**Decision Making and Relevant Information**

Managers usually follow a decision model for choosing among different courses of action.

**A decision model** is a formal method of making a choice that often involves both quantitative and qualitative analysis. Management accountants analyze and present relevant data to guide manager’s decisions.

**Five-step Decision making process:**

1- Identify the problem and uncertainties.

2- Obtain Information (historical costs and other Information).

3- Make predictions about the future.

4- Make decisions by choosing among alternatives.

5- Implement the decision, evaluates performance to provide feedback about actions taken in the previous steps.

**Relevant costs and Relevant Revenues:**

Relevant costs are expected future costs, and relevant revenues are expected future revenues that differ among the alternative courses of action being considered.

Revenues and costs that are not relevant are said to be irrelevant it is important to recognize that to be relevant costs and revenues they must:

\* Occur in the future.

\* Differ among the alternative courses of action.

There are two ways to analyze the data. The first considers “ All revenues and costs”, will the second considers only “Relevant revenues and costs”.