In this essay, I will compare and contrast financial and management accounting and how they differ; as well as the extent the two approaches reflect the different purpose and role by using academic journals throughout for my research.

Financial accounting can be defined as the process of identifying, measuring, classifying, accumulating, summarizing, and communicating information about economic entities that is primarily quantitative and is useful to decision makers (Seidman, 2005).

Accounting information is designed to be used in making financial decisions. It is primarily quantitative in nature, and it relates monetary information to a specific entity. Senior management and outside investors rely on the information provided by a firm's financial accounting system. They want to project future cash flows, revenues, or profits and use that information when evaluating the performance of organisation or assessing the feasibility of granting a requested line of credit (Seidman, 2005).

The primary role of accounting information is to provide information for decision-making purposes. Both financial and management accounting relies on the same basic accounting database. However, there are important differences between the two disciplines. Neither financial nor management accounting is a subset of the other. They each have a distinct purpose and audience (Turner, 1983).

According to Abraham Seidmann (2005) harmonization in the field of financial accounting is the process of creating a similar set of procedures by establishing boundaries as to how much they can differ across the world. "As a result of globalisation, the accounting profession has become increasingly aware of the need to establish a single set of accounting standards that would valid in the international arena". He argues that the greatest benefit that would flow from harmonization would be the comparability of international financial information as such comparability would eliminate the current misunderstandings about the reliability of "foreign" financial statements and would remove of the most important obstacle to the free flow of international investment

He also argues that commercial lenders or investors could have confidence in such harmonious reporting and accounting and this would result in improved risk analysis of both foreign enterprises and governments and investors and financial analysts would be able to obtain reliable and understandable reports on which to base their international investment decisions. Also he says that another benefit could be the time and the money saved that is currently spent to consolidate divergent financial information when more than one set reports is required to comply with different national laws or practice (Seidman, 2005).

Although, he is aware that as there are benefits to harmonization, there are also barriers to harmonization and one of them is information will be different to derive from non domestic accounting standards. As with different social and economic institutions and with different cultures, laws, business practices and business ethics, one wonders whether a single set of accounting rule truly harmonizes anything but recognises that the most basic cultural disparity that must be overcome is language. Not only is language a reflection of a culture but it also reflects that cultures degree of technical sophistication (Seidman, 2005).

In contrast, management provide a financial analysis of management decisions and activities. As such, the reports generated by the management accounting system are used by organizations internally. In essence, management accountants prepare the reports by which operations managers are evaluated (Fry and Steel 1994)

Fry and Steele (1994) acknowledge the extent of rapid increase in every aspect of information technology has brought about a faster change in management accounting. For example, budgeting and budgetary control has not only changed by monitoring plan with actual but also forecasting the future trend as norms. Complex calculation that use to take hours has now been limited to a matter of few minutes calculation through a computer software for example simulation, linear programming and queuing theory that was part of commercial maths are now a regular usage by management accountants. These changes have increased the quality of information now presented to senior managers

They went on to say the changes in business environment from the 1980's led to rethink about the usual cost and performance measurement to focus more on business strategic object measurement. Hence, the developments of a robust "make or buy decision making" aspect of business mathematic e.g. decision trees. Prior 1980 companies focuses on method of costing product by the use of absorption costing or marginal costing. But now company's management accountant can provide additional information to management whether it's better to buy in a product that can be cheaply made by another instead of manufacturing it themselves (Fry and Steel 1994)

Moreover, the traditional absorption costing perform it works respect of direct material costing but failed miserably in the area of indirect cost allocation. As absorption costing takes the view of arbitral percentage regardless of the reality of indirect cost traceable to a product. The emergence of Activity based costing changed this view that a product must be directly linked to indirect cost in the right proportion that they relate to the cost of producing the product. E.g. where an indirect cost are shared equally in a multi products production line in absorption costing as a proportion of percentage, this is no longer the case with ABC (Fry and Steel 1994).

In conclusion, all three writers/authors agree that the social and economic change in the past has pushed the change barrier further and further. As the society continues to change, so also will be change in organisation strategy in the use of information in making quality decision in the running of their affairs. The nature and effect of government legislation in the control of a more global organisation no t only has contributed, but will continue to contribute to further development of financial and management accounting in the future. Organisations that are not ready for a re-think will further find they are unable to face competition in the new global mar ket.

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