

Abstract: Theories of information processing and management accounting

Managers often make wrong decisions because of their limited cognitive abilities. The management accounting has to support the management in decision-making and in improving the quality of entrepreneurial decisions. This requires an early identification of behavioural abnormalities and the management accountant's appropriate action. Therefore, knowledge of human information processing, its limitations and associated risks for management accountants are of great importance.

This thesis figures the attempts to explain of human information processing, potential errors in the perception and interpretation of information, as well as the consequences for the management accounting.

The first part deals with human information behaviour. For this the knowledge from the part of the cognitive psychology, the science of communication, and selected theories of information processing have to be collected. In addition to the prospect theory and the theory of cognitive dissonance, the theory of mental models, as well as heuristics, deliver insight into the true, oftentimes irrational information seeking behaviour of humans. The second part of the thesis provides a short introduction to management accounting, especially to its different functions.

The main part of the thesis deals with the connection of information processing and management accounting, which figures the impact of human information processing on management accounting functions, different decision-making processes (investment decisions, management ratios, and budget), and the role of the management accountant. At this the thesis makes suggestions for avoiding or reducing irrational behaviour of the management.

This gained knowledge shows the high complexity of human information processing and its high rate of mistakes. It is of great importance for the management accountant to avoid or reduce such mistakes in processing by the management. Especially the management accountant's communication skills and its ability of critical thinking are important to avoid wrong decisions of the management, due to its limited cognitive skills.