



Chapter 2:

BRANCHES OF ACCOUNTING

"Fundamentals Of Accountancy, Business,
And Management 1" By: Joselito G. Florendo



INTRODUCTION

Aside from the basic accounting process discussed in Chapter 1, accountants provide various services through different branches of accounting. Each branch serves a specific purpose and meets different user needs. There are eight branches of accounting, each with its own function.



BRANCHES OF ACCOUNTING

1. Financial Accounting

- Financial accounting focuses on recording and summarizing financial transactions of a business. These transactions are reported through financial statements for internal and external users.
- Financial statements follow accounting standards such as the PFRS and PAS to ensure consistency and comparability among companies.

- **General Purpose Financial Statements** –

Prepared for external users such as investors, creditors, government agencies, and auditors.

- **Special Purpose Financial Statements** –

Prepared for internal users like top management and department heads for decision-making.



2. Management Accounting

-Management accounting prepares financial reports for internal use to help managers in planning, controlling, and decision-making. These reports:

- Do not follow PFRS or PAS
- Can be prepared anytime (daily, weekly, or as needed)
- Are forward-looking, focusing on forecasts and plans



Management accountants advise managers, formulate strategies, monitor costs, manage risks, and support business decisions. Despite flexible reporting, they must follow the CIMA Code of Ethics.

3. Government Accounting

-Government accounting records and reports transactions involving government funds and properties, as defined under Presidential Decree 1445.

Its objectives are to:

- Provide information on past and present operations
- Guide future government actions
- Control the use of public funds
- Report financial position and results of government agencies

The New Government Accounting System (NGAS) promotes accountability by assigning responsibility to each government agency.



GOVERNMENT ACCOUNTING PROCESS

Government accounting begins with the General Appropriations Act (GAA), which serves as the government's budget. Agencies cannot spend beyond the approved amount.

Key institutions involved include:

- Commission on Audit (COA) – Keeps government accounts and issues accounting rules
- Department of Budget and Management (DBM)
- Bureau of Treasury (BTr)
- Other government agencies

4. Auditing

Auditing examines the fairness and reliability of financial statements. It addresses the conflict of interest between users, who want truthful information, and management, who prepares the reports.

Auditors help ensure that financial statements are accurate, reliable, and free from material misstatement, protecting users from misleading information.



5. Tax Accounting

Tax accounting focuses on recording transactions for tax purposes and follows the National Internal Revenue Code (NIRC) instead of purely PFRS or PAS.

Some transactions may be recorded differently for tax purposes. For example, income may be recognized earlier under tax rules, making it immediately taxable.



6. Cost Accounting

Cost accounting provides cost-related information used by management accounting and financial accounting. It helps determine product costs, pricing, production levels, and inventory valuation.

Basic cost concepts include:

- **Cost** – Resources sacrificed to achieve an objective
- **Cost object** – Item whose cost is being measured
- **Cost driver** – Activity that causes costs to be incurred



CHAPTER SUMMARY



The branches of accounting provide specialized services to meet the needs of businesses, government, and society. From financial reporting and management planning to taxation, auditing, education, and research, each branch plays an important role in ensuring transparency, accountability, and informed decision-making.



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THANK YOU!

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