

IMA's Managerial Costing Initiative

*IMA Managerial Costing Conceptual Framework
Task Force*



The Association of
Accountants and
Financial Professionals
in Business



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Purpose of the IMA Task Force

To introduce a framework
that defines, at a conceptual level,
the creation and use
of cost and related decision-making
information...

Purpose of the IMA Task Force



Unified principles



Standards

The Task Force

- Captain Larry White, RCA Institute
- Doug Clinton, Northern Illinois Univ.
- Gary Cokins, SAS Institute
- Jim Huntzinger, Lean Accounting Summit
- Ken Templin, Caterpillar (retired)
- Chuck Thomas, Southwest Airlines
- Anton van der Merwe, Alta Via Consulting

*The rules of accounting,
even more than those of law,
are the product of experience
rather than logic.*



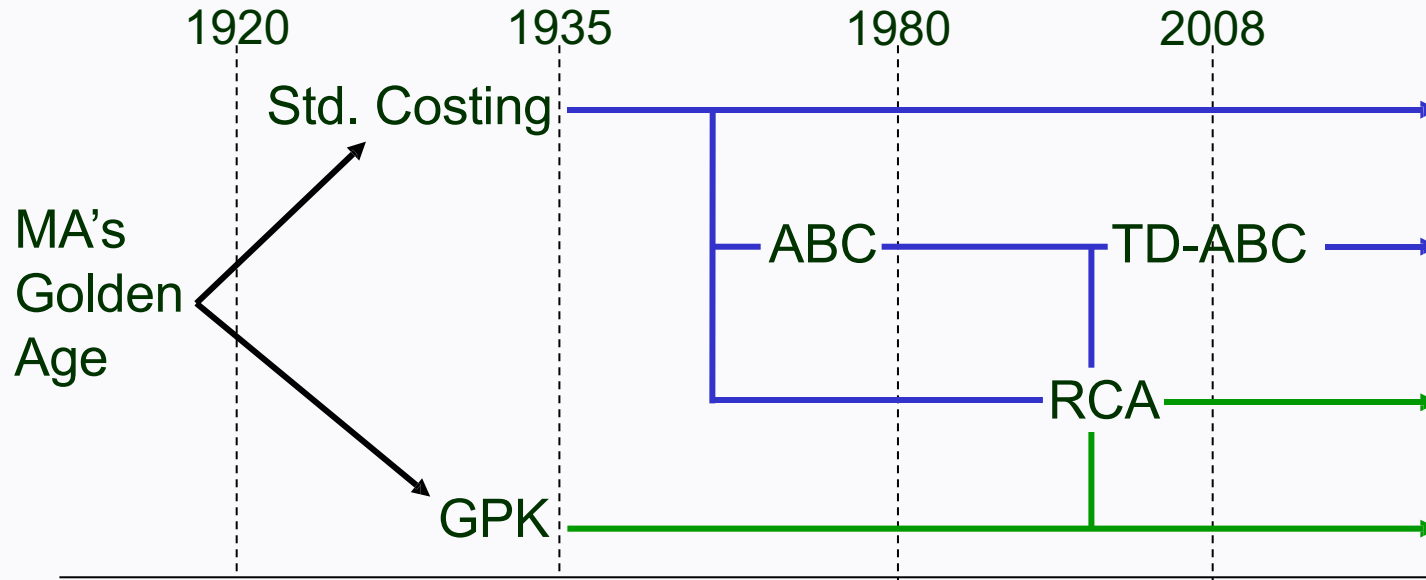
Managerial Costing:

The monetary reflection
of the utilization of business resources

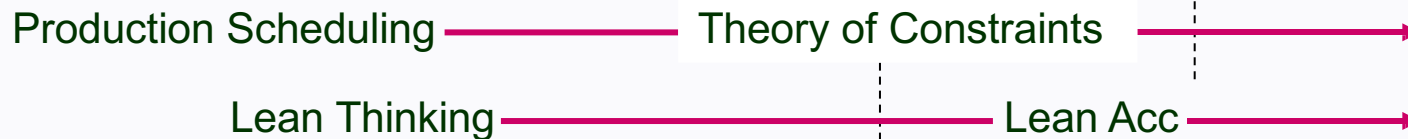
Also, related cause-and-effect insights

Methods

Roots in Accounting Profession



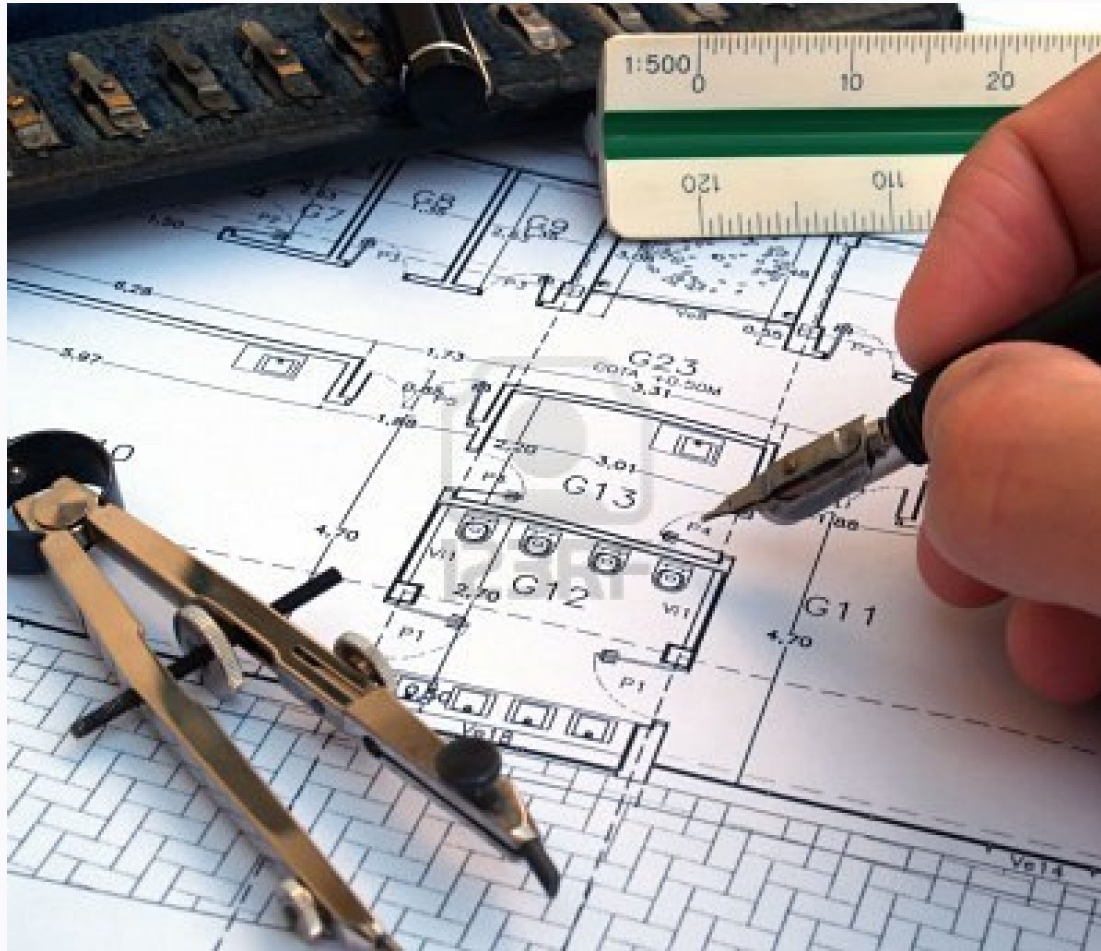
Roots in Other Disciplines



- Production Method Centric
- Accounting Method Centric
- Principle-based

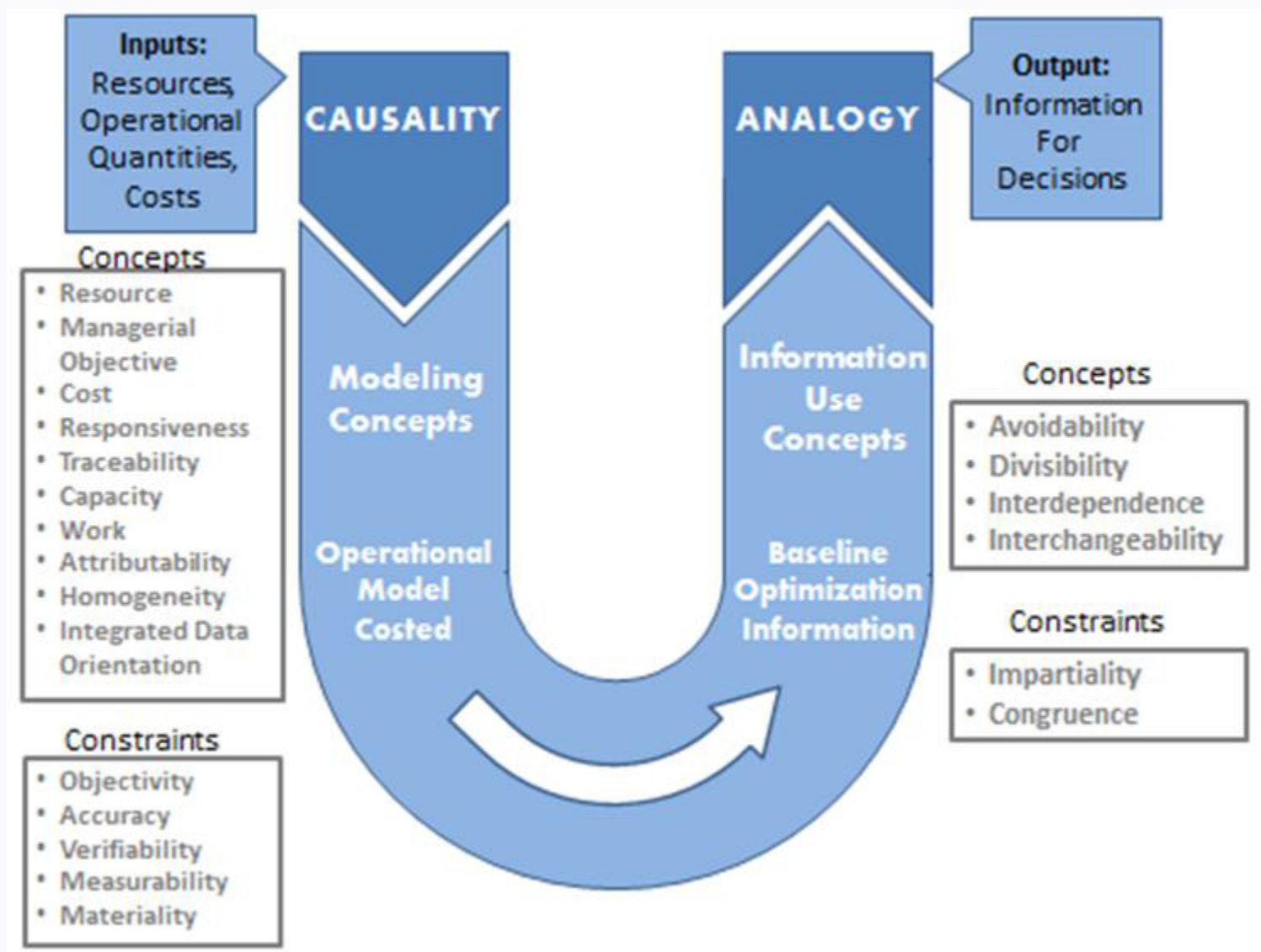
Moving Beyond Methods

- **Objective**
- **Scope**
- **Qualitative Characteristics**
 - **Principles**
 - **Concepts**
 - **Constraints**
- Framework in Operation
- Call to Action
- Appendix: Truth in Managerial Costing



Approach

- Draw from among all concepts
- Adopt two key principles around which to consider the concepts
- Adopt some essential constraints
- Use principles of causality and analogy along with constraints to filter possible concepts, adopting a small, supportable set of concepts



What's in it for us?

- Unfinished Business
- Lemons

The Market for Lemons



(the bad driving the good out of the marketplace)

- The objective of managerial costing is to:
 - Provide a monetary reflection of the utilization of business resources *and*
 - Provide cause and effect insights into past, present, or future enterprise economic activities.
- Managerial costing aids managers:
 - In their analysis and decision making *and*
 - Supports optimizing the achievement of an enterprise's strategic objectives.

Principles

- **Causality**

- *The relation between a managerial objective's quantitative output and the input quantities that must be, or must have been, consumed if the output is to be achieved.*

- **Analogy:**

- *The use of causal insights to infer past or future outcomes.*

Questions?

Thank you