

# PREPARING MANAGEMENT ACCOUNT

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**Practical Accounting Academy**





**What is your Expectation for this Section?**



Understand what a Management Account(MA) is



Data required to Prepare a MA



Steps you need to know to Prepare a MA



Component of a MA

# OBJECTIVE OF THE MODULE

# What you need know when Preparing MA



They are usually prepared with compliance with IFRS.



Comparative number could be Budget, same period in previous financial year



Could include dashboard showing how the business has performed around revenue, head count, investment in asset, sales volume



Delivering it on time is critical for it to add Value

# What you need know when Preparing MA



Lenders, Senior management are usually interested in it



Preparing it is not Sufficient but also the review and analyzing it



Vertical and Horizontal analysis could help



Story telling is the way forward to address all audience



Look at Charts and graphs that could help

# SKILLSET REQUIRED TO PREPARE A MANAGEMENT ACCOUNT



Good knowledge of the business



Knowing how to map a trial balance



Good knowledge on the use of MS Excel



Knowing what a management account Constitute



Good knowledge of financial reporting



Understanding the link between trial Balance, FS Mapping, Notes and Primary 3 Statements



Trial balance Current Period



Trial balance Prior Period or period for comparative



Budget (preferable Monthly)



Report on Sales



Critical Schedules and KPIS of interest to management

# DATA REQUIRED FOR PREPARING MA

ANY QUESTION(S) ?

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# COMPONENT OF A MANAGEMENT ACCOUNT

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# COMPONENT OF A MANAGEMENT ACCOUNT



Cover Page and Table of Content



Data Source ( TB ,Sales Report , Budget, Data Validation Sheet )



FS Mapping Sheet



Notes to the Account



Primary 3 Statement (Year on year and Month on Month )



Dashboard



Schedule of Critical Balances

ANY QUESTION(S) ?

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# STEPS IN PREPARING MANAGEMENT ACCOUNT

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# 7 STEPS IN PREPARING MANAGEMENT ACCOUNT



Understand how to map the trial balance



**Mapping the trial balance**



Creating structure for the notes, income statement, and statement of financial position



**Linking Trial balance to FS Mapping and to the Notes**



Creating and linking the income statement and statement of financial position from the notes



Creating the statement of cash flows



Include Comparative in each statement to aid reviewing and analyzing the management account

# WAYS TO GUIDE IN THE MAPPING OF THE TRIAL BALANCE



Using the structure of the chart of accounts



Mapping based on an existing Management Account or Financial statement

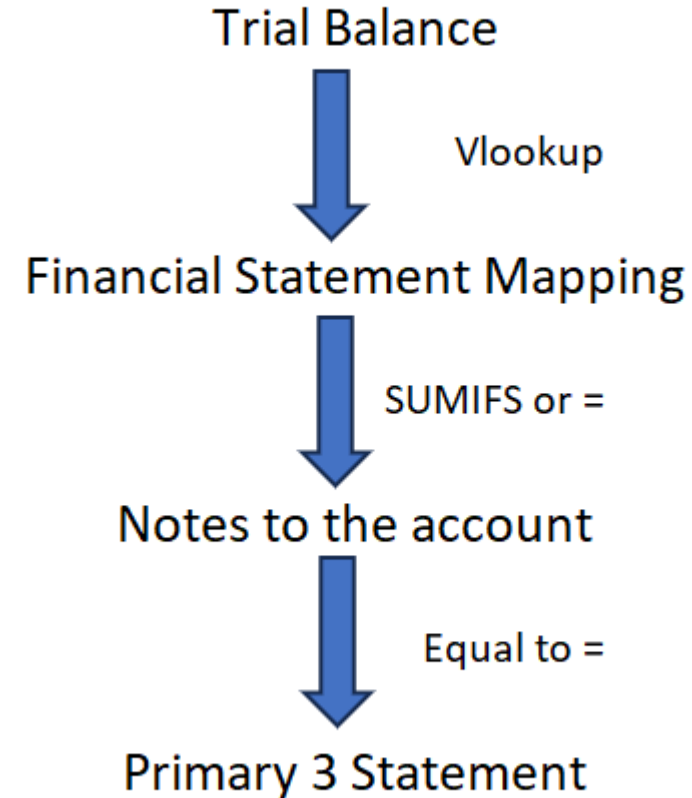


Liaising and seeking understanding from senior member of finance or account department



Reviewing each general ledger and finding what has been posted in it

# LINKING OF TB , FS MAPPING, NOTES AND 3 PRIMARY STATEMENTS



Trial Balance		FS Mapping	Note	IS
10010	Revenue- Coke Lrs	Revenue Soft Drinks	Revenue Soft Drinks	Revenue
10011	Revenue- Fanta Lrs	Revenue Soft Drinks		
10012	Revenue- Sprit Lrs	Revenue Soft Drinks		
10020	Revenue- Juice Mango	Revenue Juice	Revenue Juice	
10021	Revenue- Juice Pineapple	Revenue Juice		
10022	Revenue- Juice Orange	Revenue Juice		

# EXAMPLE OF THE LINKING

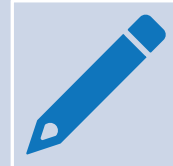


# TYPES OF NOTE STRUCTURE

TYPE	EXAMPLE
Classification	Revenue streams, Expense classes, Cost of sales category, Categories of cash and cash Equivalent
Movement Schedule	Property Plant and Equipment, Income tax Liability, Borrowing, Equity, Intangible



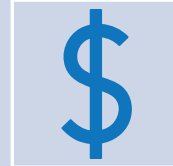
The review of the management Account starts from the trial balance and ensuring the trial balance is mapped correctly and are of the right value



Reviewing the notes and the composition to reflect the business nature and need

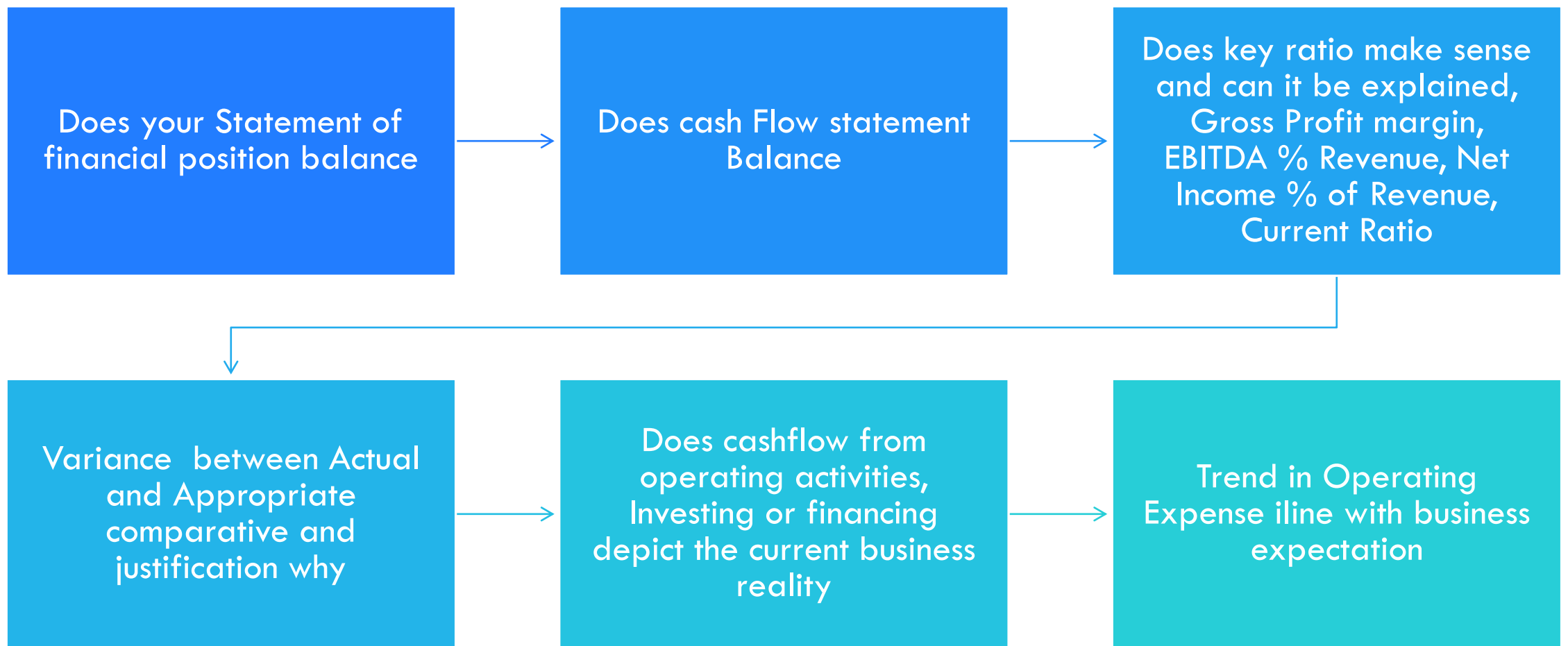


Computation of financial ratios for both horizontal and vertical analysis



Month on Month Notes , income statement and Statement of financial position can help identify spikes or deeps or usual trend in the relevant statement.

# REVIEWING OF THE MANAGEMENT ACCOUNT



# REVIEWING OF THE MANAGEMENT ACCOUNT



ANY QUESTION(S) ?

# Deciding on a Comparative

# DECIDING ON AN APPROPRIATE COMPARATIVE THINGS TO CONSIDER

What Users of the Management Account Require

What is current phase of the business

What is the Industry standard

What is the current Economic Environment like

# DECIDING ON AN APPROPRIATE COMPARATIVE

## EXAMPLES OF COMPARATIVE

Current Month against Previous month Eg Apr 2023 vs March 2023

Current Quarter Against Previous Quarter eg Q1 2023 vs Q1 2023

Year to Date Against Previous Year to date eg YTD June 23 vs June 2022

Current Month Against Current Month Budget

Year to Date Actual Against Year to date Budget



# QUESTION & ANSWER



# Class Exercise

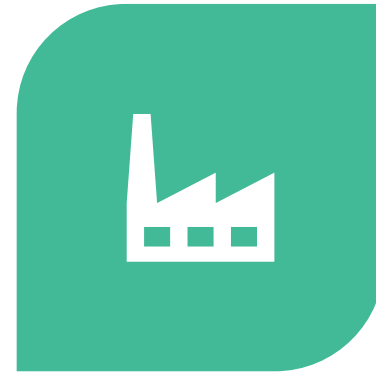
# WHAT WOULD MAKE UP COST OF SALES FOR THIS BUSINESSES?



CONSULTING



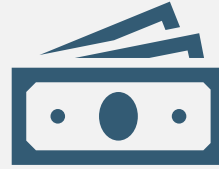
FINANCIAL SERVICE



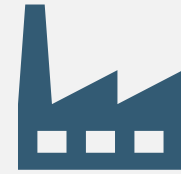
MANUFACTURING



REAL ESTATE



QUICK SERVICE  
RESTAURANT(QSR)



MANUFACTURING

WHAT WOULD BE CRITICAL BALANCES FOR THIS  
INDUSTRIES/SECTOR



TELECOMMUNICATION



EDUCATIONAL  
INSTITUTION



RETAIL BUSINESS

NAME 3 QUANTATIVE AND QUALITATIVE KPI FOR  
THE LISTED INDUSTRY/SECTOR?



THANK YOU

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