

Financial & managerial accounting

ILLUSTRATION 14.1 Differences between financial and managerial accounting

Feature	Financial Accounting	Managerial Accounting
Primary Users of Reports	External users: stockholders, creditors, and regulators.	Internal users: officers and managers.
Types and Frequency of Reports	Financial statements. Quarterly and annually.	Internal reports. As frequently as needed.
Purpose of Reports	General-purpose.	Special-purpose for specific decisions.
Contents of Reports	Pertains to business as a whole. Highly aggregated (condensed). Limited to double-entry accounting and cost data. Generally accepted accounting principles.	Pertains to subunits of the business. Very detailed. Extends beyond double-entry accounting to any relevant data. Evaluated based on relevance to decisions.
Verification Process	Audited by CPA.	No independent audits.

The largest difference between the US GAAP (Generally Accepted Accounting Principles) and IFRS is that IFRS is principle-based while GAAP is rule-based

Business sustainability

Key drivers: Competition for resources, Climate change, Economic globalisation, Connectivity and communication

Theories: Corporate social responsibility (CSR); Shareholder value; Stakeholder theory; Stewardship theory; Legitimacy theory

Reporting: Integral to business sustainability is annual report; TPL (Triple bottom line): economic, environment, social,

Corporate governance refers to the direction, control and management of an entity

Code of ethic: Integrity (*straightforward*), objectivity (*do not compromise*), professional competence and due care, confidentiality, professional behaviour.



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