

MANAGEMENT VS. FINANCIAL ACCOUNTING

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All monetary transactions are recorded in the books of accounts on historical cost basis. Financial statements are prepared to ascertain the actual profit or loss of the firm and to know the financial position of the firm of every accounting period.

Management accounting collects data from financial statements, analyzes, and then provides this data to the management.

S.no.	Financial Accounting	Management Accounting
1	Monitory transactions are the base of financial accounting.	Data as obtained from financial accounting is the base of management accounting.
2	Recognition, classification, recording of financial transactions on actual basis, and preparation of financial statement are the main functions of financial accounting.	Collection of data from financial accounting, provision of necessary information to the management for planning, decision-making, and evaluation are the main functions of management accounting.
3	Support of relevant figures is required in preparing the financial reports.	Subjective and objective, both figures may be present in the management accounting report.
4	Success of financial accounting does not depend on sound management accounting system.	Success of management accounting depends on sound financial accounting system of a concern.
5	Financial reports are used by the management of a company, shareholders, creditors, and financial institutions.	Financial reports are exclusively used by the management only.
6	Statutory audit of financial statements of concerns is required as per applicable law.	No statutory requirement of audit for reports prepared by management accountants.
7	Financial statements of a concern are prepared at the end of every accounting period.	The reports are prepared as and when required by management of the concern.
8	To ascertain profit or loss of a concern on actual basis and to know financial position of a concern financial accounting is used.	Thorough management accounting evaluation of performance is done department and section-wise, as well as whole concern-wise.