EXECUTIVE SUMMARY

GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES®

INFLUENCE

RELEVANCE

TRUST

VALUE
INTRODUCING THE GLOBAL MANAGEMENT ACCOUNTING PRINCIPLES®

Quality decision-making has never been more important – or more difficult. Competition is relentless as new innovations daily disrupt the status quo. Torrents of information increase complexity and impulse takes over insight as organisations struggle to keep pace.

The Global Management Accounting Principles were created for this era of business. Management accounting is at the heart of quality decision making, because it brings to the fore the most relevant information and analysis to generate and preserve value. The Principles guide best practice. They were prepared by the Chartered Institute of Management Accountants (CIMA) and American Institute of CPAs (AICPA) – which together represent more than 600,000 members and students in 177 countries. The Principles were developed in conjunction with CEOs, CFOs, academics, regulators, government bodies and other professionals from 20 countries across five continents.

The Principles are intended to be universally applicable to help organisations large and small, public and private, extract value from the increasing volume of available information. They are aimed at chief executives, chief finance officers and members of boards of directors who have oversight of their organisations’ performance. Investors and other stakeholders will also find them useful.

They can be used to support the development, execution and refinement of strategy through the performance management system, as well as to support the core activities of the management accounting function. The full document provides guidance on the application of each Principle to 14 different practice areas, ranging from financial strategy to risk management.

Definition: Management accounting is the sourcing, analysis, communication and use of decision-relevant financial and non-financial information to generate and preserve value for organisations.

A survey commissioned by CIMA and the AICPA of 1,100 senior executives from 35 countries found that 89% believe a stronger partnership with finance in the decision process will help them better manage their organisations over the coming years.
Principle: Communication provides insight that is influential

Outcome: Influence
Management accounting begins and ends with conversations. The Principles have been designed to help organisations cut through silos and encourage integrated thinking, leading to better decision-making.

Principle: Information is relevant

Outcome: Relevance
Management accounting makes relevant information available to decision makers when they need it. The Principles provide guidance on identifying past, present and future information, including financial and non-financial data from internal and external sources. This includes social, environmental and economic data.

Principle: Impact on value is analysed

Outcome: Value
Management accounting connects the organisation’s strategy to its business model. This Principle helps organisations to simulate different scenarios to understand their impact on generating and preserving value.

Principle: Stewardship builds trust

Outcome: Trust
Accountability and scrutiny make the decision-making process more objective. Balancing short-term commercial interests against long run value for stakeholders enhances credibility and trust.

The Global Management Accounting Principles

COMMUNICATION PROVIDES INSIGHT THAT IS INFLUENTIAL
Drive better decisions about strategy and its execution at all levels

INFORMATION IS RELEVANT
Help organisations plan for and source the information needed for creating strategy and tactics for execution

STEWARDSHIP BUILDS TRUST
Actively manage relationships and resources so that the financial and non-financial assets, reputation and value of the organisation are protected

IMPACT ON VALUE IS ANALYSED
Simulate different scenarios that demonstrate the cause-and-effect relationships between inputs and outcomes
EFFECTIVE MANAGEMENT ACCOUNTING

All organisations share an ambition to be successful and all successful organisations have an effective management accounting function. It is the combination of competent people, clear principles, well managed performance and robust practices that make a management accounting function effective.

Constituents of an effective management accounting function

A combination of accounting and financial expertise, business understanding and analytical skills and appropriate business experience means that management accountants are practical and grounded in operational reality. Management accounting professionals must pay due regard to the primacy of the organisation’s customers and the range of relationships that enable a business to operate. They need to understand the global macro-economic environment to assess information based on its relevance to their organisation.

PEOPLE

The role of management accountants is changing. They are increasing their influence by achieving more impact on the organisation’s performance.

By working across functions, management accountants understand the links between operational activity, financial resource generation and consumption, and value generation and preservation. They perform a vital role in supporting organisational performance through creating plans and monitoring execution.

To read the Global Management Accounting Principles visit cgma.org/principles
The Principles are applied by people to the management of organisational performance. Performance management includes strategising, planning, executing and reviewing. The goal for those who lead organisations is to continue to generate value for stakeholders over time. Value is generated by developing relationships that give access to resources and by converting those resources into outputs that are valuable to an organisation’s customers. Success depends on the appropriate prioritisation of relationships, resources and the management of associated risks. Adherence to the Principles facilitates this prioritisation.

**PERFORMANCE**

Performance management includes strategising, planning, executing and reviewing. The goal for those who lead organisations is to continue to generate value for stakeholders over time. An organisation’s strategy sets out corporate objectives which are implemented through the business model. The business model explains how value is generated, delivered and preserved. Management accounting links strategy to the business model through the performance management system.

Providing evidence in the form of financial reports, management information and analysis is the traditional role of accountants in decision making. By communicating insight and analysis in a compelling way, their role expands so that relevant information is considered before a decision is made. The outcomes of decisions also need to be explained in a compelling way to allow decisions to be implemented. Management accountants then measure progress and manage performance through to the intended outcome. They contribute insight and exercise more influence. In doing this, their contribution to the organisation shifts from technical skills to commercial skills. There is a clear link to the Global Management Accounting Principles; technical information on the left hand side is analysed for impact on organisational aims and is communicated with influence on the right hand side.
PRACTICE

In many organisations the remit of the CFO is expanding to include IT, human resources, and even operations. All CFOs however, have responsibility for the management accounting function.

Internal audit is not a practice area that sits within the management accounting function, but it involves the testing of controls that are often designed and implemented by management accountants. The goal for those who lead organisations is to continue to generate value for stakeholders over time. The fourteen practice areas below each make a unique contribution to generating or preserving organisational value.

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<tr>
<th>PRACTICE AREA</th>
<th>VALUE TO THE ORGANISATION</th>
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<tr>
<td>COST TRANSFORMATION AND MANAGEMENT</td>
<td>Improved customer satisfaction through the provision of product and service value for money.</td>
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<td>EXTERNAL REPORTING</td>
<td>Engagement with a wide stakeholder base to communicate the organisation’s strategy, business model and performance.</td>
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<td>FINANCIAL STRATEGY</td>
<td>Balances the organisation’s capital requirements with the expectations of stakeholders.</td>
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<td>INTERNAL CONTROL</td>
<td>Provides assurance that assets are safeguarded and that resources are correctly accounted for.</td>
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<td>INVESTMENT APPRAISAL</td>
<td>Prioritises opportunities for funding that generate value for stakeholders and avoids those which are likely to erode value.</td>
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<td>MANAGEMENT AND BUDGETARY CONTROL</td>
<td>Evaluates performance against targets and enable improvement action to be taken.</td>
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<td>PRICE, DISCOUNT AND PRODUCT DECISIONS</td>
<td>Enhances profitability and helps the organisation position products and services within their target market.</td>
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<td>PROJECT MANAGEMENT</td>
<td>Provides controls over projects to increase the chance of benefits from projects being realised and risks minimised.</td>
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<td>REGULATORY ADHERENCE AND COMPLIANCE</td>
<td>Preserves value and mitigates losses through avoiding direct and indirect costs of enforcement activities.</td>
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<td>RESOURCE MANAGEMENT</td>
<td>Manages transformational or continuous improvements to products and processes efficiently and effectively.</td>
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<td>RISK MANAGEMENT</td>
<td>Addresses uncertainty by increasing the probability of success and reducing the probability of failure in the execution of strategy.</td>
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<td>STRATEGIC TAX MANAGEMENT</td>
<td>Raises awareness and understanding of the implications of relevant tax legislation in its jurisdictions.</td>
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<td>TREASURY AND CASH MANAGEMENT</td>
<td>Provides sufficient cash to meet obligations and to fund prioritised opportunities.</td>
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<tr>
<td>INTERNAL AUDIT</td>
<td>Provides assurance that all risks are being adequately controlled and that long term value is protected.</td>
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HELP YOUR ORGANISATION MAKE BETTER DECISIONS

The Global Management Accounting Principles set out a blueprint for better business, equipping organisations with a framework to make better decisions. We urge every CEO, CFO and board around the world to use the Principles as the basis for benchmarking and improving their management accounting functions.

Visit www.cgma.org/principles for more information.

Download the Global Management Accounting Principles.

Watch our short animation about the Principles.

Use our diagnostic checklist to identify areas for improvement.

Join the discussion on LinkedIn: http://linkd.in/1wrB96t