



University of Wales Trinity Saint David

REPORT

BAMB L4 T1G1

Moodle: Accounting fundamentals

Assessment 2

Prepared for:

Dr. Rexion Nting

Prepared by:

Student: Reneta Ivanova

Stud. Number: 1906323

CONTENT

I. Task 1.....	2
II. Task 2.....	3
A. Cost and Management accounting, characteristics, similarities and differences.....	3
B. Linked of Managerial and Cost accounting.....	4
III. Task 3: Types of responsibility.....	7
IV. Task 4: Financial and Management accounting.....	9
V. References.....	11

I. Task 1.

In accounting have two types of expenditure, one must keep a record of all income and expenses incurred by the business. Revenue expenditure is cost that, are related to specific revenue transaction or period cost certain current period of time. For example cost of goods, raw materials, energy costs, salaries and salaries, marketing costs, office administration, rent, repairs and maintenance expensive see Fig 1. Cost is the payment of cash or merchandise made by the company to buy shares and assets or pay off debt.

Cash for investing in business e Capital expenditure is the cost that money spent on investing items expected to useful life of the related of fixed assets for a long period of time more one financial year in business. For example, motor vehicles, equipment, factory buildings, IT systems, fixtures and fixtures, machinery, furniture and more.

Fixed asset of Capital expenditure in the balance sheet and distribute the costs usually are charged with via depreciation throughout the useful life. Revenue expenditures are charged to expense in the current period, or short period of time.

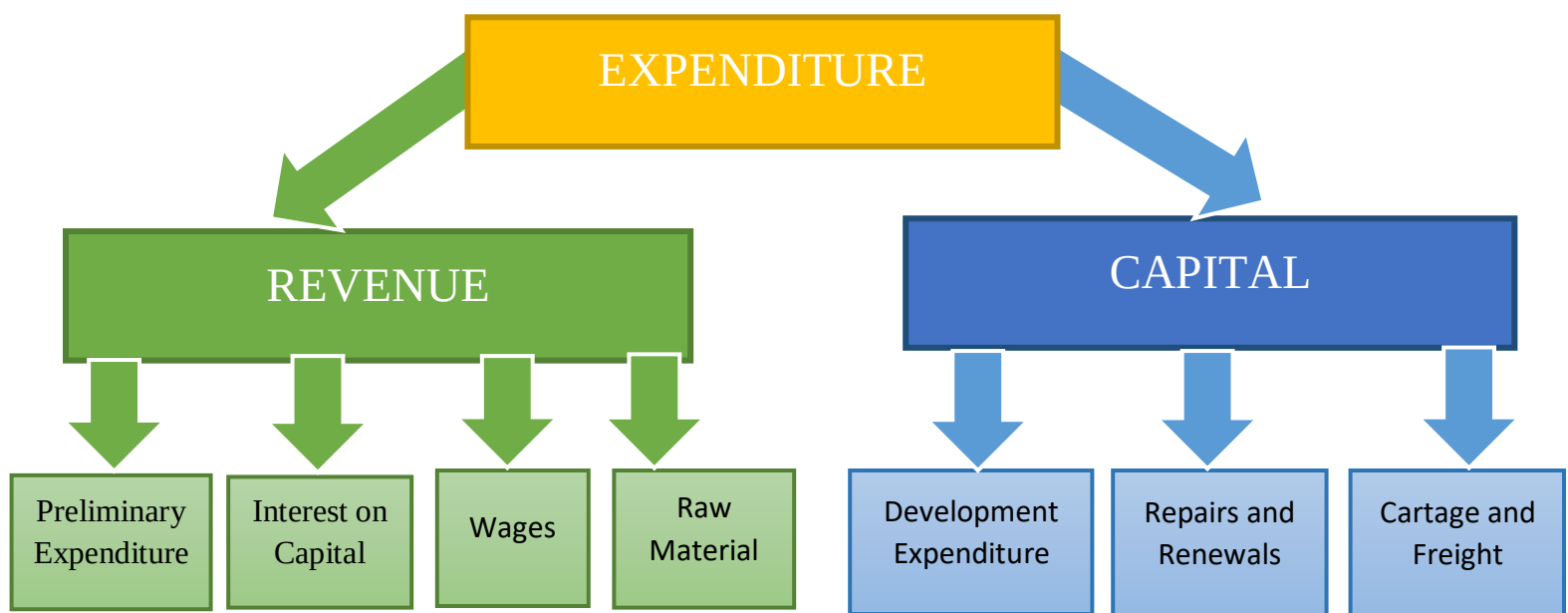


Fig 1. Revenue expenditure vs Capital expenditure

II. Task 2.

A: Cost and Management accounting, characteristics, similarities and differences.

The subject 'Cost and Management Accounting' is very important and useful for optimum utilisation of existing resources. These are branches of accounting and had been developed due to limitations of Financial accounting. It is indispensable discipline for corporative management, as the techniques collected and presented to management based on cost and management accounting techniques helps management to solve not only specific problem but also guides them in decision making.

❖ Nature, purpose and characteristics of cost accounting

Nature of Cost accounting records the information regarding the cost incurred in the production activities including labor, overheads and material cost. Cost type record historical (e.g. acquiring assets as well as forecasted (e.g. sales order). Objective of cost accounting to find out per unit cost of a project, fixing selling price of product. Cost accounting is users by the management including employees, directors, managers among other for their internal assessment and management. Cost accounting prepared and reported to the management as and when required. Analyses operation by segments (operational or geographical) division contrast. It measures the profit for a product or process. It is not mandatory to prepare any statements for public.

The main objective of cost accounting is to determine the cost of production and control the cost ascertainment, while the objective of management accounting is to assist the management by supplying necessary accounting information – provide information to the management to set goals and objectives.

❖ Nature, purpose and characteristics of management accounting

The accounting in which both financial and non-financial information are provided to managers is known as management accounting.

Management accounting is the process of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information that assist managers in specific decision making within the framework of fulfilling the organizational objectives.

❖ Differences between management and cost accounting

Cost accounting provide deals with only quantitative information, while management accounting provides deals with both quantitative and qualitative information.

The scope of costing account is not broad. It deals primarily with cost accept and cost control, while the scope of management accounting broad.

The scope of cost accounting is not broad. It deals primarily with cost accept and cost control to ensure maximum profit, while the scope of management accounting is broad, provides all types information for planning, controlling and decision making to maximize profit.

Cost accounting have principles and procedures, while management accounting no have rule and regulation.

Nature of the cost accounting system concern with both past as well as present fact and figures, while nature of the management accounting is concern with the transaction relating to the future.

Cost accounting isn't dependent on management accounting to be successfully implemented, while Management accounting is dependent on both cost & financial accounting for successful implementation.

❖ Similar between management and cost accounting

Both cost and management accounting methods present general good structure of business. This two sectors of accounting have interest with internal purposes, also both of them don't have publication of report. At aspect for figures they do partly with facts and party with estimates. For about provide information, they use monetary and non-monetary.

Task 2. B: Linked of Managerial and Cost accounting

Managerial accounting is linked to accounting, cost management, activity management and investment management. Managerial accounting involves generating information for internal users including all levels of management et al within the organization. a number of the identical information is reported that appears within the external financial statements, but frequently the data provided to internal users is in additional detail, provided more often, and in many alternative forms counting on how the data is to be used. A key difference between financial

accounting and managerial accounting is that managerial accounting reports don't seem to be directly constrained by GAAP (generally accepted accounting principles).

Cost accounting is linked to tax accounting see on fig.1, financial accounting and managerial accounting it's a very important component of every discipline, because accounting involves determining the value of something, like a product, a service, an activity, a project, or another cost object. These costs are needed for several purposes. for instance, the prices of products and services produced and sold are needed for both tax and external financial statements.

In other words, tax and financial accounting depend upon accounting to supply cost information. Information about costs is additionally needed for a range of management decisions. for instance, cost estimates are needed to work out whether or not a product or service may be produced and sold at a profit.

Unit costs of a product or service are needed for product pricing and products discontinuance decisions. additionally, accurate cost information is required to work out whether or not an organization should make produce or buy the raw materials, parts and subassemblies that become a part of its major products and services. From this angle, accounting is maybe underrated as a discipline since none of the opposite disciplines including tax accounting, financial accounting or managerial accounting could exist without accounting.

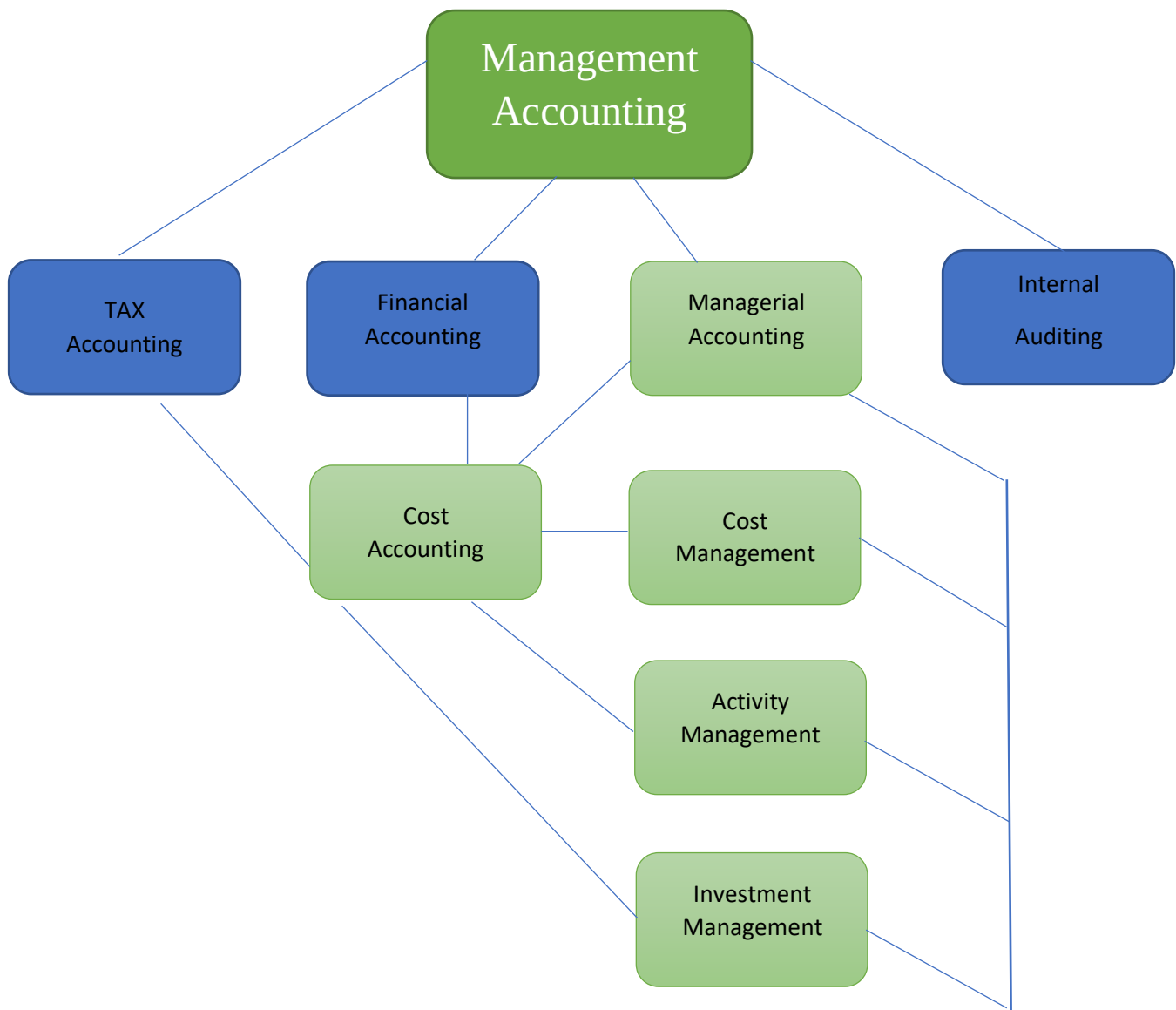


Fig 2. Management accounting linked

III. Task 3.

Types of responsibility accounting:

Responsibility centers are identifiable segments within a company for which individual managers have accepted authority and accountability. Responsibility centers define exactly what assets and activities each manager is responsible for.

Responsibility accounting is a system that measures the plans, budget, actions and actual result of each responsibility center. Responsibility center is a subunit of organization whose manager is accountable for a specific set of activities. Types of responsibility centers are cost, revenue, profit and investment.

Profit center is a part of the business that has control over both cost and revenues, but no control over investment funds.

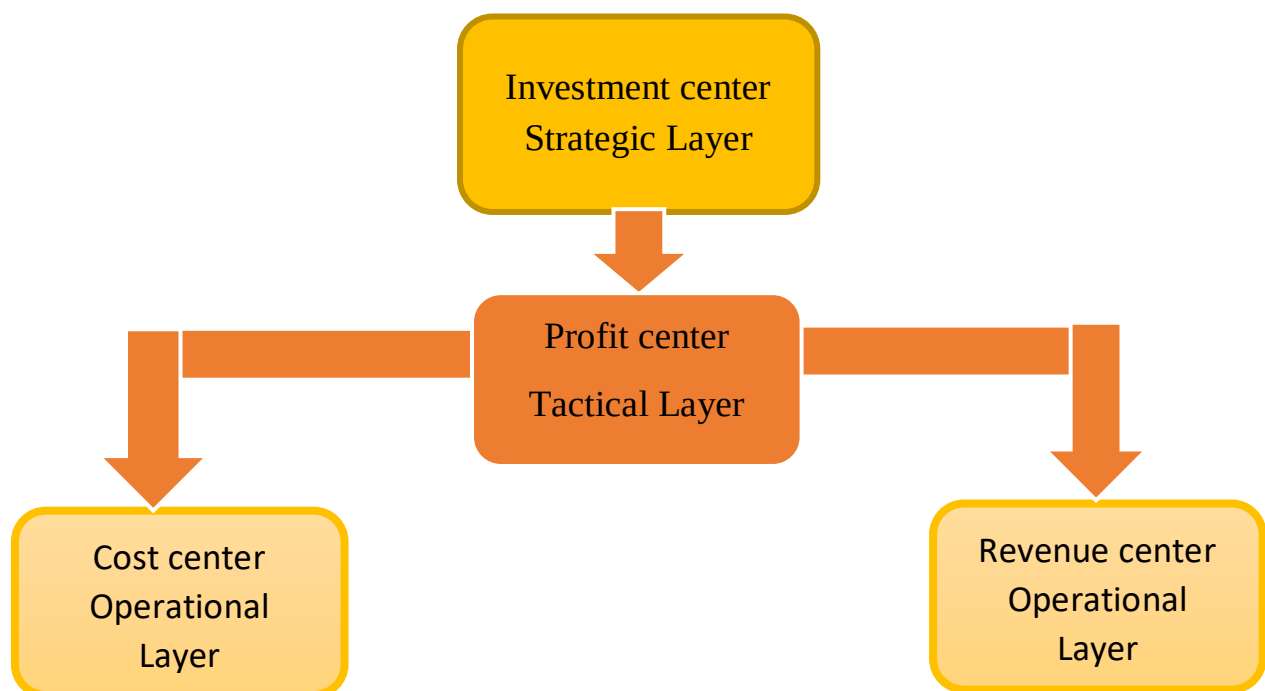


Fig 3. Responsibility centers

Cost and revenue centers basically reside in the operational layer of management where as moving one step above we've profit center which is largely tactical layer of management and moving even further above we've strategic layer of management where managers are responsible to form important future decisions that are crucial

and important to the organization. Have a glance at the fig 3 to understand how responsibility centers are connected with one another.

A cost center is responsible only for the incurrence of costs, while revenue center is the opposite of a cost center is that it is responsible only for revenues. A cost center doesn't earn any revenue and therefore generates no profit and for this reason a service department and service center within a large company is usually a cost center.

Revenue center is a part of sales department, when the cost incurred by revenue my sample be allocated to them by the central company. Effectiveness is the degree to which something is successful in producing a desired a result or goal.

A profit center is a department responsible for both revenues and expenses. A department within a store, such as a hardware department, is an example of a profit center because it has revenues and cost of goods solds.

An investment center is responsible for profit (revenues and costs) and for providing a return on the capital that has been invested in it by the larger organization to which it belongs, for example of an investment center is a branch office.

How to classify any given department depends on which aspects of the business the department has authority over.

❖ Responsibilities of management accountants for management and cost processes of two of these centers

Cost accounting is a system for recording data and producing information about cost for the products produced by an organization. The main focus of cost accounting is costing, cost assignment, cost variance analysis, costing reports (example material cost, production cost, overhead and process costs), budgeting, etc., while managing accounting uses cost data for provision of information for strategic management decision.

Accounting process between management and cost processes are different: cost accounting preserves cost accounts by maintaining double-entry accounting process it felt necessary. Cost Ledger is under it, while cost accounts of managing accounting are not preserved but analyses necessary data from financial statements and cost ledgers.

Cost center is production or service, location, a function, an activity or an item of equipment for which cost are accumulated. For example a department, a machine, a project, a ward.

IV. Task 4.

Financial accounting records and creating a summary of economic transaction is named bookkeeping. When this information by providing and monitoring in reports for the employment of the general public outside the corporate, this process is named financial accounting.

Management accounting is that the process of analyzing financial information for planning, deciding and controlling of organization.

Financial accounting is external users of accounting information for investors, creditors, customers and taxing authorities, while managerial accounting is internal uses of accounting information for management and employees.

Financial accounting produces information that's uses by externa parties, like shareholders and lenders, while manager accounting produce that's used within a company, by mangers and employees.

The main objective of economic accounting are to disclose the tip results of the business and economic condition of the business on a selected date, while the most objective of management accounting is to support management by providing information that's wont to plan, set goals, and evaluate those goals to realize them.

Financial accounting focuses on history, reports of the prior quarter of year, while managerial accounting focuses on the current and forecast for the longer term.

Financing accounting defined as annually, semi-annually, quarterly and yearly, while managerial accounting as needed daily, weekly and monthly.

For about purpose of knowledge financial accounting helps investors, creditors and other make investment, credit and other decision, while managerial accounting help managerial plan and control business operation.

Financial accounting reports on the results of an whole business, while managerial accounting always reports more detailed information, such as profits like product, line of product, customer, and geographical area.

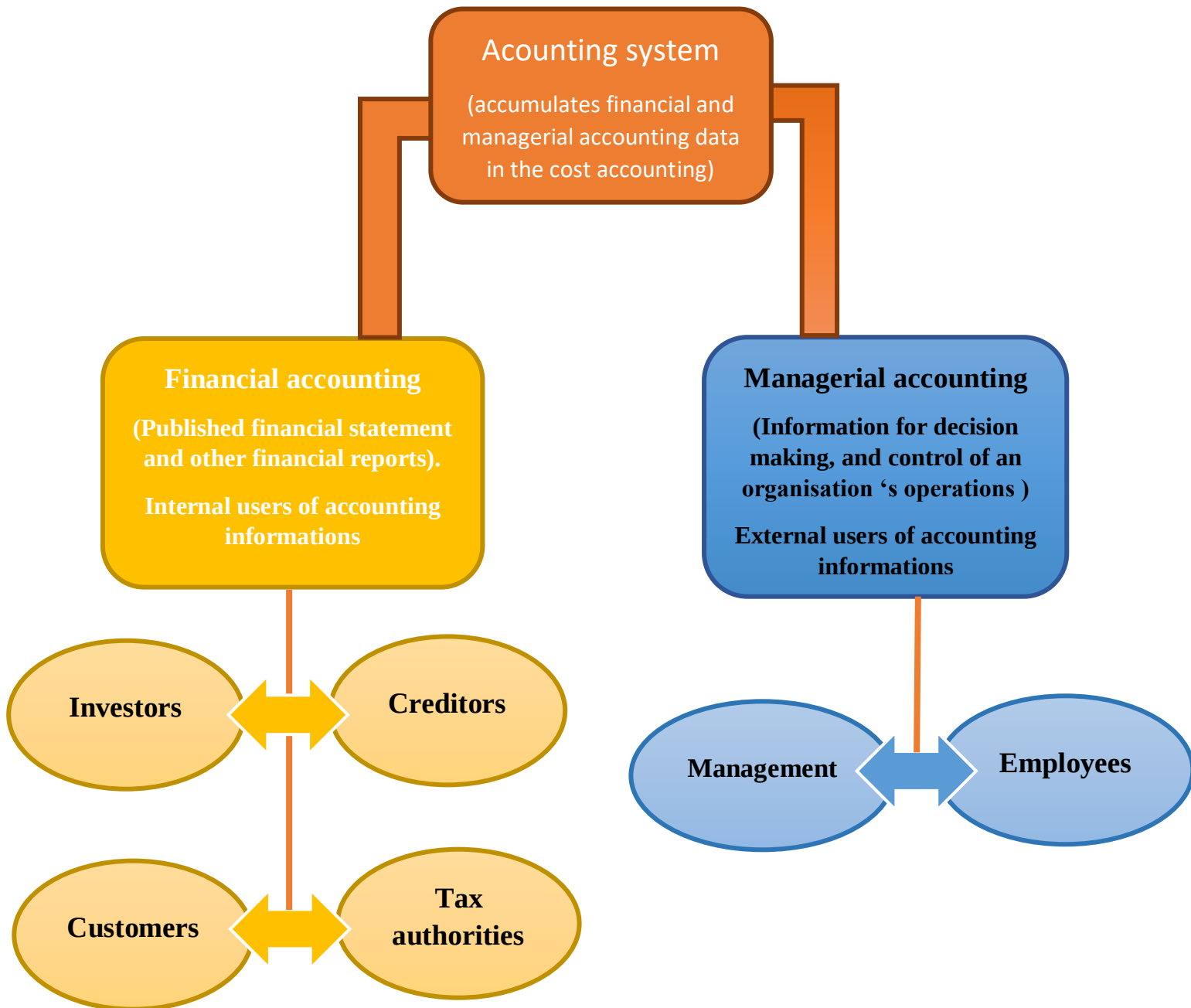


Fig 4. Accounting system

V. Reference

1. Accounting Tools, ACCOUNTING CPE COURSES & BOOKS, Copyright 2020 <<https://www.accountingtools.com/articles/the-difference-between-capital-expenditures-and-revenue-expe.html>> (Accessed: 8 April 2020)
2. Accounting coach
<<https://www.accountingcoach.com/blog/capital-expenditure-revenue-expenditure>> (Accessed: 8 April 2020)
3. CORPORATE FINANCE & ACCOUNTING, How do capital and revenue expenditures differ?, By J. B. MAVERICK Updated Jun 25, 2019
<https://www.investopedia.com/ask/answers/021115/what-difference-between-capital-expenditure-and-revenue-expenditure.asp>
(Accessed: 9 April 2020)
4. <<https://www.toppr.com/ask/question/defined-accounting-as-the-art-of-recording-classifying-and-summarizing-in-a-significant-manner/>>
(Accessed: 11 April 2020)
5. Managerial Accounting: Types of Responsibility Centers, By Mark P. Holtzman
<<https://www.dummies.com/business/operations-management/managing-manual-accounting-types-of-responsibility-centers/>> (Accessed: 12 April 2020)
6. Describe the Types of Responsibility Centers Principles of Accounting, Volume 2: Managerial Accounting by OSC Rice University is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License, except where otherwise noted.
<<https://opentextbc.ca/principlesofaccountingv2openstax/chapter/describe-the-types-of-responsibility-centers/>> (Accessed: 13 April 2020)
7. Management Accounting: Concepts, Techniques & Controversial Issues, Chapter 1: Introduction to Managerial Accounting, Cost Accounting and Cost Management Systems James R. Martin, Ph.D., CMA Professor Emeritus, University of South Florida <<https://maaw.info/Chapter1.htm>>
(Accessed: 18 April 2020)
8. Reference from internet: online book: Cost and Management accounting, Module 1, The institute of company secretaries of India, July 2017, New Delhi printed by Delhi computer service.
<https://www.icsi.edu/media/webmodules/publications/FULL_BOOK_PP-CMA-2017-JULY_4.pdf> (Accessed: 20 April 2020)

9. Weetman, P., 26 April 2019, Financial and Management accounting, fourth edition
10. Pringle, J., Practical, September 15, 2017, Guide to SAP Cost Center Accounting, Kindle Edition
11. Fig 1. Revenue expenditure vs Capital expenditure from internet have seen in site on 20 April, 2020,
<https://www.tutorialspoint.com/financial_accounting/financial_accounting_capital_and_revenue.htm> (Accessed: 9 April 2020)
12. Fig 2. Management accounting linked from internet have seen in site on 21 April, 2020,
<<https://maaw.info/ArticleSummaries/ArtSumDefinitionOfManagementAcc.html>> (Accessed: 11 April 2020)
13. Fig 3. Responsibility centers from internet have seen in site on 21 April, 2020, <<https://pakaccountants.com/what-is-responsibility-accounting/>> (Accessed: 15 April 2020)
14. Fig 4. Accounting system from internet have seen in site on 21 April, 2020, <http://www.duggan-and-co.com/FinancialManagement/managerial-versus-financial-accounting>.
(Accessed: 19 April 2020)