

Base of Difference	Financial Accounting	Cost Accounting
1. Purpose	The purpose of financial accounting is external reporting mainly to owners, creditors, tax authorities government and prospective investors.	The purpose of cost accounting is internal reporting i.e., to the management of every business.
2. Obligation to maintain accounts	This is to be maintained compulsorily by big business organisations.	Cost accounts are maintained voluntarily. In some cases government has directed some companies to maintain cost accounts to improve efficiency.
3. Recording	It classifies, records and analyses the transactions according to the nature of expenses.	It records the expenditure according to the purpose for which the costs are incurred.
4. Control	It does not make use of any control techniques.	It makes use of some important control techniques such as marginal costing, budgetary control, standard costing, etc. in order to control cost.
5. Analysis of Profit	It discloses profits for the entire business as a whole.	It shows the profitability or otherwise of each product, process or operation so as to reveal the areas of profitability.
6. Duration of Reporting	Generally, financial accounts provide financial information once a year.	Cost accounting furnishes cost data at frequent intervals. Some reports are daily, some are weekly and some are monthly.
7. Valuation of Stock	Stock is valued at cost or market price whichever is less.	Stock is valued at cost price.
8. Nature	Financial accounting is the nature of positive science because it is subject to legal rigidity with regard to the preparation of the financial statements.	Cost accounting is not only a positive science but also a normative science because it includes techniques of budgetary control, standard costing, etc.
9. Reporting of Costs	The costs are reported in aggregate in financial accounts.	The costs are broken down on a unit basis in cost accounting.
10. Nature of information	Only monetary transactions are recorded.	Monetary or non-monetary both transactions are recorded.
11. Fixation of selling price	Financial accounts are not maintained with the object of fixing selling prices.	Cost accounting provides sufficient data for fixation of selling price.
12. Figures	Financial accounting deals mainly with actual facts and figures.	It deals partly with actual facts and figures and partly with estimates.
13. Reference	In operating a system of financial accounting reference can be made in case of difficulty to the company law, case division and to the common of professional practice.	No such reference is possible. Guidance can be had only from a body of conventions followed by cost accountants.
14. Relative efficiency	Financial accounts do not provide information on the relative efficiencies of various workers, plants and machinery. It is used in all types of businesses.	Cost accounts provide valuable information on the relative efficiencies of various workers, plants and machinery. It is used in manufacturing businesses only.

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