



**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN  
(Autonomous) Chennai 18.  
S.I.E.T.**

**DEPARTMENT OF ECONOMICS**

**MANAGEMENT ACCOUNTING - V SEMESTER**

**UNIT - V**

**Mrs. Haseena S, Assistant Professor,  
Department of Economics**

## Definition

“A comprehensive and constructive examination of an organizational structure of a company, institution or branch of Government, or of any component thereof, such as a division or department, and its plans and objectives, its means of operations, and its use of human and physical facilities”

- **William P Leonard**

**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Mrs.Haseena.S

# Objectives of Management Audit



JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN

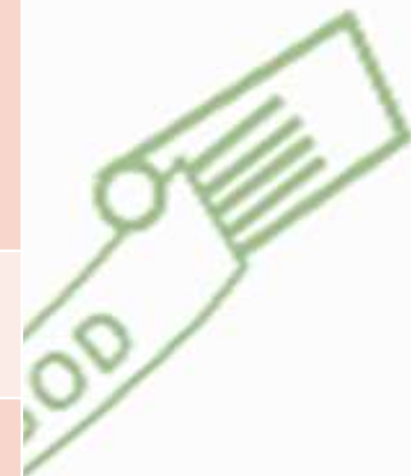
(Autonomous) Chennai 18.

S.I.E.T.  
Presenter Name

## Difference between Financial Audit and Management Audit

The following are the difference between the two, in brief:

Financial Audit	Management Audit
It is concerned with the certification of true and fair character of financial accounts.	It is not intended to certify the correctness of accounting data but is concerned with an appraisal of means and results.
It is simply a post mortem examination.	It is preventive as well as curative check up.
It requires accounting expertise.	It requires inter-disciplinary expertise.
It is mainly based on internal financial data.	It is based on financial and non-financial data obtained from internal as well as external.
It is statutory in case of Joint Stock Company	It is still voluntary.



**FOR WOMEN**

Scope of audit is determined by laws.	Scope of management audit is based on mutual agreement
It is well developed and professionally controlled activity.	It is in its infancy stage.
Motivation for audit comes from tradition and law.	It depends upon the consciousness of management.
It is useful for share-holders and other external parties.	It is mainly useful for management itself.
It is an annual feature.	It depends on management and need not be annual – may be 2 or 3 or 4 yearly programme.

**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name

# Need for Management Audit

Contribution to goal setting

Avoiding wastage

Reveals defects and suggests improvements

Improvement of MIS

Guides profit-making process

Reviewing planning system

Adequate information for correct decisions

Proper use of information

Appraisal of performance

Assists to overcome gaps

# Conducting Management Audit

Clearly defined  
authority

Information through  
questionnaire

Careful examination

Awareness of  
problems

Evaluation and  
opinion

Review through  
techniques

Performance appraisal

Preparation of report

JUSTICE BASHEER AHMED SAYEEL

MEN

(Autonomous) Chennai 18.

S.I.E.T.  
Presenter Name

# REPORTING

## Definition

The reporting to management is a process of providing information to various levels of management so as to enable in fudging the effectiveness of their responsibility centres and become a base for taking corrective measures, if necessary.

The word “report” is generally used for factual communication by a lower level to higher level of authority. Thus, orders are “communicated”, while results and performance are “reported”.

**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name



# ESSENTIALS OF AN IDEAL REPORT

**Evaluation of responsibility**

**Complete and consistent information**

**Available at the decision point**

**Decision making**

**Information at the proper time**

**User-flexibility**

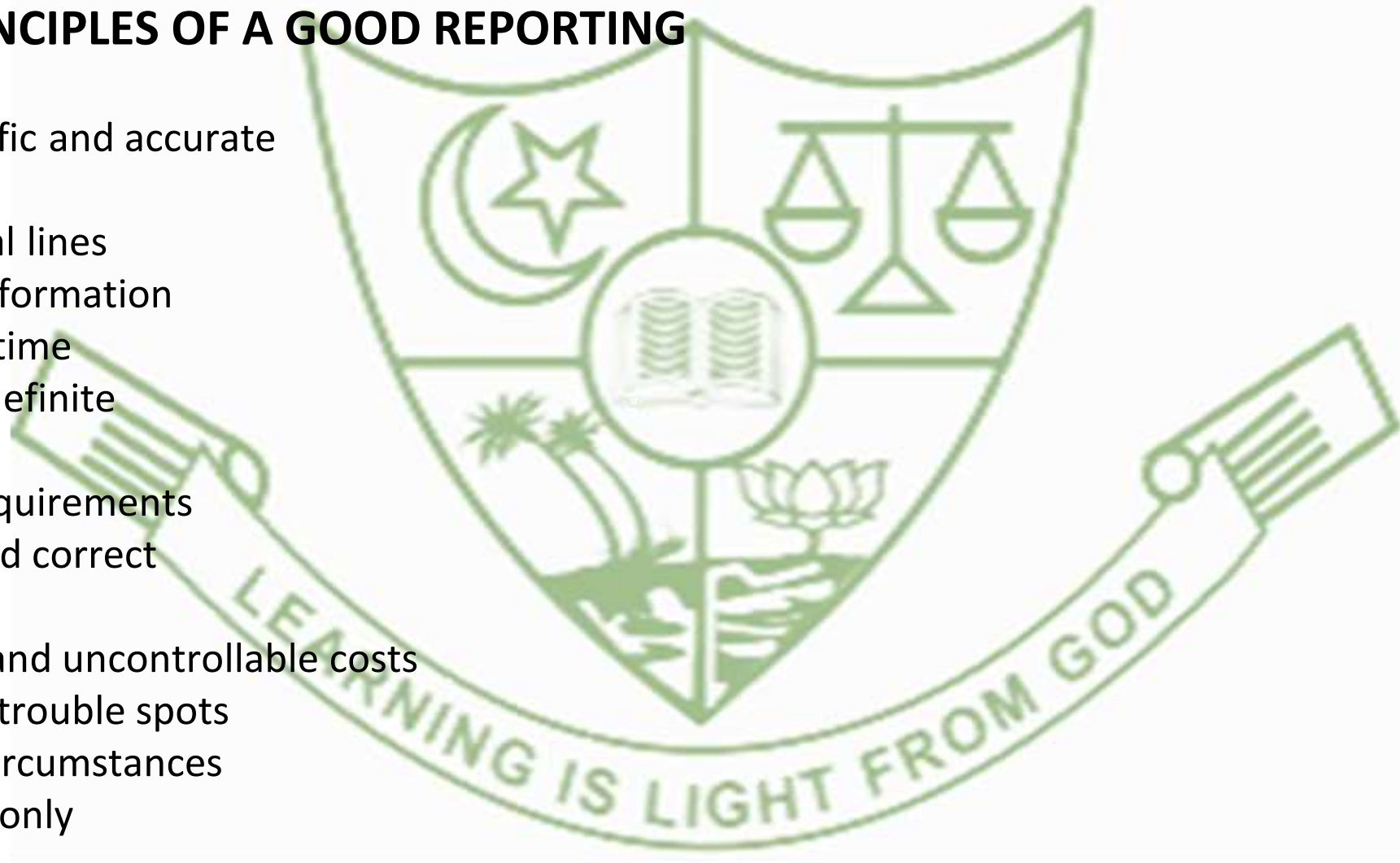
**Cost benefit analysis**

**Simplicity**

**Consistency**

# GENERAL PRINCIPLES OF A GOOD REPORTING

- ✓ Simple
- ✓ Precise, specific and accurate
- ✓ Suitable title
- ✓ Organisational lines
- ✓ Up-to-date information
- ✓ Presented in time
- ✓ Specific and definite
- ✓ Economical
- ✓ End-user's requirements
- ✓ Consistent and correct
- ✓ Attractive
- ✓ Controllable and uncontrollable costs
- ✓ Highlight the trouble spots
- ✓ Exceptional circumstances
- ✓ Broad trends only
- ✓ Pertinent
- ✓ No personal opinions
- ✓ Directed towards significant variances
- ✓ Purpose to justify



**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name

# REPORTING NEEDS OF DIFFERENT MANAGEMENT LEVELS

**TOP MANAGEMENT  
LEVELS**

**MIDDLE  
MANAGEMENT LEVELS**

**LOWER  
MANAGEMENT LEVELS**

**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name

## TOP MANAGEMENT LEVELS

- ✓ Periodic report about Profit & Loss Account and Balance Sheet
- ✓ Statement of Funds Flow and Cash Flow at regular interval
- ✓ Report plan utilization
- ✓ Report of cost of production
- ✓ Report on research and development activities
- ✓ Periodic reports on sales, credit collection, selling and distribution expenses, etc

**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name

## MIDDLE MANAGEMENT LEVELS

- ✓ Reports on material price and usage variances
- ✓ Reports on labour rate and efficiency variances
- ✓ Report on idle time, wastage of materials etc
- ✓ Reports on stock levels
- ✓ Reports on sales, production, etc
- ✓ Reports on orders booked, orders executed and orders still to be executed

JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN

(Autonomous) Chennai 18.

S.I.E.T.  
Presenter Name

## **LOWER MANAGEMENT LEVEL**

- ✓ Reports of over-time
- ✓ Material usage variances
- ✓ Labour efficiency variances
- ✓ Material spoilage report
- ✓ Accident report etc



**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN**

**(Autonomous) Chennai 18.**

**S.I.E.T.**  
Presenter Name