

Management Accounting VS Financial Accounting

Management
Accounting



Financial
Accounting





The main difference between financial accounting and management accounting is that financial accounting focuses on historical data to prepare financial statements, while management accounting focuses on future-oriented reports—such as budgets—to help managers make decisions.

Financial Accounting

Financial Accounting focuses on the past

Financial Accounting reports are typically prepared annually

Financial accounting reports must follow generally accepted accounting principles (GAAP), which provide guidance on how transactions should be recorded and financial statements should be prepared. This ensures that financial statements are comparable across businesses and over time.

Management Accounting

Management Accounting focuses on the future

Management Accounting reports are typically prepared monthly or quarterly

Management accounting is not subject to GAAP because management accounting reports are used internally by managers and not by external stakeholders such as investors.