

# DECISION-MAKING AND RELEVANT INFORMATION IN MANAGEMENT ACCOUNTING

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**Abstract:** This article explores the critical role of relevant information in managerial decision-making within enterprises. Effective management decisions require timely, accurate, and decision-oriented information, which reflects the real economic environment of the organization. Relevant information allows managers to evaluate alternative courses of action, forecast potential outcomes, minimize risks, and align decisions with strategic objectives. The study highlights both quantitative and qualitative aspects of relevant information, the mechanisms of its collection and analysis through management accounting systems, and its practical application in operational, tactical, and strategic decisions. Examples and analytical reasoning demonstrate how proper utilization of relevant information enhances efficiency, profitability, and competitive advantage.

**Keywords:** management accounting, relevant information, decision-making, strategic management, performance evaluation, cost analysis, business efficiency, internal reporting, risk assessment, managerial control.

## **Introduction**

In today's competitive and rapidly changing business environment, the ability to make informed and timely decisions is one of the key determinants of an enterprise's success. Every managerial decision—whether operational, tactical, or

strategic—requires access to high-quality information. Management accounting serves as a systematic tool to provide this information, enabling managers to monitor internal processes, evaluate performance, control costs, and plan for future activities.

Not all information available to managers is equally useful. Only **relevant information**—data that has the potential to influence a particular decision and differs across alternatives—is essential for effective decision-making. Relevant information is future-oriented and directly connected to the decision at hand. For example, when considering whether to invest in new equipment, relevant data would include projected production capacity, expected cost savings, potential revenue, and associated risks. Historical costs or sunk investments, which cannot be changed by current decisions, are irrelevant.

### **The Nature and Importance of Relevant Information**

Relevant information serves as the foundation for rational decision-making. Its main characteristics include:

1. **Decision-oriented** – The information must relate directly to the decision to be made.
2. **Future-focused** – Only information that impacts future outcomes is relevant.
3. **Differentiated among alternatives** – Data must vary depending on the choice of course of action.

Relevant information can be quantitative, such as costs, revenues, production volumes, resource usage, and profitability metrics. It can also be qualitative, such as brand reputation, employee morale, customer satisfaction, or environmental impact. Both types of information are critical in assessing the consequences of

managerial decisions. For instance, when a company decides to discontinue one product line and focus on another, the manager must consider:

- Avoidable costs for each product line;
- Expected revenues and profit contribution;
- Market demand forecasts;
- Resource allocation constraints;
- Strategic fit with long-term organizational goals.

Quantitative data allows precise calculation of costs and profits, while qualitative data supports long-term sustainability and stakeholder satisfaction. The combination of both ensures balanced and informed decision-making.

### **Types of Decisions and Relevant Information Application**

Management decisions can be categorized into three main types:

1. **Strategic decisions** – Long-term decisions affecting the overall direction of the organization (e.g., entering new markets, launching investment projects, mergers, or acquisitions). Relevant information includes market research, financial forecasts, risk assessment, and strategic alignment.
2. **Tactical decisions** – Medium-term operational adjustments that improve efficiency and optimize resources (e.g., production planning, pricing strategies, marketing campaigns). Relevant information here involves cost analysis, sales projections, and capacity utilization.
3. **Operational decisions** – Short-term, day-to-day management of business activities (e.g., allocating materials, scheduling labor, managing inventory). Relevant information must be timely, precise, and actionable to allow immediate response to operational challenges.

### **Role of Management Accounting in Relevant Information Provision**

Management accounting systems are designed to generate, process, and present relevant information to support managerial decisions. Their key functions include:

1. **Data Collection** – Gathering financial and operational data, including costs, revenues, and resource utilization.
2. **Data Processing** – Converting raw data into meaningful information through calculation, categorization, and analysis.
3. **Comparative Analysis** – Evaluating alternative scenarios and projecting outcomes based on relevant variables.
4. **Decision Support** – Presenting data in forms (reports, dashboards, KPIs) that facilitate informed choice by managers.
5. **Monitoring and Feedback** – Assessing the results of decisions to improve future processes and information accuracy.

By distinguishing between relevant and irrelevant information, management accounting ensures that managerial focus remains on data that materially affects business outcomes.

### Practical Example

Consider a company producing two products, A and B, with the following characteristics:

**Table**

**1**

| Product | Production Cost<br>(UZS) | Profit per Unit<br>(UZS) | Market Demand |
|---------|--------------------------|--------------------------|---------------|
| A       | 40,000                   | 10,000                   | High          |
| B       | 55,000                   | 15,000                   | Medium        |

If production capacity is limited to 1,000 units, managers must evaluate which product yields the highest overall contribution. Relevant information includes not only the numerical profit per unit but also market demand and production feasibility. Allocating resources to Product A may maximize revenue due to high demand, even though Product B has a higher per-unit profit.

**Conclusion:** Relevant information is a critical resource for managerial decision-making. It enables managers to assess alternatives, predict outcomes, minimize risks, and achieve strategic objectives. Management accounting systems provide the necessary framework to identify, collect, analyze, and report such information in a structured and timely manner. By focusing on relevant data, organizations can improve operational efficiency, profitability, and long-term competitiveness. Effective use of relevant information strengthens decision quality, ensuring sustainable business growth and value creation for stakeholders.

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