Accounting Week 1

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Financial and managerial accounting are branches of the accounting discipline. They have a number of approaches and usages similar between them, however, there are some significant differences as well. For instance, managerial accounting data is used for internal purposes, while reports of financial accounting are used by public stakeholders. It means financial accounting offers information to the person outside the organization and managerial accounting to the person inside of the organization. Another prominent difference between the two is legal acceptance. Financial accountability is expected by the law and legally required while managerial accounting does not have any such requirements. Financial accounting reports are made on the complete business outcome, while reports of managerial accounting rely on the customer, geographic area and other services. In addition, financial accounting is mainly focused on the outcome or result, rather than the entire company’s system of operations(“What is Financial Accounting?,” n.d.). On the other hand, managerial accounting focuses on the entire company system to increase profit.

Financial statements are given to provide a glance at the organization's performance. It includes cash flows, financial position and productivity of the organization. There are four types of statements that an organization uses, including balance sheet, income statement, statement of changes in equity and cash flows. The income statement provides details regarding financial performance by providing details of sales, expenses, and net profit or loss. Balance sheet identifies financial position through a general classification of equity, liability, and assets. Statement of cash flows tells the experience of cash outflows and inflows during the specific period of time. Cash flows classified into three activities including financing, investing, and operating activities. Last is the statement of changes in equity that organizations use to highlight all the changes he made during a specific period. These changes include profit or loss, dividend issued and shares purchasing. The main aim of the financial statement is to analyze the progress of the organization(“All About Financial Management in Business,” n.d.).

**References**

All About Financial Management in Business. (n.d.). Retrieved July 4, 2019, from https://managementhelp.org/businessfinance/index.htm

What is Financial Accounting? (n.d.). Retrieved July 4, 2019, from https://www.accountingedu.org/what-is-financial-accounting.html