

Chapter 1

Managerial Accounting and the Business Environment

Learning Objectives

- LO1. Describe the functions performed by managers.
- LO2. Identify the major differences and similarities between financial and managerial accounting.
- LO3. Explain the basic concept of enterprise risk management.
- LO4. Explain the nature and importance of ethics for accountants.
- LO5. Explain the elements of corporate social responsibility.
- LO6. Explain how intrinsic motivation, extrinsic incentives, and cognitive biases affect employee behaviour.

Chapter Learning Objectives and the CPA Canada Technical Competencies

LO3, LO5	2.5.1: Designs an effective risk management program and evaluates its impact on shareholder value
LO1, LO2	3.1.1: Evaluates management information requirements
LO3, LO4, LO5, LO6	3.1.2: Documents and assesses business processes, systems and data requirements and recommends improvements to meet information needs

Chapter Overview

This chapter serves **five main purposes**:

- It explains the nature of managerial accounting in providing internal accounting information to support the work of management—planning, directing and motivating, and controlling.
- It describes the nature of organizations and the role of management accountants in an organization.
- It explains how companies are responding to a changing business environment by improving business process with the following the following approach:
 - Enterprise Risk Management
 - Leadership
- It discusses the importance of upholding ethical standards.
- It outlines the elements of corporate social responsibility.

Service-Related Examples

<i>Company</i>	<i>Type of Business</i>	<i>Text Reference</i>
Chartered Professional Accounts	Accountant	Introduction
Various	Services	Exhibit 1-1
CIBC	Bank	Ethics/Discussion Case

Assignment Topic Grid Chapter 1

<i>Problem</i>	<i>Topic</i>	<i>LO1: Functions of managers</i>	<i>LO2: Financial vs. managerial accounting</i>	<i>LO3: Enterprise risk management</i>	<i>LO4: Nature and importance of ethics for accountants</i>	<i>LO5: Elements of corporate social responsibility</i>	<i>LO6: Intrinsic motivation, extrinsic incentives, and cognitive biases</i>	<i>Service industry</i>	<i>Writing component</i>	<i>CPA adapted</i>
E1-1	Functions Performed by Managers	✓								
E1-2	Financial and Managerial Accounting		✓							
E1-3	Enterprise Risk Management			✓						
P1-4	Cognitive Biases						✓			
P1-5	Planning and Control Activities	✓						☺		
P1-6	Ethics in Business				✓					
P1-7	Corporate Social Responsibility			✓		✓				
P1-8	Extrinsic Incentives			✓			✓			
P1-9	Value Chain Analysis			✓						
P1-10	Planning and Control	✓								

Video Links

Comparison of Financial and Managerial Accounting

LO2

“Managerial Accounting 1.1: Managerial vs Financial Accounting” found on YouTube (https://www.youtube.com/watch?v=8gmfuhB5-7g&list=PLbXHiqQHS6rSMOe_sLVydylgcr0lCfreE), posted by Professor Kurt Heisinger (3:22 min.)

This video summarizes the seven key differences between managerial and financial accounting.

Discussion Questions

- Why does managerial accounting not need to follow GAAP?
- Explain your answer by emphasizing the major differences between financial and management accounting.