

For instance, a production manager reviews cost reports to identify areas for efficiency improvements. 1
Users: – Financial Accounting: Primarily serves external users, such as investors and regulatory agencies. Regulatory Framework: – Financial Accounting: Must comply with established standards like GAAP or IFRS. For example, a company prepares its annual financial statements to show shareholders and potential investors how well it performed over the year. For instance, a manufacturing company might analyze the cost of raw materials, labor, and overhead to determine the total cost of producing a specific product. Reporting Frequency: – Financial Accounting: Reports are typically prepared at the end of a financial period (quarterly or annually). For example, a publicly traded company must follow these regulations when preparing its financial statements for investors. – Cost Accounting: There are no strict guidelines, allowing flexibility in how costs are reported. – Cost Accounting: This focuses on analyzing costs associated with production or operations to help management make informed decisions. For example, a manager might use management accounting reports to evaluate the performance of different departments and make budget adjustments accordingly. For example, a company releases its quarterly earnings report to inform stakeholders about its financial status. – Management Accounting: Also not bound by regulations, enabling businesses to customize reports for their specific needs. For example, a company's balance sheet provides a snapshot of its assets, liabilities, and equity. For example, a company might evaluate customer satisfaction alongside financial performance to inform strategic planning. 2.3.4.5