

## **BRANCHES OF ACCOUNTING**

The changing business scenario over the centuries gave rise to specialized branches of accounting which could cater to the changing requirements. The branches of accounting are;

- i) Financial accounting;
- ii) Cost accounting and
- iii) Management accounting.

### **Financial Accounting**

Financial accounting may be defined as the science and art of recording and classifying business transactions and preparing summaries of the same for determining year and profit and loss and the financial position of the concern.

#### **Functions of Financial Accounting**

- 1. Recording information
- 2. Classification of data
- 3. Making Summaries
- 4. Dealing with financial transaction
- 5. Interpreting financial information
- 6. Communicating results
- 7. Making Information more reliable

#### **Limitations of Financial Accounting**

- 1. Historical Nature
- 2. Provides information about the concern as a whole
- 3. Not helpful in price fixation
- 4. Cost control not possible
- 5. Appraisal of Policies not possible
- 6. Only actual costs recorded
- 7. Not helpful in taking strategic decision
- 8. Changes of manipulations

### **Cost Accounting**

Cost Accounting is the classifying, recording and appropriate allocation of expenditure for the determination of the costs of products or services and for the presentation of

suitably arranged data for purpose of control and guidance management

### **Scope of cost**

#### **accounting**

Cost

Ascertainment

Cost

Accounting

Cost Control

### **Advantages Of Cost Accounting**

1. Profitable and unprofitable activities are disclosing.
2. It enables a concern to measure the efficiency and then to maintain and improve it.
3. It provides information upon which estimates and tenders are based.
4. It guides future production policies
5. It helps in increasing profits
6. It enables a periodical determination of Profit and loss.
7. Helpful to the government
8. Helpful to consumers
9. Efficiency of public enterprises

### **Financial Accounting Vs Cost Accounting**

- Purpose
- Forms of accounting (Companies Act.)
- Recording (Nature of exp.)
- Control
- Periodicity of reporting
- Analysis of profits
- Reporting of costs
- Nature of transaction (commercial transaction)
- Information (Monetary Nonmonetary)

- Fixation of selling price
- Figures (Actual & Estimated data)
- Reference (Company law board)
- Relative Efficiency

### **Management Accounting**

It is study about managerial aspect of accounting “Management accounting is concerned with the accounting information that is useful to management”

### **Characteristics–Management Accounting**

1. Providing Accounting Information
2. Cause and effect Analysis
3. Use of special techniques and concepts
4. Taking important decision
5. Achieving of objectives
6. No fixed norms followed
7. Increase inefficiency
8. Supplies information are not decision
9. Concerned with forecasting

### **Objectives–Management Accounting**

1. Planning and policy formulation
2. Helpful in controlling performance
3. Helpful in organizing
4. Helpful in interpretation financial statements
5. Motivating employees
6. Helps in making decision
7. Helpful in co-ordination
8. Report to management
9. Tax Administration

### **Management Accounting Vs Financial Accounting**

- Object
- Nature(Historical)
- Subject Matter (Whole business)
- Compulsion
- Precision(figures)
- Reporting(outsiders)
- Description (Monetary &non-monetary)
- Quickness
- Accounting principles
- Period
- Publication

Audit