

Unit 2 Decision Making

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I. Basic Functions of Management

Plan	Organize	Coordinate	Control	Evaluate
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II. Performing Management Functions Requires Decision Making.

Free Quick Notes Books provide help for accounting, economics, statistics, and basic mathematics.

III. Steps to Decision Making

Identify problem.	Gather the relevant information.	Determine alternative solutions.	Analyze alternative solutions.	Choose an alternative solution.	Implement solution and monitor results.
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IV. Group Decision Making

- A. As the world becomes more complicated, group decision making becomes more important.
- B. Psychologist Howard Gardner's **Theory of Multiple Intelligence**¹ lists eight kinds of human intelligence. Lately, the business community has stressed the sixth kind, the ability of people to work in groups.
1. **Mathematical-logical** (problem solving, fixing or repairing, programming)
 2. **Spatial** (dancing, sports, driving a bus)
 3. **Bodily-kinesthetic** (acting, mime, sports)
 4. **Musical-rhythmic** (composing, playing music, clapping)
 5. **Verbal-linguistic** (reading, using words, reading, public speaking, storytelling)
 6. **Interpersonal** (social skills, reading other people, **working in a group**)
 7. **Intrapersonal** (introspection, self-assessment, goal making, vision, planning)
 8. **Naturalist** (able to classify items)

Note: Traditional accounting books are written for people with high mathematical-logical intelligence. While this book is useful for these people, it is particularly useful for the other people who's high intelligence is in one or more of the other areas.

V. Decision Making Requires Accounting Information.

- A. **Accounting information** is financial data put into a useful form. A balanced checkbook is financial information because financial data, checks written and deposits, has been made more useful.
- B. The **Financial Accounting Standards Board (FASB)** has set the following criteria for determining the usefulness of "**financial accounting**" information.
1. **Understandability**
 2. **Usefulness** requires information be **relevant and reliable**.
 3. **Comparability** requires information be **consistent**.
 4. **Materiality** requires information be important enough to affect a reader's interpretation.
- C. In addition, FASB requires accountants to follow the principle of **conservatism** in the measurement of value. This means subjective analysis should not overstate revenue and asset value or understate expenses and liabilities. FASB also requires **full disclosure** of all relevant information.
- D. External users often require certified information for making decisions.
1. External users include banks, investors, customers, vendors, and governments.
 2. Certified information is provided by financial accounting.
- E. Internal users need accounting information to make decisions.
1. These users do not require certified information.
 2. **Managerial accounting** provides this type of information.

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¹ *The Learning Brain*, Eric Jensen, self-published, 1995, and "How Many Smarts Do You Have," *Business Week*, September 16, 1996, pp 104-108.

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