decision-maker to determine relative financial strengths and weaknesses and prospects for the future, between two or more firms or between periods in a single firm. Also, because there are different accounting practices to describe basically similar activities. Two corporate managements may view the similar risk, uncertainty, benefit or sacrifice in different fashions and, thus, this would lead to different implications of financial statements. With information that facilitates interpretation, users are able to compare and assess the results of similar transactions and other events among enterprises. Efforts, therefore, should be directed towards developing accounting standards to be applied in appropriate circumstances to facilitate comparisons and interpretation of data: Consistency of method over a period of time is a valuable quality that makes accounting numbers more useful. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data. It is relatively unimportant to the investor what precise rules or conventions are adopted by a company in reporting its earnings, if he knows what method is being followed and is assured that it is followed consistently from year to year. Lack of consistency produces lack of comparability. The value of inter-company comparisons is substantially reduced when material differences in income are caused by variations in accounting practices. The quality of consistency can be applied in different situations, e. If a change in accounting practices or procedures is made, disclosure of the change and its effects permits some comparability, although users can rarely make adjustments that make the data completely comparable. Consistency in the use of accounting procedures over a period is a user constraint, otherwise there would be difficulty in making predictions. If different measurement procedures are adopted, it is difficult to predict trends in earning power or financial position of a company. Although consistency in the use of accounting principles from one accounting period to another is a desirable quality, but it, if pushed too far, will prove a bottleneck for bringing about improvements in accounting policies, practices, and procedures. No change to a preferred accounting method can be made without sacrificing consistency; there is no way that accounting can develop without change. Thus, consistency and uniformity in accounting methods would not necessarily bring comparability. Instead of enforced uniformity, accounting standards should be developed which would be best or preferred methods in most cases. Such accounting standards should be followed unless there is a compelling reason why they will not provide a correct and useful reflection of business operations and results. Also, full disclosure should be made of the alternative method applied and, whenever practical, of the monetary difference resulting from deviations from the standard. To conclude, consistency is desirable, until a need arises to improve practices, policies, and procedures. Neutrality means that, in formulating or implementing standards, the primary concern should be the relevance and reliability of the information that results, not the effect that the new rule may have on a particular interest or user s. A neutral choice between accounting alternatives is free from bias towards a predetermined result. Therefore, accounting facts and accounting practices should be impartially determined and reported with no objective of purposeful bias toward any user or user group. If there is no bias in selection of accounting information reported, it cannot be said to favour one set of interests over another. It may, in fact, favour certain interests, but only because the information points that way. To say that information should be free from bias is not to say that standards setters or providers of information should not have a purpose in mind for financial reporting.

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Chapter 2 : What Are the Qualitative Characteristics of Accounting Information? | Bizfluent

Management accounting is often referred to as "managerial accounting" or "cost accounting". The reports prepared show the cash the company has in hand, the sales amounts, amount of sales returns, the purchases of materials, the purchase returns, the value of the work-in-progress and the payables and receivables.

The Characteristics of Management Accounting by Prasanna Raghavendra - Updated September 26, Management accounting is a process through which a company prepares reports for the top management. The company bases its major executive decisions on these reports. Management accounting facilitates short-term decision-making. The reports prepared show the cash the company has in hand, the sales amounts, amount of sales returns, the purchases of materials, the purchase returns, the value of the work-in-progress and the payables and receivables. Financial statements are prepared for both the management as well as external stakeholders such as the investors, the creditors and the government. These reports are never furnished to the public. The purview of management accounting is smaller than that of financial accounting. These reports are always for internal decision-making purposes. End Objectives Management accounting involves identifying, measuring, accumulating, analyzing, preparing and communicating vital financial information to the management. The management uses this information for planning and controlling their activities. Management accounting is always object-oriented. For example, managers use this information for reviewing the amount of cash they have in hand and then they devise strategies to make optimum utilization of the cash. Video of the Day Brought to you by Techwalla Brought to you by Techwalla Short-Term Reports Management accounting prepares reports that are always short term in nature. The reports may be prepared every day, week or fortnight. For example, if the company is receiving a lot of returns after it sells its finished product, it means there is something wrong with the product. The company then reviews the product and rectifies the anomalies. Unit-Wise Accounting Financial accounting pertains to the company as a whole whereas management accounting is used for every subunit in the organization. For example, the production department of the company may prepare ts own management accounts and the marketing department its own accounts. Management accounting analyzes each unit as a strategic business unit in itself and analyzes its profitability and cost features. This way the company is able to take measures to align all units to the broader organizational picture. Management Accounting About the Author Prasanna Raghavendra has been writing professionally since He has several published articles on websites such as eHow, 12manage, freelancejobs. Prasanna holds a Master of Business Administration in finance and management from the Management Development Institute, India, where he was given the most outstanding student award. Cite this Article A tool to create a citation to reference this article Cite this Article.

Chapter 3 : Features of Management Accounting

*Characteristics of management accounting: It is a matter of fact that management accounting is the backb for every firm. *It assists the management of the organization through providing the relevant and accurate information at the right time for taking rational designs to short out business problems â€Ž.*

Managerial accounting is associated with higher value, more predictive information. From this, data and estimates emerge. Cost accounting is the process of translating these estimates and data into knowledge that will ultimately be used to guide decision-making. Strategic management â€” advancing the role of the management accountant as a strategic partner in the organization Performance management â€” developing the practice of business decision-making and managing the performance of the organization Risk management â€” contributing to frameworks and practices for identifying, measuring, managing and reporting risks to the achievement of the objectives of the organization The Institute of Certified Management Accountants CMA states, "A management accountant applies his or her professional knowledge and skill in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation of the undertaking". Management accountants are seen as the "value-creators" amongst the accountants. They are more concerned with forward looking and taking decisions that will affect the future of the organization, than in the historical recording and compliance score keeping aspects of the profession. Management accounting knowledge and experience can be obtained from varied fields and functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing and logistics. Please help improve this article by adding citations to reliable sources. Unsourced material may be challenged and removed. March Learn how and when to remove this template message Management accounting information differs from financial accountancy information in several ways: Financial accounting focuses on the company as a whole. Management accounting provides detailed and disaggregated information about products, individual activities, divisions, plants, operations and tasks. Traditional versus innovative practices[edit] Managerial costing time line [7] Used with permission by the author A. The distinction between traditional and innovative accounting practices is illustrated with the visual timeline see sidebar of managerial costing approaches presented at the Institute of Management Accountants Annual Conference. Traditional standard costing TSC , used in cost accounting , dates back to the s and is a central method in management accounting practiced today because it is used for financial statement reporting for the valuation of income statement and balance sheet line items such as cost of goods sold COGS and inventory valuation. Traditional standard costing must comply with generally accepted accounting principles GAAP US and actually aligns itself more with answering financial accounting requirements rather than providing solutions for management accountants. Traditional approaches limit themselves by defining cost behavior only in terms of production or sales volume. In the late s, accounting practitioners and educators were heavily criticized on the grounds that management accounting practices and, even more so, the curriculum taught to accounting students had changed little over the preceding 60 years, despite radical changes in the business environment. In , the Accounting Education Change Commission Statement Number 4 [8] calls for faculty members to expand their knowledge about the actual practice of accounting in the workplace. Variance analysis is a systematic approach to the comparison of the actual and budgeted costs of the raw materials and labour used during a production period. While some form of variance analysis is still used by most manufacturing firms, it nowadays tends to be used in conjunction with innovative techniques such as life cycle cost analysis and activity-based costing, which are designed with specific aspects of the modern business environment in mind. Both lifecycle costing and activity-based costing recognize that, in the typical modern factory, the avoidance of disruptive events such as machine breakdowns and quality control failures is of far greater importance than for example reducing the costs of raw materials. Activity-based costing also de-emphasizes direct labor as a cost driver and concentrates instead on activities that drive costs, as the provision of a service or the production of a product component. RCA has been recognized by the International Federation of Accountants IFAC as a "sophisticated approach at the upper levels of the continuum of costing techniques" [11] The approach provides the ability to derive costs directly from operational resource data or to isolate and measure unused capacity costs. RCA was derived by taking costing characteristics of GPK, and combining the use of activity-based drivers when needed, such as those used in activity-based costing. Role within a corporation[edit] Consistent with other roles in modern corporations, management accountants have a dual reporting relationship. The activities management accountants provide inclusive of forecasting and planning, performing variance analysis, reviewing and monitoring costs inherent in the business are ones that have dual accountability to both finance and the business team. Examples of tasks where accountability may be more meaningful to the business management team vs. Conversely, the preparation of certain financial reports, reconciliations of the financial data to source systems, risk and regulatory reporting will be more useful to the corporate finance team as they are charged with aggregating certain financial information from all segments of the corporation. In corporations that derive much of their profits from the information economy , such as banks, publishing houses, telecommunications companies and defence contractors, IT costs are a significant source of uncontrollable spending, which in size is often the greatest corporate cost after total compensation costs and property related costs. A function of management accounting in such organizations is to work closely with the IT department to provide IT cost transparency. Specific methodologies[edit] Activity-based costing ABC [edit] Activity-based costing was first clearly defined in by Robert S. Bruns as a chapter in their book Accounting and Management: A Field Study Perspective. They initially focused on the manufacturing industry, where increasing technology and productivity improvements have reduced the relative proportion of the direct costs of labor and materials, but have increased relative proportion of indirect costs. For example, increased automation has reduced labor, which is a direct cost, but has increased depreciation, which is an indirect cost. Grenzplankostenrechnung GPK [edit] This section may lend undue weight to certain ideas, incidents, or controversies. Please help to create a more balanced presentation. Discuss and resolve this issue before removing this message. August Main article: Grenzplankostenrechnung GPK Grenzplankostenrechnung is a German costing methodology, developed in the late s and s, designed to provide a consistent and accurate application of how managerial costs are calculated and assigned to a product or service. The term Grenzplankostenrechnung, often referred to as GPK, has best been translated as either marginal planned cost accounting [14] or flexible analytic cost planning and accounting. GPK is published in cost accounting textbooks, notably Flexible Plankostenrechnung und Deckungsbeitragsrechnung [16] and taught at German-speaking universities. Lean accounting accounting for lean enterprise [edit] Main article: Lean accounting In the mid- to lates several books were written about accounting in the lean enterprise companies implementing elements of the Toyota Production System. The term lean accounting was coined during that period. These books contest that traditional accounting methods are better suited for mass production and do not support or measure good business practices in just-in-time manufacturing and services. Resource consumption accounting RCA [edit] Main article: Resource Consumption Accounting Resource consumption accounting RCA is formally defined as a dynamic, fully integrated, principle-based, and comprehensive management accounting approach that provides managers with decision support information for enterprise optimization. Throughput accounting The most significant recent direction in managerial accounting is throughput accounting; which recognizes the interdependencies of modern production processes. For any given product, customer or supplier, it is a tool to measure the contribution per unit of constrained resource. Transfer pricing Management accounting is an applied discipline used in various industries. The specific functions and principles followed can vary based on the industry. Management accounting principles in banking are specialized but do have some common fundamental concepts used whether the industry is manufacturing-based or service-oriented. For example, transfer pricing is a concept used in manufacturing but is also applied in banking. It is a fundamental principle used in assigning value and revenue attribution to the various business units. Essentially, transfer pricing in banking is the method of assigning the interest rate risk of the bank to the various funding sources and uses of the enterprise. The treasury department will also assign funding credit to business units who bring in deposits resources to the bank. Although the funds transfer pricing process is primarily applicable to the loans and deposits of the various banking units, this proactive is applied to all assets and liabilities of the business segment. Once transfer pricing is applied and any other management accounting entries or adjustments are posted to the ledger which are usually memo accounts and are not included in the legal entity results , the business units are able to produce segment financial results which are used by both internal and external users to evaluate performance. A company may also have research and training materials available for use in a corporate owned library. This is more common in Fortune companies who have the resources to fund this type of training medium. There are also journals, online articles and blogs available. The degree of complexity relative to these activities are dependent on the experience level and abilities of any one individual. Rate and volume analysis.

Chapter 4 : 8 Characteristics of Good Management Information Systems â€“ Explained!

Management accounting information should comply with a various number of characteristics including verifiability, objectivity, timeliness, comparability, reliability, understandability and relevance if it is to be useful in planning, control and decision-making.

Meaning, Limitations and Scope Article shared by: In this article we will discuss about Management Accounting: Meaning of Management Accounting 2. Limitations of Management Accounting 3. Meaning of Management Accounting: Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and the day-to-day operation of an undertaking. Thus, it relates to the use of accounting data collected with the help of financial accounting and cost accounting for the purpose of policy formulation, planning, control and decision-making by the management. Management accounting links management with accounting as any accounting information required for taking managerial decisions is the subject matter of management accounting. Some leading definitions of Management Accounting are given below: Management Accountancy is the blending together into a coherent whole, financial accounting, cost accountancy and all aspects of financial management. Limitations of Management Accounting: The origin of management accounting can be traced to overcome the limitations of financial accounting and cost accounting. Financial accounting is very useful to the different categories of persons but it suffers from the following limitations: Financial accounting is of historical nature. It does not provide the necessary information to the management for planning, control and decision-making. It does not tell how to increase the profit and maximize the return on the capital employed. In financial accounting assets and properties are recorded at their cost. No effect of changes in their value is recorded in the books after its acquisition. Thus, it has nothing to do with their realizable or replaceable value. In financial accounting data relating to cost is not available according to different products or jobs or processes in order to judge the profitability of each. Information regarding wastages and losses is also not available from the financial accounts. It is also difficult to fix the prices of the products without the availability of a detailed analysis of costs which is not available in financial accounts. Costs cannot be controlled through financial accounting as there is no provision for corrective action because of expenses being recorded after their incurrence. No technique to check the reasonableness of any expenditure or no system for fixing definite responsibility on any authority for wastage or excessive expenditure is available in financial accounting. There is no device in financial accounting by which the actual progress can be measured against the targets in order to evaluate the business policies and plans, to know the reasons for deviations and how to correct them, if need be. As the data available is of historical nature, the financial accounting is not of much help to the management in selecting a profitable alternative. There are many situations where management is required to take decisions but information provided by financial accounting is not adequate. Financial accounting is highly technical in nature. Financial accounts can be prepared and interpreted only by those persons who possess adequate knowledge of accounting concepts and conventions and are well conversant to the practice of accounting. Though cost accounting came into existence to remove the limitations of financial accounting but its scope as compared to management accounting is limited as it deals primarily with the cost data. In actual practice, cost accountants are doing the jobs of management accountants. Further, most of the techniques of management accounting are also being used by the cost accountants. That is why; management accounting is treated as extension of cost accounting. But for our purpose of study we treat the management accounting more broad as compared to cost accounting as management accounting, includes many more aspects of the study besides the cost accounting. Thus, the science of accounting is not in a finished state. It is in the process of evolution. The role of accounting has changed after the Second World War. Now, it is not a mere recording of business transactions in the books of original entry, then classifying them into the ledger and finally summarizing them by preparing the profit and loss account and balance sheet as is done in financial accounting or calculation and control of cost as is done in cost accounting. Rather accounting helps in forecasting, planning and controlling the business events and taking managerial decisions. Keeping this in view a new branch of accounting known as Management Accounting has been developed to cope with the limitations of financial accounting and cost accounting. Characteristics of Management Accounting: Following points may be noted in this respect: Management Accounting is a technique of selective nature. It takes into consideration only that data from the income statement and position state merit which is relevant and useful to the management. Only that information is communicated to the management which is helpful for taking decisions on various aspects of the business. The management accountant is not taking any decision bu.: It can inform but cannot prescribe. It is just like a map which guides the traveller where he will be if he travels in one direction or another. Much depends on the efficiency and wisdom of the management for utilizing the information provided by the management accountant. Management accounting unlike the financial accounting deals with the forecast with the future. It helps in planning the future because decisions are always taken for the future course of action. Management accounting helps in analysing the reasons as to why the profit or loss is more or less as compared to the past period. Moreover, it tries to analyse the effect of different variables on the profits and profitability of the concern. Management accounting will not provide information in a prescribed proforma like that of financial accounting. It provides the information to the management in the form which may be more useful to the management in taking various decisions on the various aspects of the business. Scope of Management Accounting: The scope of management accounting is very wide and broad-based. It includes all information which is provided to the management for financial analysis and interpretation of the business operations. Following field of activities are included in the scope of this subject: Financial accounting though provides historical information but is very useful for future planning and financial forecasting. Designing of a proper financial accounting system is a must for obtaining full control and co-ordination of operations of the business. It provides various techniques of costing like marginal costing, standard costing, differential and opportunity cost analysis, etc. Forecasting on the various aspects of the business is necessary for budgeting. Budgetary control controls the activities of the business through the operations of budget by comparing the actual with the budgeted figures, finding out the deviations, analysing the deviations in order to pinpoint the responsibility and take remedial action so that adverse things may not happen in future. Both the techniques are necessary for management accountant. These procedures are integral part of the management accounting process and includes inventory control, cost control, labour control, budgetary control and variance analysis, etc. The management accountant is required to submit reports to the management on the various aspects of the undertaking. While reporting, he may use statistical tools for presentation of information as graphs, charts, pictorial presentation, index numbers and other devices in order to make the information more impressive and intelligent. It includes in its study all those methods and procedures which help the concern to use its resources in the most efficient and economical manner. It undertakes special cost studies and estimations and reports on cost volume profit relationship under changing circumstances. It is an integral part of management accounting and includes preparation of income statement, determination of taxable income and filing up the return of income etc. Management accounting includes the internal control methods like internal audit, efficient office management, etc. Management accounting is closely related to the interpretation of financial data to the management and advising them on decision-making. The management accountant may be required to maintain and control office services in some organizations. This function includes data processing, reporting on best use of mechanical and electronic devices, communication, etc. Management accounting provides methods and techniques for evaluating the performance of the management. It evaluates the performance of the management in the light of the objectives of the organisation. Thus, it helps in the implementation of the principle of management by exception. It, therefore, can be said that management accounting services not only as a tool in the hands of the management for evaluation; the performance of its subordinates, but also provides methods and techniques for evaluating the performance of the management itself.

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Chapter 5 : What are the characteristics of management accounting? - calendrierdelascience.com Specialt

In order to be useful to the user, accounting information should have the following characteristics: Prepared calendrierdelascience.com accountant should record and report on accounting transactions from a neutral perspective, without any bias that would give the reader an incorrect impression about the financial position, results, or cash flows of a business.

Any form of accounting which enables a business to conduct more efficiently can be regarded as Management Accounting. American Accounting Association defines management accounting as: Management Accounting includes the methods and concepts necessary for effective planning, for choosing among alternative business actions, and for control through the evaluation and interpretation of performance. Characteristics of Management Accounting Management accounting provides data to the management on the basis of which they take decisions to achieve organizational goals and improve their efficiency. In this section, we will discuss the main characteristics of management accounting. To Provide Accounting Information Information is collected and classified by the financial accounting department, and presented in a way that suits managerial needs to review the various policy decisions of an organization. Cause and Effect Analysis One step further from financial accounting, management accounting works to know the reasons of profit or loss of an organization. It works to find out the causes for loss and also study the factors which influence the profitability. Therefore, cause and effect is a feature of management accounting. Special Technique and Concepts Budgetary control, marginal costing, standard costing are main techniques used in financial accounting for successful financial planning and analysis, and to make financial data more useful. Decision Making Studying various alternative decisions, studying impact of financial data on future, supplying useful data to management, helping management to take decisions is a part of management accounting. Achieving Tasks Financial data is used to set targets of the company and to achieve them. Corrective measures are used if there is any deviation in actual and targeted task. This all is done through management accounting with the help of budgetary control and standard costing. No Fixed Norms No doubt, tools of management accounting are same, but at the same time; uses of these tools depend upon need, size, and structure of any organization. Thus, no fix norms are used in application of management accounting. On the other hand, financial accounting totally depends on certain rules and principals. Therefore, presentation and analysis of accounting data may vary from one organization to another. Increasing Efficiency While evaluating the performance of each department of an organization, management accounting can spot the efficient and inefficient sections of an organization. With the help of that, corrective step can be taken to rectify the inefficient part for better performance. Hence, we can say that efficiency of a concern can increase using accounting information. Informative Instead of Decision Making Decisions are taken only by top management using information provided by management accountant as classified in a manner which is useful in decision making. Decision making does not come under preview of accountant, it is only the top management, who can take decision. Thus, decision of an organization depends on caliber and efficiency of the management. Forecasting Management accountant helps management in future planning and forecasting using historical accounting data. Objectives of Management Accounting Let us go through the objectives of management accounting: Planning and Formulating Policies In the process of planning and formulating policies, a management accountant provides necessary and relevant information to achieve the targets of the company. Management accounting uses regression analysis and time series analysis as forecasting techniques. Controlling Performance In order to assure effective control, various techniques are used by a management accountant such as budgetary control, standard costing, management audit, etc. Management accounting provides a proper managerial control system to the management. Reports are provided to the management regarding the effective and efficient use of resources. Interpreting Financial Statement Collecting accounting data and analyzing the same is a key role of management accounting. Management accounting provides relevant information in a systematic way that can be used by the management in planning and decision-making. Cash flow, fund flow, ratio analysis, trend analysis, and comparative financial statements are the tools normally used in management accounting to interpret and analyze accounting data. Motivating Employees Management accounting provides a selection of best alternative methods of doing things. It motivates employees to improve their performance by setting targets and starting incentive schemes. Making Decisions Success of any organization depends upon accurate decision-making and effective decision-making is based on informational network as provided by management accounting. Applying techniques of differential costing, absorption costing, marginal costing, and management accounting provides useful data to the management to aid in their decision-making. Reporting to Management It is the primary role of management accounting to inform and advice the management about the latest position of the company. It covers information about the performance of various departments on regular basis to the management which is helpful in taking timely decisions. A management accountant also works in the capacity of an advisory to overcome any existing financial or other problems of an organization. Coordinating among Departments Management accounting is helpful in coordinating the departments of an organization by applying thorough functional budgeting and providing reports for the same to the management on a regular basis. Administrating Tax Any organization must comply with the tax systems prevailing in the country they are operating from. It is a challenge due to the ever-increasing complexity of the tax structure. Organization need to file various kinds of returns with different tax authorities. They need to calculate the correct amount of tax and assure timely deposit of tax. Therefore, the management takes guidance from management accountants to comply with the law of the land.

DOWNLOAD PDF CHARACTERISTICS OF MANAGEMENT ACCOUNTING INFORMATION

Chapter 6 : Qualitative Characteristics of Financial Information

Generally Accepted Accounting Principles (U.S. GAAP) A set of accounting rules that must be followed to provide consistency in reporting financial information to external users., a set of accounting rules that requires consistency in recording and reporting financial information. This information typically summarizes overall company results and.

Generally Accepted Accounting Principles U. GAAP Time horizon Future projections sometimes historical if in detail Historical information Often presents segments of an organization e. What did the president at Sportswear Company learn about product profitability from the information provided by the managerial accountant? There are many issues associated with determining product profitability, including how to allocate costs that are not easily traced to each product and whether the product revenue and cost information is accurate enough to make important managerial decisions. These important issues will be addressed throughout the book. Key Takeaway Financial accounting provides historical financial information for external users in accordance with U. Managerial accounting provides detailed financial and nonfinancial information for internal users who use the information for decision making, planning, and control purposes. Provide one example of a financial accounting report that would be useful to you and your co-owner. Provide two examples of managerial accounting reports that would be useful to you as the manager. Provide two examples of nonfinancial measures used by a pizza eatery that serves food in the restaurant and offers delivery services. For each report listed in the following, indicate whether it relates to financial or managerial accounting. Explain the reasoning behind your answer for each item. Projected net income for next quarter by division Defective goods produced as a percentage of all goods produced Income statement for the most current year, prepared in accordance with U. GAAP Monthly sales broken down by geographic region Production department budget for the next quarter Balance sheet at the end of the current year, prepared in accordance with U. All are prepared in accordance with U. Managerial accounting reports prepared for managers might include a quarterly budget for revenues and expenses for each segment of the business e. There are many correct answers to this problem. These are just a few examples. The answers appear as follows. Be sure you explained your answers. Managerial accountingâ€"information is for future projections and involves segments of the company Managerial accountingâ€"nonfinancial detailed measure of defective products Financial accountingâ€"historical information prepared in accordance with U. GAAP Managerial accountingâ€"detailed information provided monthly Managerial accountingâ€"information is for future projections and involves a segment of the company Financial accountingâ€"historical information prepared in accordance with U.

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Chapter 7 : Management Accounting Introduction

These qualities make accounting information understandable and useful for decision and reporting purposes: the goal of financial reporting is to provide useful information to current and potential investors, creditors, and other users of accounting information (e.g., government, standard-setting bodies) to make investment, credit, and other.

This paper highlights the characteristics and important quality factors of management accounting information system should have to be useful for management decision-making process. Survey for the study has been conducted in the medium and large- sized printing companies in Ethiopia with over 30 employees or annual sales 1. Stratified random sampling approach was used for sample selection. A triangulated approach to data collection was adopted in this study utilizing a mail and hand delivered survey followed by a number of semi structured interviews. The results for the study indicate that managers perceived all four dimensions information to be useful to them. Information, in one form or another, is central to many processes within organizations. Information development is essential for improving or developing new contexts to support management and decision making Lee, Strong et al. Its importance derives from the contribution it makes to the coordination and control of organizational activities and through the part it plays in support of decision-making. Furthermore, management information is important in organizations as it requires quality information, to improve the efficiency and effectiveness of their operations for higher profitability and increased productivity. The management accounting information systems communicate the significance of financial goals within the organization. The information issued provides a basis for assessing performance against targets and is often an important input to management decisions Banbury, Naphiet Effective decision making demands accurate, timely and relevant information. The quality of the accounting services depends on the quality of the 2 Journal of Radix International Educational and Research Consortium www. The quality of the accounting process can be seen in the availability, for the users, of thorough accounting services which are also accurate and have a reasonable price. Quality information is one of the competitive advantages for an organization. Poor information quality may have adverse effects on decision making Huang, Lee and Wang , Clikeman Therefore, managers must pay attention to the efficiency of their management accounting information systems. In order to implement MAIS successfully, it is important to address the quality of information adoption, to manage all the processes of accounting systems. Thus, this research intends to study the characteristics and important quality factors of MAIS. A well-managed, well-designed MAIS can improve work performance and increase the efficiency of activities in accounting responsibility. LITERATURE Mendoza and Bescos point out that information should have numerous characteristics, which allow managers to better identify problems and clearly understand their causes, in order to be able to consider all existing alternatives. These characteristics include respecting the deadline, providing sufficient details, reliability and comprehensiveness. Wouters and Verdaasdonk explained that , managers should give a particular consideration to the precision of accounting information in order to synchronize different dimensions. In their study, they argue that most management decisions have consequences for different dimensions e. Management accounting information system must provide timely and accurate information to facilitate efforts to control costs, to measure and improve productivity, and to devise improved production processes Johnson and Kaplan, The management accounting information system must also report accurate product costs so that pricing decisions, introduction of new products, abandonment of obsolete products, and response to rival products can be made. The quality of information in their opinion may be measured by accuracy, completeness, relevance, and timeliness. Therefore the firms can improve management accounting services and achieve a number of benefits, including improved management of the accounting function, more effective allocation of accounting resources, improved communications between providers and users, a higher service quality and customer satisfaction levels. More and more organizations believe that quality information is critical to their success. However, not many of them have turned this belief into effective action. Management accounting information has been characterized by breadth of scope, timeliness, levels of aggregation and integrative nature. Studies in this area are, e. Broad scope of an information system refers to the dimensions of focus, quantification, and time horizon Gory and Scott Morton, ; Larcker, , Gordon and Narayanan, A traditional MAIS provides information, which focuses on events within the organization, is quantified in monetary terms, and relates to historical data. The scope of information can be defined, as information that is related to the external environment, is non-financial and future oriented. Broad scope information provides managers with a wider range of solutions to consider. It also increases the probability that one of the alternatives considered will be consistent with the objectives of other interdependent departments. Manager activity which different will result the difference of information requirement having the character of broad scope to make decision more effective so that the better managerial performance. The second characteristic of MAIS is timeliness. The timeliness is usually specified in term of the provision of information on request and the frequency of systematic information collection Chenhall and Morris, Timely information enhances the facility of MAIS to report upon the most recent events and to provide rapid feedback on decisions. In uncertain situations, managers are likely to find that they need to respond rapidly to unpredictable change and, consequently, they would find timely information particularly useful. Timely information also has the potential to reduce uncertainty. It enables managers to continually adjust their activities in response to the changes demanded by customization as well as the changes occurring in other interdependent departments. The third characteristic of MAIS is aggregation. MAIS may provide information in various forms of aggregation ranging from provision of basic raw, unprocessed data to a variety of aggregations around periods of time or areas of interest such as responsibility centers, or functional areas. It also refers to summation in formats consistent with formal decision models such as discounted cash flow analysis, linear programming in budgetary applications, cost-volume profit analysis, and inventory control models. This increases the probability that solutions will be found that are optimal for the firm overall. Finally, Integration of information refers to how well the information flows within the segments or sub-unit in organizations. Integrated information reduces uncertainty relating to cause and effect relations within departments as it encourages learning and the generation of ideas. It also enables managers to better understand the different objectives that exist within separate decision units Atkinson et al. The interviews were intended to improve the richness of the data already collected from the surveys. Some textbooks, journals, newspapers etc. In this study, exploratory and descriptive research designs are applied. The study focuses on large and medium sized units with over 30 employees or annual sales 1. The list of sample printing companies was prepared from a list of printing companies maintained by Ethiopian Business directory on for the purpose of studies. The total population of the study was large and medium-size printing companies. A table of recommended sample sizes n for populations N with finite sizes developed by Krejcie and Morgan and adapted by Patten , was used to determine estimated sample size. For each of the sampled companies, a questionnaire was distributed to General Managers, Marketing managers, Production managers, Finance managers and Managerial accountants. They were chosen as the target respondent as they are believed to represent the major management accounting information system stakeholders within the organization and could be expected to have a better understanding of the information issues within the organization. There were a total of questionnaires distributed to the general managers, marketing managers, finance heads, production managers and managerial accountants of the sampled printing companies. The survey was conducted between November and January A range of statistical procedures are adopted to explore the research questions posed. The importance of the MAIS was assessed in the context of four criteria- accuracy, up to date, completeness and consistency. The data is collected, classified, codified and shown in the table for analysis. The result reveals that the mean score addressing the importance of the MAIS quality factors ranged from a 3. This shows that there is agreement that these four factors are important in ensuring the quality of MAIS in the organization. It indicated that the higher the ranking is the more important of the MAIS quality factors. In this result, mean value above 4 show strong agreement toward the importance of those four factors. In sum, respondents indicate that this four criteria- accuracy, up to date, completeness and consistency, are important. The analysis relating to the factor wise agreement from the respondents for different important factors for evaluating the performance of MAIS is given in table 2. It indicated that the higher the ranking is the more important the factor is, in evaluating the performance of MAIS. The extent of MAIS exhibited in each of the following information characteristics Survey respondents were asked the extent of MAIS exhibited in each of the following information characteristics. The data is collected, classified and shown in the table for analysis. The extent of MAIS exhibited in each of the following information characteristics Information Number of respondents for different Mea Rank characteristics information characteristics n No To a To a To a To a t at little modera great very all exten te exten great t extent t extent It relates to historical 0 0 0 4. Information accuracy 0 0 3. The mean values of level of use for the different information characteristics of MAIS reveal the rank as below. CONCLUSION Information should have numerous characteristics, which allow managers to better identify problems and clearly understand their causes, in order to be able to consider all existing alternatives. This shows that there is agreement that these four factors are important in ensuring the quality of MAIS in the large and medium-size printing companies in Ethiopia. Furthermore the study also indicates that managers perceived all four criteria- accuracy, up to date, completeness and consistency, are important for them. New directions in management accounting research. Journal of Management Accounting Research 9: Chenhall and Morris Chenhall RH, Morris D. The impact of structure, environment, and interdependence on the perceived usefulness of management accounting systems. Accounting Review 61 1: Chia Y Decentralization, management accounting MCS information characteristics and their interaction effects on managerial performance: J Bus Res Management accounting systems, task uncertainty and managerial performance: Accounting, Organizations and Society, 21 5 , Internal Auditor, 56 3 , pp. The impact of perceived environmental uncertainty and individual differences on management accounting requirements: Accounting Organisation an Society, 21 4 , â€” Accounting, Organizations and Society 1: Management accounting systems, perceived environmental uncertainty and organization structure: Accounting, Organizations and Society, 9, Huang, Huan-Tsae, Lee, Y. The Rise and Fall of Management Accounting. Harvard Business School Press, Boston.

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Business owners can use accounting information to conduct a financial analysis of their companies' operations. Accounting information often has quantitative and qualitative characteristics.

The other qualities suggested by IASB are materiality, faithful representation, substance over form, neutrality, prudence, completeness, timeliness. The qualitative characteristics that have been found possessing wider acceptance and recognition in accounting literature are as follows: In general, information that is given greater weight in decision-making is more relevant. Reliability is described as one of the two primary qualities relevance and reliability that make accounting information useful for decision-making. Reliable information is required to form judgments about the earning potential and financial position of a business firm. Reliability differs from item to item. Some items of information presented in an annual report may be more reliable than others. For example, information regarding plant and machinery may be less reliable than certain information about current assets because of differences in uncertainty of realization. Reliability is that quality which permits users of data to depend upon it with confidence as representative of what it purport to represent. To be useful information must be reliable as well as relevant. Degrees of reliability must be recognized. It is hardly ever a question of black or white, but rather of more reliability or less. Reliability rests upon the extent to which the accounting description or measurement is verifiable and representationally faithful. Neutrality of information also interacts with those two components of reliability to affect the usefulness of the information. Understandability is the quality of information that enables users to perceive its significance. The benefits of information may be increased by making it more understandable and hence useful to a wider circle of users. Presenting information which can be understood only by sophisticated users and not by others, creates a bias which is inconsistent with the standard of adequate disclosure. Presentation of information should not only facilitate understanding but also avoid wrong interpretation of financial statements. Economic decision requires making choice among possible courses of actions. In making decisions, the decision-maker will make comparisons among alternatives, which is facilitated by financial information. Comparability implies to have like things reported in a similar fashion and unlike things reported differently. Comparable financial accounting information presents similarities and differences that arise from basic similarities and differences in the enterprise or enterprises and their transactions, and not merely from difference in financial accounting treatment. Information, if comparable, will assist the decision-maker to determine relative financial strengths and weaknesses and prospects for the future, between two or more firms or between periods in a single firm. Consistency of method over a period of time is a valuable quality that makes accounting numbers more useful. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data. It is relatively unimportant to the investor what precise rules or conventions are adopted by a company in reporting its earnings, if he knows what method is being followed and is assured that it is followed consistently from year to year. Lack of consistency produces lack of comparability. The value of inter-company comparisons is substantially reduced when material differences in income are caused by variations in accounting practices. Neutrality means that, in formulating or implementing standards, the primary concern should be the relevance and reliability of the information that results, not the effect that the new rule may have on a particular interest or user s. A neutral choice between accounting alternatives is free from bias towards a predetermined result. Therefore, accounting facts and accounting practices should be impartially determined and reported with no objective of purposeful bias toward any user or user group. If there is no bias in selection of accounting information reported, it cannot be said to favour one set of interests over another. It may, in fact, favour certain interests, but only because the information points that way. The concept of materiality permeates the entire field of accounting and auditing. The materiality concept implies that not all financial information need or should be communicated in accounting reports-only material information should be reported. Immaterial information may and probably should be omitted. Information should be disclosed in the annual report which is likely to influence economic decisions of the users. Information that meets this requirement is material. Timeliness means having information available to decision-makers before it loses its capacity to influence decisions, Timeliness is an ancillary aspect of relevance, If information is either not available when it is needed or becomes available long after the reported events that it has no value for future action, it lacks relevance and is of little or no use, Timeliness alone cannot make information relevant, but a lack of timeliness can rob information of relevance it might otherwise have had. Clearly, there are degrees of timeliness, some reports need to be prepared quickly, say in case of takeover bid or strike. In some other contexts, such as routine reports by a business firm of its annual results, a longer delay in reporting information may materially affect the relevance and, therefore, the usefulness of information. But in order to have gain in relevance that comes with increased timeliness, it may involve sacrifices of other desirable characteristics of information, and as a result there may be an overall gain or loss in usefulness. For example, it may sometimes be desirable to sacrifice precision for timeliness, for an approximation produced quickly is often more useful than precise information that is reported after a longer delay. The quality of verifiability contributes to the usefulness of accounting information because the purpose of verification is to provide a significant degree of assurance that accounting measures represent, what they purport to represent. Verification does not guarantee the suitability of method used, much less the correctness of the resulting measure. It does convey some assurance that the measurement rule used, whatever it was, was applied carefully and without personal bias on the part of the measurer. It is primarily a means to attempting to cope with measurement problems stemming from the uncertainty that surrounds accounting measures and is more successful in coping with some measurement problems than others. Verification of accounting information does not guarantee that the information has a high degree of representational faithfulness and a measure with a high degree of verifiability is not necessarily relevant to the decision for which it is intended to be useful. There is a place for a convention, such as conservatism â€” meaning prudence in financial accounting and reporting, because business and economic activities are surrounded by uncertainty, but it needs to be applied with care. Conservatism in financial reporting should no longer connote deliberate consistent, understatement of net assets and profits. Conservatism is a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. Thus, if two estimates of amounts to be received or paid in the future are about equally likely, conservatism dictates using the less optimistic estimates. However, if two amounts are not equally likely, conservatism does not necessarily dictate using the more pessimistic amount rather than the more likely one. Conservatism no longer requires deferring recognition of income beyond the time that adequate evidence of its existence becomes available, or justifies recognizing losses before there is adequate evidence that they have been incurred.

Chapter 9 : Qualitative Characteristics of Accounting Information

The purpose of a management information system, an MIS, is to help executives of an organization make decisions that advance the organization's goals. The most important characteristics of an MIS.

The first characteristic of management accounting information are verifiability. Verifiability means observable to outsiders, in the context of a model of information. It refers to the ability of accountants to ensure that accounting information is what it purports to be. It also means that the selected method of measurement has been used without error or bias. The outsiders cannot see them and so references to those variables in a contract between the two parties cannot be enforced by outside authorities. An example of verifiability is that of two accountants looking at the same information like inventory valuation and coming to similar conclusions. Accountant reliance on verifiable evidence such as delivery notes, invoice, orders, physical counts or paper in the measurement of financial result. Objectivity makes it possible to compare financial statements of different firms with an assurance of reliability and uniformity. For instance, management accountant should not alter or change when provide the information to top level managers so that the manager can make the accurate decision without being influenced. Besides that, timeliness is one of the important parts for management may need to balance the relative merits of timely reporting and the provision of reliable information. More accurate information may take longer to produce. Therefore, to provide information on a timely basis it may often be necessary to report before all aspects of ma transaction or other event are known thus impairing reliability. For example, a company may test-market a potential new product in a particular city. Comparability helps to make compare the financial statements of an entity through time in order to identify trends in its financial position and performance. Besides that, it also helps to compare the financial statements of different entities in order to evaluate their relative financial position, performance and changes in financial position. Hence, the measurement and display of the financial effect of like transaction and other events must be carried out in a consistent way throughout an entity and over time for that entity and in a consistent way for different entities. By giving an example, management accountant prepare the accountant information is a consistent way for every year, it is much easier for company to make comparison with the past accounting information or related entities. Next, reliability is the quality of information that allows those who use it to depend on it with confidence. The reliability of an item is the probability that the item will perform a specified function under specified operational and environmental conditions, at and throughout a specified time. The best way to specify the reliability of an item depends upon how the item is expected to function. In the interval case, we are concerned with mission reliability or simply reliability. This is defined as the probability that an item will operate without failure throughout a specified interval. However, if we want to evaluate the performance of a piece of equipment with a continuous demand, for instance, within the last two years, the focus should be on the expected mean time between the failures events that cause the equipment to go down. In this case we may also focus on the availability of the equipment, which can be defined as the fraction of time that the equipment was actually operating. Understandability is assumed users to have a reasonable knowledge of business and economic activities and accounting and a willingness to know more the information with reasonable diligence. Information about complex matters that should be included in the financial statements because of its relevance to the economic decision making needs of users should not be excluded merely on the grounds that it may be too difficult for certain users to understand. For the example, management accountant should prepare the accounting information or summarize of the report and analysis that easily understood to the decision maker in order to let them easy to make final decision. Lastly, relevance is also one of the important parts in planning, control and decision-making. To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it influences the economic decision of users by helping them evaluate past, present or future events or confirming, or correcting there past evaluations. Different decisions typically will require different data. The primary objective is how to decide what information is relevant to various common decision problems. For example, an analysis on a project should not have any information on indirect costs because it is not relevant for making decision of the project and should include any prime cost because it is relevant cast for the decision-making. Conflicts Between Management Accounting Information Characteristics Each criteria of management accounting information is to satisfy the management needing for information useful for planning, controlling and decision making. However, these criteria also face conflict amongst one another. In this case, the conflict between criteria will happen when satisfying a criterion affects another criterion being difficult to fulfill as they are in collision with each other. Accounting information should be useful for decision-making , must have relevance and reliability of these two main qualitative characteristics. However, these qualities often can conflict, requiring a trade-off between various degrees of relevance and reliability. A forecast of a financial variable may possess a high degree of relevance to investors and creditors. However, a forecast necessarily contains subjectivity in the estimation of future events. Therefore, because of a low degree of reliability, generally accepted accounting principles do not require companies to provide forecasts of any financial variables. For example, accounting information requirements associated with the timeliness, predictive value and feedback value, while the predictive value of accounting information may be due to a lack of verification, so that the reliability of damage; on the contrary, if always insisted truthfully, then wait until the conditions are ripe when the accounting information may have lost its predictive value. As the reliability and relevance cannot have both, one can only depending on the degree of emphasis by choosing one of the two, leading to a different accounting treatment. One of the most typical is the right choice of accounting measurement attributes. Besides that, another conflict can be a result of the criteria of timeless and verifiability. Information is useful when it is timely. To be timely, the information must be available when needed to define problem or to be begin to identify possible solutions. Those criteria might conflict with verifiability. It is because when needed verifiability information, it may take time to calculate or to get it after production process is end. Verifiability is the useful information when it is accurate. Before relying on information to make decisions, it is important to ensure that the information is correct. For example, a production manager has to decide the actual amount of pineapple to be used in produce of units of pineapple juices. But, because of the time given is limited, he has to prepared the report to top management by forecast the amount of pineapple will be used. Although he is meet the criteria of timeliness, he is might not meet the criteria of verifiable. He do not used the actual amount of pineapple will be used. It is because there are some problems may occur during the production process: When the production is end, he will able to know the actual amount of pineapple will be used. So, the criteria timeliness is conflict with the criteria verifiability. Another conflict is between timeliness and reliability of information. Information is said to be reliable when they incorporate all aspects of a transaction as well as other events in order to facilitate users in deciding on any issue regarding the latter. However, most of the times in providing timely reporting, those aforesaid transactions or events are never taken into account as it occurs after the report is prepared and thus impairing reliability. In interest of timeliness, the reliability of the information is sacrificed, every loss of reliability diminishes the usefulness of information and as time pass, and either the reliability of the information drops or increase accordingly. For example, the material supplier decides to supply only one of the Material A. Company Y is very interested and is capable to buy the Material A. The supplier is interested on selling the Material A to Company Y, but there is no contract signed between them. Company Y is reliable on material supplier to get the Material A yet the supplier needed to sell the Material A in a shorter time to get the profit. So, supplier decides to sell it to Company Z. Thus, the criterion of timeliness is conflict with criteria of reliability.