



Accounting for Costs

Unit 1:
INTRODUCTION

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Financial / Managerial Accounting

Financial accounting collects financial and economic data and generates reports for the firm's executive management and external users.

Managerial accounting focuses on the use of the information provided from financial accounting by the firm's internal users, to make informed management decisions on the operation of the business.



Management of Costs

Controlling the costs incurred by the business is a key responsibility of management.

- **Manufacturing and non-manufacturing costs**
- **Cost of providing goods and services**
- **Understanding how costs are affected by changes in activity**
- **Using this data to make decisions**



Management of Costs (cont.)

- **Evaluate inventory costs**
- **Preparing and managing budgets**
- **Reviewing performance to budgeted goals**
- **Analyze capital expenditures**



Necessary in Every Business

- **All types of businesses (services, merchandising, manufacturing)**
- **All forms of business (sole proprietors, partnerships, corporations)**
- **For-profit and non-profit businesses**



Roles of Management

- **Planning – preparing budgets**
- **Directing – allocating resources**
- **Controlling – analyzing progress**



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Unit 2: Accounting for Costs in the Business