

Financial vs. Managerial Accounting

This presentation is duplicated in the Managerial vs. Financial Accounting presentation.



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Managerial vs. Financial Accounting

- Financial Accounting – a study in history.
- Financial accounting records facts established by events and records them.
- These facts are presented in the income statement, the statement of retained earnings, the balance sheet, and the statement of cash flows.

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Managerial vs. Financial Accounting

- Financial accounting issues these four financial statements with date lines such as “For the Month Ended March 31, 2015,” or “March 31, 2015.”
- These financial statements are always issued after the date contained in the date line.
- They are history.

Managerial vs. Financial Accounting

- While creating financial accounting financial statements does not require special qualifications, the audit process of a publicly traded requires the accountant to be a Certified Public Accountant – CPA.

Managerial vs. Financial Accounting

- The users of financial accounting released financial statements are both inside the company and outside the company – internal and external.
- The publicly released financial statements are intended to assist someone in making a decision.

Managerial vs. Financial Accounting

- Financial accounting is significantly influenced by the Generally Accepted Accounting Principles (GAAP).
- The publicly released financial statements are based on historic events.
- The publicly released financial statements must be reliable and objective – verified by the audit process.

Managerial vs. Financial Accounting

- The publicly released financial statements usually report the entire company – For General Motors Company (GMC) do not expect Chevrolet and Buick activities to be reported in detail.
- The publicly released financial statements require adequate disclosure to assist in decision making.

Managerial vs. Financial Accounting

- Quarterly reports required by the U.S. Securities and Exchange Commission need not be audited.
- Annual reports required by the U.S. Securities and Exchange Commission must be audited by qualified CPAs.

Managerial vs. Financial Accounting

- Managerial accounting is not intended to be disseminated outside the company.
- Managerial accounting is allowed to answer “what if” questions.
- Managerial accounting is allowed to make projections – “If we sell 100 packages of t-shirts that cost us \$4 for \$6 we should profit by \$XX.

Managerial vs. Financial Accounting

- The structure of managerial accounting reports are suited to the reader / user. They are not regulated by any outside organization.
- Managerial reports help managers plan, direct, and control. They are frequently feedback in response to prior decisions.
- Managerial reports are free to include both past facts and future projections

Managerial vs. Financial Accounting

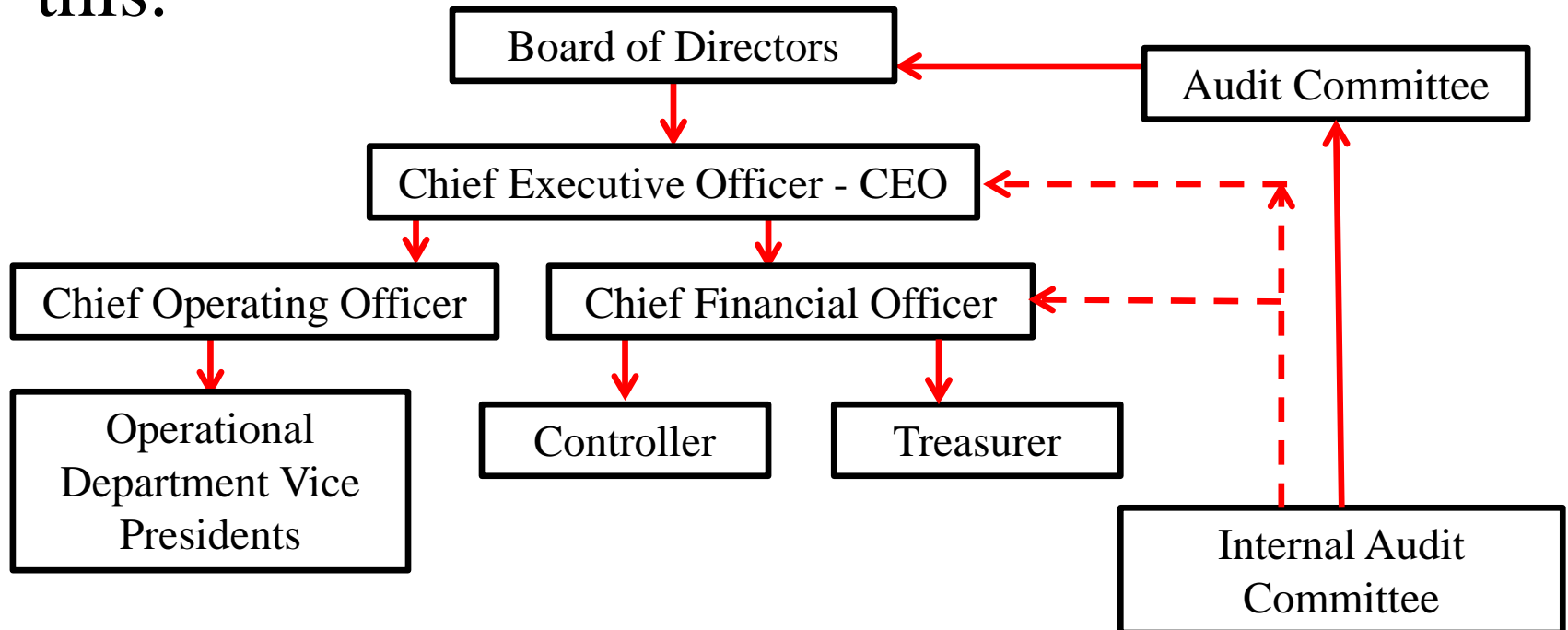
- Managerial accounting reports may be one-time or recurring reports.
- There is no outside requirement to have any managerial accounting reports audited.
- One of the first questions managerial accounting asks is “Cost / Benefit.” If we do it, what will it cost? If we do it, how will the company benefit?

Managerial vs. Financial Accounting

- In most companies there is not distinction between financial and managerial accounting personnel.
- In many smaller companies there is only one accountant doing it all.

Managerial vs. Financial Accounting

- The common, formal structure of financial accounting within a company may look like this.



Managerial vs. Financial Accounting

- The treasurer is responsible for the proper handling and placement of cash. If cash is needed, he gets it. If the company has idle cash, he figures out a way to have it earn interest.
- The controller is responsible for all accounting activities – financial and managerial

Managerial vs. Financial Accounting

- With the passage of the Sarbanes-Oxley Act of 2002, “The SOx Act” the role of auditors within the company have been better defined.
- The New York Stock Exchange (NYSE) has additional requirements for all companies traded on its exchange concerning the audit functions and activities of the company.

Managerial vs. Financial Accounting

- While minor issues may be addressed by the audit committee with the respective low ranking party, all activities of the internal audit team are reported to the board of directors through the Audit Committee.
- The authorities and actions of the Audit Committee are reviewed during the public audit and reported accordingly.

Managerial vs. Financial Accounting

- The end.