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Introduction

Accountants all over the world possess a significant role in the financial world by providing data and information of transactions prepared and presented through an authentic state that can be later used for the purpose of decision making and negotiating through several business entities. Among the accounting discipline, there are different branches used for different purposes to classify transactions for further analysis and project development. In the upcoming segments some comparison and contrast among those branches will be showcased with example.

Task 1: Difference between revenue expenditure and capital expenditure with reference to international accounting standards

Capital expenditure: an expenditure that occurs during the acquisition of a fixed asset is generally known as capital expenditure (Blocker, 2018). In order to achieve long term goals of an organization and to create a solid basis in the business world the vitality and significance of this type of expenditure is of utmost priority and the management body would spend quite a time behind the desks building up plans and goals to successfully manage this expenditure to succeed in the long run (Schiff, 2018). It serves the purpose to take long term decisions by adding asset by enhancing the capital structure. Examples for such kind of expenditure can be given through some long-term assets such as land, equipment, vehicle, furniture etc. that not only maintains the sustainability and helps to achieve business objectives for a long period of time but also creates cash flows according to IAS 7- Cash flow statement and reduces operating costs in the future.

Revenue expenditure: the type of expenditure that needs to be occurred in order to operate daily activities of an organization can be referred to as revenue expenditure (Kim, 2017). It serves its purposes for a specific short time period to maintain day-to-day operations smoothly of any business. Such type of expenditure includes wages of employees that are significant to run the operations; also rent, electricity and insurance cost are expenditures that need to be covered up to sustain the daily activities. There are basically two types of revenue expenditure-expenditures for generating revenue which is general operating cost shown in the direct and indirect operating cost section in the income statement and expenditures for maintaining assets

that are the maintenance cost incurred for increasing the life span of a certain revenue-generating asset.

Differences between capital and revenue expenditure:

- **Time:** capital expenditure is long term in nature and serves for a long amount of its lifespan where revenue expenditure is incurred for a specific time period and provides short term benefits.
- **Physical presence:** capital expenditure has physical existence except for intangible assets like- goodwill or trademark where physical existence is absent from revenue expenditures.
- **Occurrence:** revenue expenditure can occur multiple times in a specific accounting period where capital expenditure is non-recurring.
- **Presentation:** According to IAS 1- Presentation of financial statements, capital expenditure is presented in the asset section of the statements of financial position (Moriarity, 2016) where revenue expenditure is presented in both segments of direct and indirect operating cost in the income statement where it satisfies matching principle where entities are recorded at the time it has incurred.

Task 2(a): The nature and purpose of cost accounting

Cost and management accounting: it is basically concerned with determining the cost that occurs during production of a certain product or service and also deals with cost control in order to determine optimum selling price and increase or maximize profit of any business entity (Middleton, 2019). Generally, this form of accounting structure is related to organizations that are related to manufacturing discipline and its main objective is to control production cost to sustain in a perfectly competitive market (Morse, 2018) and also help the managing body to take decision on how to optimize selling price if a certain product or service.

Similarities:

- Both of the accounting branches deals with financial information of an organization.
- Management accounting and cost accounting both takes performance in reducing cost of production and determining suitable or optimum selling price.
- In both branches the managerial body participates as internal users to take decisions.
- Cost accounting can be considered as a part of management accounting that serves its purpose in the wing of management.

Differences:

- Cost accounting basically deals with cost determination, control and optimum reduction to reduce production cost whereas, management accounting refers to the decision-making criteria to maximize profit.
- The scope of cost accounting is too narrow (Needle, 2017) where it refrains costs from being excessively performed beyond budge line where management accounting deals with forming of plans, budgets and strategies as a threshold to prevent excessive cost performance.
- Cost accounting deals with quantitative data and managerial accounting takes both qualitative and quantitative data in to consideration.
- Though cost accounting can be considered as a subset of management accounting, it is not dependent on management accounting for its performance where management accounting depends on both cost and financial accounting.

- Management body and shareholders are the users of cost accounting where only managers who are internal users can perform in management accounting.

Task 2(b): how both concepts link and used to form short term and long-term strategies

It has been priorly said that cost accounting is a branch of managerial accounting that deals with only processing with quantitative data in order to control cost to maximize profit of any organization generally related to manufacturing concern (Morse, 2018). Cost accounting basically prepares statements that includes variety of costs including both direct cost such as- labor or raw material cost and indirect cost like- administration and marketing cost. On the other hand, managerial accounting performs and deals with various metrics like revenue & sales projection, expenditure and cash flow to plan and forecast long term goals of an entity.

- The significance can be realized in an environment where there is practice of high competition among the industry of a certain product (Kim, 2017) where approximate forecasting of sales and revenue data is mandatory to survive and succeed in the long run.
- Also, in case of managing a project or making an investment decision managerial accounting can take decision by forecasting and taking data from cost accounting to make plans based on existing projects that has been successful for making a blueprint of budget of a profitable project in the future.
- Cost accounting plays the role of a benchmark from where managers takes decisions and build plans to operate smoothly in a specific market or industry.

Task 3: Responsibilities of management accountants in different centers

Management accountant performs their forecasting and budgetary planning on different specified centers that are basically the sub-branch of any organization responsible for their individual performance to reach the long-term goal of an organization. Some of these roles of two distinct centers are mentioned below:

Role of a managerial accountant in a profit center:

In order to discuss the role of a managerial accountant in a profit center, the concept of a profit center has to be clarified which is a distinct branch of a business entity that performs marginal profitability in the organization (Blocker, 2018). It is basically responsible for generating revenues and expenditures that leads to a standard and decent profit line which is calculated in a specific balance sheet.

- Managerial body prioritize this center in taking decisions and forecasting on the future performance by sorting out profitable product lines and providing sufficient fund in the production (Morse, 2018) and development in those lines and also curtailing low profitable units or units that generate nothing but loss to the organization.
- The managers of this center are given the power to determine price of a certain product or service and operating cost by judging and analyzing a series of relevant data and past history of the organization's performance.
- The managers also face pressure to determine a selling price of a product that outweighs its production of cost that generate profit (Kim, 2017) both by increasing sales or decreasing expenditure or production cost to some extent.

Example of this center can be portrayed through a business entity that is operating worldwide such as Walmart that has a variety of product line and has separate profit center for each product lines that usually generates profit through making a standard comparison between revenue and expenditure of a certain line such as clothing department.

Role of a managerial accountant in an investment center:

Investment center also performs as a standalone branch in an organization that is responsible over the sectors of revenue, expenditure and investment (Moriarity, 2016). It prioritizes in taking investment decision of long-term investments of a certain product line.

- It manages to perform decisions by preparing its own financial statements that comprises of balance sheet and income statement.
- The performance of this department is generally evaluated through ROI (Return on Investment) that is generally the margins or profits generated from a product line.
- The managers obtain their goal by increasing profit margin or increasing sales, reducing investment in assets and decreasing cost or expenditure.

Task 4: Difference between management and financial accounting

No.	subjects	Financial accounting	Management accounting
1.	Definition	Financial accounting is a procedure that deals with identification, recording and summarization of business transactions.	Management accounting deals with taking managerial decisions on the basis of cost determination and cost control.
2.	Users	Both internal and external users are involved in this branch of accounting.	Only internal users who majors on taking long-term decisions are involved in this branch of accounting.
3.	Scope	The scope is wide, it is mandatory for all types of companies.	The scope is comparatively narrow, only suitable for companies with manufacturing concerns and a few service-related companies.
4.	Rules & regulations	IAS, IFRS, Conceptual framework are some standards that are followed in this branch.	There are no strict rules and regulations for management accounting.
5.	Type of data	Financial accounting deals with the past history of transaction of a business entity.	It deals with present data only, no past or future references.
6.	Audit	Audit of financial statements prepared by this branch of accounting is mandatory.	audit on cost accounting hasn't been considered mandatory yet.
7.	Time	Statements are prepared at the year of accounting period.	There isn't any particular time limit for its preparation, it is prepared when necessary.

Conclusion

As a separate branch of accounting, cost and management accounting plays a significant role in the business industry by performing forecasting and analysis of business data that has categorized itself differently from other disciplines of accounting. Therefore, it is important for a manager from any discipline to adopt standards and strategies to support the goal of an organization.

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