

Financial accounting v. managerial accounting essay

[Business](#), [Accounting](#)



Financial reports and statements are prepared in accordance with set of rules , procedure and standards for reporting financial information known as the “ Generally Accepted Accounting principles” (GAAP) , as established by the Financial Accounting Standard Board (FASB). This standard stipulates that a company “ account for all of their assets or economic resources according to their historical cost.

” (Horngreen, Stratton & Sundem, p. 6) Managerial reports are prepared from Managerial accounting statements. Managerial accounting assists managers to plan and manage an organization’s operations. Budgets are prepared to convey management’s goals in financial terms by measuring, identifying, analyzing, accumulating, communicating and interpreting accounting and financial information. Over a period, performance reports are prepared to evaluate the actual results with that of budgeted one.

Managerial accounting does not require complying with rules and procedures of the GAPP. An organisation can develop its own internal accounting system that will suit most to the needs of the company. In financial reporting, summary results are generally prepared primarily with a company as a whole. Whereas managerial accounting employs more featured reports which list parts of company such as products, territories and departments. Financial accounting analyses the performance of an organisation and presents the same in report form which is very useful factor for decision makers as these reports ‘ feedback by evaluating results with plans and by highlighting variances within the organisation.

Decision making is the chief feature of the management accounting and it includes “ the decisive choice from among set of alternative courses of action designed to achieve some goals. Focus, planning and control are the key elements of management accounting. Managerial report is a device for using a financial metric (dollars) as a normalizing mechanism for taking decision about different choices and alternatives. For instance, a managerial report helps you to come to a conclusion whether it is better to add 1000 customer account advocates in a call centre in UK, against staffing a user experience and technical writing department in California and investing in billions in intuitive products, Managerial reporting helps to take decisions and to do right thing.