A Review of the Book: Managerial Uses of Accounting Information by Joel S. Demski

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Joel Demski's book is an excellent book in accounting that provides an insightful and comprehensive study on managerial accounting using issues through a new approach based on economic theory and quantitative methods.

This book discusses comparative accounting and economic foundations in managerial accounting and elaborates the issues in the combined area in the mathematical models. The issues on managerial accounting are very interesting to study since business environments are very dynamic, hence the provision and use of accounting information in the managerial process extends dynamically over time as well. Many insightful publications in managerial accounting have emerged and some have made valuable contributions to the field of managerial accounting. In this context, the objective of the book is to provide a comprehensive discussion on how accounting information might be utilised as a basis for managerial decision making in a business organization. The managerial decision making process presented in the book is focused on the choice of factors which might incur cost and how the cost should be efficiently managed.

For researchers, the book is certainly insightful and might stimulate them to perform further study in managerial accounting since the author emphasises the accounting library principle. This principle may motivate the readers to comprehend more on developing sound arguments behind the preparation of managerial reports, rather than only how to produce the reports. This can lead researchers to keep on questioning the rationale behind the concepts introduced in the text and making contributions to further develop the managerial accounting field of knowledge.

Broadly speaking, managerial accounting systems supply the financial reports, such as product costing, utilisation of business resources and other objectives, which are of interest to management for decision making purposes for business planning, controlling, evaluating and continuous improvement. In the long run, the information provided by the systems might be used by management and by individuals in business, for predicting future firm performance and maintaining income. Even though the systems are designed for internal purposes, these affect the external stakeholders; for example, the investors' decision to invest their fund or the creditors' agreement on borrowing contracts. From this perspective, the book addresses well-constructed models for accounting phenomena through simple and brief discussions with some precise examples. These examples, which are based on real problems, can be used as consideration for managers in making company decisions. Thus, this book might provide a useful basis for readers to understand the information perspective on decision making and the management insight.

From the organisational behaviour point of view, this book is in line with behavioural assumptions of traditional and mainstream management accounting. The examples discussed in the book are very well addressed, emphasising the importance of establishing goal congruence in the company, i.e. profit maximisation. However, in modern organization theories, the assumptions of organisational behaviour have changed. In the modern complex business organisation, profit maximisation is not the only universal organisational objective. There are several more important goals for modern companies, such as maximisation of shareholders' wealth, and building the foundation for company growth and its sustainability. There are some contemporary issues, such as risk management, corporate governance and compliance behaviour as well. It would be exciting to see these issues included in the next edition of this book.

In some chapters, this book presents a thorough discussion of economic behavioural aspects of management decision making. The book discusses managers' economic decisions about controlling resource allocation and other behavioural aspects, such as effective communication and coordination among managers in all organisational levels that can affect the decisions. Some strategic processes discussed in addressing those issues are budgeting and inter-divisions transfer pricing process. However, in the discussion of responsibility accounting, the book only provides an introduction about the profit centre, without further explanation of other types of the responsibility centres, such as the investment centre, revenue centre and cost centre, which might be relevant with transfer pricing issues. But this is an insignificant problem, since this may bring too much additional complexity to the book and it can be found in other references.

Using sophisticated academic terminologies and rationales, the book is written apparently for educational purposes as a text for graduate students. Some courses might use this book as reference, but students need to know basic management accounting concepts, such as basic product costing and its use for managerial decision making, before they read and understand this book.

The text emphasises on mathematical models to elaborate the accounting and economic treatment of cost assignments and other accounting issues, and how to efficiently manage to achieve the desired profit. The use of equations might make simple managerial accounting practices look very difficult to be interpreted and implemented in real problems. Consequently, in order to get a broad understanding of the topics, the students need to be equipped with the basic knowledge of quantitative methods. For teaching purpose, the lecturers or instructors will need to supply other supplements for this book, or combine it with other materials, in order to comprehensively cover all managerial accounting-related topics.

Overall, this book is very insightful and worth reading. The book is recommended as teaching and research material since it motivates readers to study thoughtfully the philosophy and principles of managerial accounting, in addition addressing how to solve managerial problems based on accounting information.