

Dr. Madhukarrao Wasnik Art's & Commerce Collage,
Kamptee Road, Nagpur.

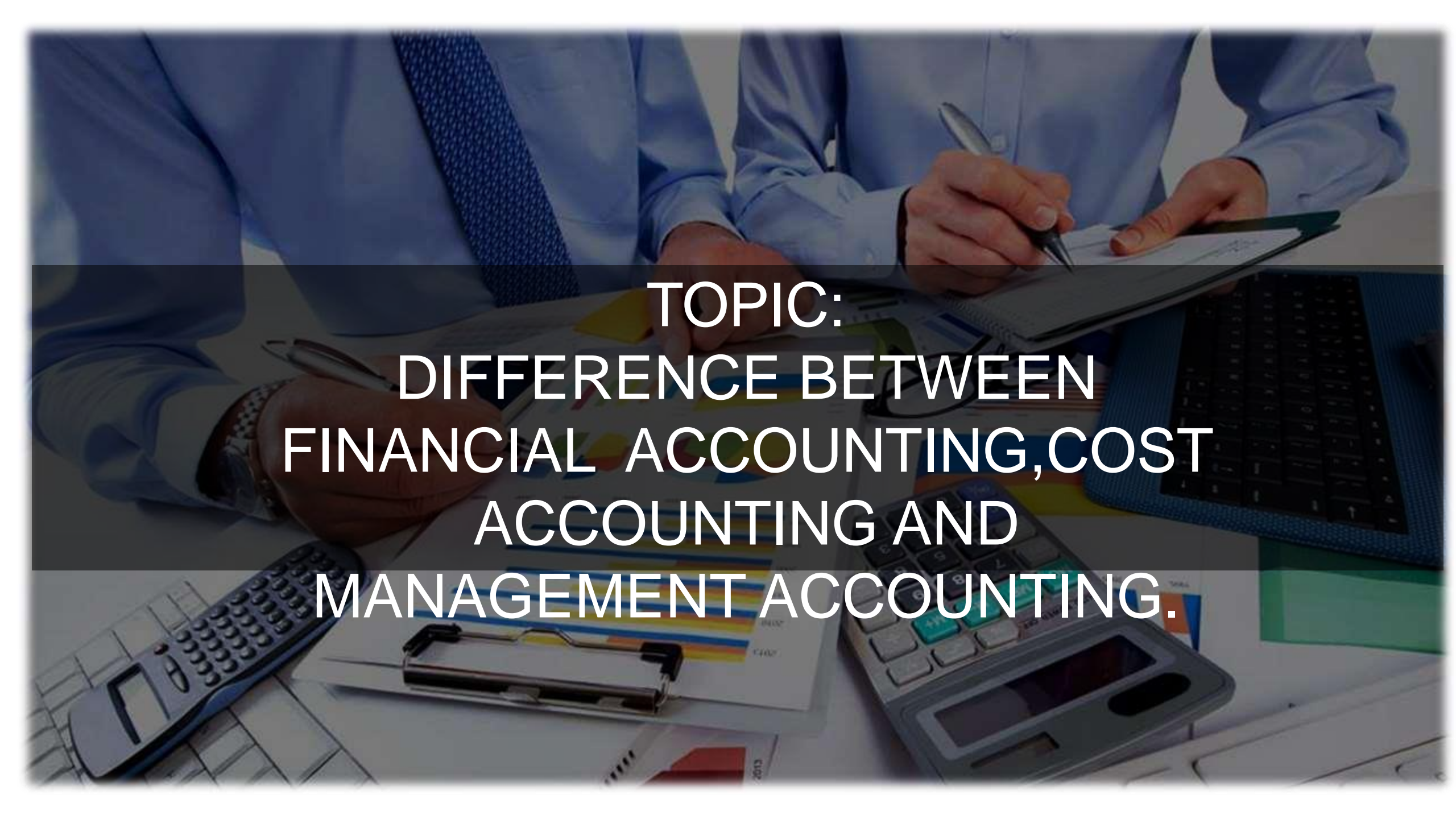
Subject: Advance Cost Account

Topic: Difference between Financial and Cost Account, Cost and Management Account

Presented By,

Subject Teacher: Mr. Sachchidanand Bhagat

M.com. Part I Sem. II

A photograph of a business meeting. Two people in light blue shirts are leaning over a desk. One person is writing on a document with a pen. The desk is cluttered with various items: a calculator, a keyboard, a mouse, a clipboard, and several sheets of paper with charts and graphs. The background is slightly blurred, showing more of the office environment. The overall tone is professional and focused on financial work.

**TOPIC:
DIFFERENCE BETWEEN
FINANCIAL ACCOUNTING, COST
ACCOUNTING AND
MANAGEMENT ACCOUNTING.**

Financial accounting :

The purpose of this branch of accounting is to keep a record of keep a record of all financial transactions so that:

Cost Accounting

:

The purpose of cost accounting is to analyse the expenditure so as to ascertain the cost of various products manufactured by the firm and fix the prices. It also helps in controlling the costs and providing necessary costing information to management for decision-making





Management Accounting

:

The purpose of management accounting is to assist the management in taking rational policy decisions and to evaluate the impact of its decisions and actions.

FINANCIAL ACCOUNTING

MANAGEMENT ACCOUNTING

PRIMARY USERS

External(Investors, government authorities, creditors)

Internal(Managers of business, employees)

PURPOSE OF INFORMATION TIMELINES

Help investors, creditors, and others make investment, credit, and other decisions
Delayed or historical

Help managers plan and control business operations
Current and future oriented

RESTRICTIONS

GAAP, [FASB AND SEC](#)

GAAP does not apply, but information should be restricted to strategic and operational needs.

NATURE OF INFORMATION SCOPE

Objective, auditable, reliable, consistent

More subjective and judgmental, valid, relevant and accurate

Highly aggregated information about the overall organisation

Disaggregated information to support local decisions

BEHAVIOURAL IMPLICATIONS

Concern about adequacy of disclosure

Concern about how reports will affect employees behaviour

FEATURES

Must be accurate and timely
Compulsory under company law
Is an end in itself

Usually approximate but relevant and flexible
Except for few companies, it is not mandatory
Is a mean to the end

SEGMENTS OF ORGANISATION

It is primarily concerned with reporting for the company as a whole.

Segment reporting is the primary emphasis.

FINANCIAL ACCOUNTING

COST ACCOUNTING

OBJECTIVE	It provides information about financial performance and financial position of the business.	It provides information of ascertainment of costs to control costs and for decision making about the costs.
NATURE	It classifies records, presents and interprets transactions in terms of money.	It classifies, records, presents and interprets in a significant manner materials, labour and overhead costs.
RECORDING OF DATA	It records historical data.	It records and presents estimated, budgeted data. It makes use of both historical costs and predetermined costs.
USERS OF INFORMATION	External users like shareholders, creditors, financial analysts, government and its agencies, etc.	Used by Internal management at different levels.
ANALYSIS OF COSTS AND PROFITS	It shows profit/loss of the organization.	It provides details of costs and profit of each product, process, job, etc.
TIME PERIOD	They are prepared for a definite period, usually a year.	They are prepared as and when required.
PRESENTATION OF INFORMATION	A set format is used for presenting financial information.	There are no set formats for presenting cost information's.

T H A N K

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