

Performance Measurement

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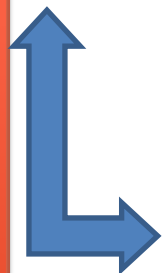
Managerial

Accounting



The perspective

The topic



*What do 'numbers' mean for management?
(i.e. for decision makers within organizations?)*

Financial vs Managerial Accounting

Financial accounting is concerned with reporting financial information to *external parties*, such as stockholders, creditors, and regulators.

Managerial accounting is concerned with providing information to *managers within an organization* so that they can formulate plans, control operations, and make decisions.



Financial and Managerial Accounting: Seven Key Differences

	Financial Accounting	Managerial Accounting
1. Users	External persons who make financial decisions	Managers who plan for and control an organization
2. Time focus	Historical perspective	Future emphasis
3. Verifiability versus relevance	Emphasis on objectivity and verifiability	Emphasis on relevance (for planning and control)
4. Precision versus timeliness	Emphasis on precision	Emphasis on timeliness
5. Subject	Primary focus is on companywide reports	Focus on segment reports
6. Rules	Must follow GAAP/IFRS and prescribed formats	Not bound by GAAP/IFRS or any prescribed format
7. Requirement	Mandatory for external reports	Not Mandatory

Work of Management

(the 'art of decision-making')

- Planning
- Controlling
- Decision Making



Planning

- Establish goals.
- Specify how goals will be achieved.
- Develop **budgets**.

Controlling

- The control function gathers *feedback* to ensure that plans are being followed.
- Feedback in the form of **performance reports** that **compare *actual results with the budget*** are an essential part of the control function.