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## COVER PAGE AND DECLARATION

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## **Introduction:**

Success is a primary goal for everyone who works, especially if the field of work is trade and making money and the measure of success in the field of trade is determining whether the business wins or loses?

Therefore, it was necessary to follow up, statistics and analysis of the group of financial statements, and to conduct accounting reports approved by specialists

Accounting report is a financial report that presents the financial institution's information, starting with expenses, various forms of spending and revenues, with an indication of the form of cash flows and the preparation of the balance sheet.

Accounting reports have several benefits as follows:

It helps the business or facility in developing plans for the company in light of the results of the reports after their analysis.

Accounting reports develop visualizations, solutions, and many alternatives in the event of financial or administrative obstacles, which helps to solve problems quickly and efficiently.

The accounting report is the most powerful means of communication between all employees and all administrative levels within the facility in numbers, whether in the form of a report on a certain period, a fact that does not accept dispute, as well as in the case of setting the goal or target in the form of a number that can be achieved and working on it.

Executives and investors only recognize the language of numbers. Therefore, all accounting reports that are completed are primarily for the benefit of the institution and for the benefit of the investors to help them take the right decision in a timely manner, whether by taking part and pumping money into the facility or reversing another financial decision.

Accounting reports are an effective and effective method for following up the performance of employees and measuring the extent to which the target is achieved and the efficiency of performance.

**Income statement:**

Which shows the result of the establishment's work from profit or loss resulting from the sales of goods and comparing it with its cost and other operating banks in addition to other revenues such as credit interests, profits from the sale of fixed assets and real estate income ... etc.

In other words, it is possible to show the benefit of the income statement for how to reach the result of the work of the commercial establishments. First, the net sales should be compared with the cost of sales. If the value of the net sales is greater than the value of its cost, the result will be the total profit. If the opposite is that the net sales are less than the value of its cost, the result will be total loss.

Then subtract the operating expenses or add other revenues to the total profit or the total loss to know the result of the enterprise from the net profit or net loss during that period.

Profit is the money a company earns after all expenses are accounted for. the primary objective of any business is to make money, so business performance depends on profitability in its various forms.

The three main types of profit are gross profit, operating profit, and net profit, all of which can be found on the income statement. Each type of earnings gives analysts more information about a company's performance, especially in comparison to other competitors and over time.

### Managerial Accounting Assignment Requirements:

The following information for Swipe 50 limited is available for the month February and March:

	February	March
Product (Units)	12500	14500
Sales (Units)	11500	15500
Direct Materials	€ 29,000	€ 33,250
Direct Labours	€ 19,000	€ 22,000
Variable Production overhead	€ 7,300	€ 8,500
Total Selling & Administrative expenses	€ 44,500	€ 57,100

#### Additional Information

1. Swipes 50 Ltd. production capacity 20,000 units per month.
2. Fixed production overheads are €28,600 per month.
3. Swipe 50 sells Plus Swipes at €22 each.
4. On 31st January, the company's warehouse has no Plus Swipes in inventory.
5. Fixed and variable elements (variable portion is incurred based on units sold) are included in the total administration expenses.

The incme statement for 50 swipes limited in February:

**A- Prepare a profit statement for Swipe 50 Limited for the months of Feb and March**

**i) Profit Statements using Absorption Costing for February and March**

<b>Profit Statement (using Absorption Costing)</b>		
Swipe 50 Limited		
	<b>February</b>	
Sales (11,500 Units @ Euro 22ea)		<b>€ 253,000</b>
<b>Less Cost of Goods (COG) Sold</b>		
Beginning Inventory (0 Units)	€ 0	
Add COG Manufactured (12,500 Units)	€ 79,500	
COG Available for Sale (12,500 Units)	€ 79,500	
Less Closing Inventory (1,000 Units x Euro 6.36ea)	€ 6,360	€ 73,140
<b>Gross Profit</b>		<b>€ 179,860</b>
<b>Less Selling &amp; Administration Expenses</b>		
Fixed Selling & Administrative Expenses	€ 36,225	
Variable Selling & Administrative Expenses	€ 8,275	€ 44,500
<b>Net Profit for February (Using Absorption Costing)</b>		<b>€ 135,360</b>

<b>Profit Statement (using Absorption Costing)</b>		
Swipe 50 Limited		
	<b>March</b>	
Sales (15,500 Units @ Euro 22ea)		<b>€ 341,000</b>
<b>Less Cost of Goods (COG) Sold</b>		
Beginning Inventory (1,000 Units)	€ 6,360	
Add COG Manufactured (14,500 Units)	€ 87,350	
COG Available for Sale (15,500 Units)	€ 93,710	
Less Closing Inventory (0 Units)	€ 0	€ 93,710
<b>Gross Profit</b>		<b>€ 247,290</b>
<b>Less Selling &amp; Administration Expenses</b>		
Fixed Selling & Administrative Expenses	€ 48,825	
Variable Selling & Administrative Expenses	€ 8,275	€ 57,100
<b>Net Profit for March (Using Absorption Costing)</b>		<b>€ 190,190</b>

ii) **Profit Statements using Variable Costing for February and March**

<b>Profit Statement (using Variable Costing)</b>		
<b>Swipe 50 Limited</b>		
	<b>February</b>	
Sales (11,500 Units @ Euro 22ea)		€ 253,000
<b>Less Variable Cost of Goods (COG) Sold</b>		
Beginning Inventory (0 Units)	€ 0	
Add Variable COG Manufactured (12,500 Units)	€ 50,900	
Variable COG Available for Sale (12,500 Units)	€ 50,900	
Less Closing Inventory (1,000 Units x Euro 4.072ea)	€ 4,072	€ 46,828
<b>Variable Manufacturing Margin</b>		<b>€ 206,172</b>
<b>Less Variable Selling &amp; Administration Expenses</b>		<b>€ 36,225</b>
<b>Contribution Margin</b>		<b>€ 169,947</b>
<b>Less Fixed Expenses</b>		
Fixed Selling & Administrative Expenses	€ 8,275	
Fixed Production Overheads	€ 28,600	€ 36,875
<b>Net Profit for February (Using Variable Costing)</b>		<b>€ 133,072</b>

<b>Profit Statement (using Variable Costing)</b>		
<b>Swipe 50 Limited</b>		
	<b>March</b>	
Sales (15,500 Units @ Euro 22ea)		€ 341,000
<b>Less Variable Cost of Goods (COG) Sold</b>		
Beginning Inventory (0 Units)	€ 4,072	
Add Variable COG Manufactured (12,500 Units)	€ 58,750	
Variable COG Available for Sale (12,500 Units)	€ 62,822	
Less Closing Inventory (0 Units)	€ 0	€ 62,822
<b>Variable Manufacturing Margin</b>		<b>€ 278,178</b>
<b>Less Variable Selling &amp; Administration Expenses</b>		<b>€ 48,825</b>
<b>Contribution Margin</b>		<b>€ 229,353</b>
<b>Less Fixed Expenses</b>		
Fixed Selling & Administrative Expenses	€ 8,275	
Fixed Production Overheads	€ 28,600	€ 36,875
<b>Net Profit for March (Using Variable Costing)</b>		<b>€ 192,478</b>



**B- Profit Reconciliation Statement calculated using Absorption Costing to that using Variable Costing**

<b>Reconciliation Statement</b>		
<b>Swipe 50 Limited</b>		
	<b>February</b>	<b>March</b>
<b>Net Income using Absorption Costing</b>	<b>€ 135,360</b>	<b>€ 190,190</b>
Less Fixed Manufacturing Overheads carried forward (Closing Inventory)	<b>€ 2,288</b>	
Add Fixed Manufacturing Overheads brought forward (Beginning Inventory)		<b>€ 2,288</b>
<b>Net Income using Variable Costing</b>	<b>€ 133,072</b>	<b>€ 192,478</b>

**C- The main difference between absorption costs and variable costs:**

It is that indirect industrial costs are treated as product costs under absorption costs, and are treated as period costs under absorption costs.

Note that when calculating the Contribution Margin (under variable costs): all variable costs (industrial or non-industrial) are subtracted from sales.

However, if only industrial variable costs are subtracted from sales, we will reach the manufacturing contribution margin.

Fixed industrial costs are not subtracted before the contribution margin, because they are treated as period costs and under variable costs.

Whereas, to arrive at the gross profit (under absorption costs): the cost of goods sold (which includes all fixed and variable industrial costs) is subtracted from sales.

As for the non-industrial costs, they are deducted after reaching the total profit, because they are, under the absorption costs, treated as period costs.

But if you want to access the goods available for sale, the indirect industrial costs (fixed and variable) are added to the inventory of production under operation at the beginning of the period.

In order to arrive at the cost of goods sold, the inventory of production in progress at the end of the period is subtracted from the goods available for sale.

### **Advantages of both the absorption cost system and the variable costing system:**

The advantages of using the absorption costing system are:

- 1- It is the required system for external reports (complies with GAAP).
- 2- All manufacturing costs are matched with revenues.

### **The advantages of using variable costs are:**

- 1- Profit for the period is not affected by changes in inventory.
- 2- Ease of estimating the profitability of the product.
- 3- It encourages managers to increase sales more than increase production.
- 4- Variable costs are related to cost control measures such as flexible budgets.

### **Advantages of Variable Costs:**

- Contribute to making the right management decision
- Make product-pricing decisions
- Cost control
- Inventory changes do not affect profit
- Avoiding the Impact of Fixed Costs
- Manager's performance appraisal
- Sector reporting
- Customer profitability analysis

#### **D- The three ways that Swipes 50 Ltd. can improve its accounting systems.**

Developing the right accounting system for your business can make the difference between success and failure. If you know your expenses and returns and can track your profit margins, you will always be aware of how your business is doing. In addition, you will know what your tax liability is and can make plans to meet your payroll, inventory costs, and tax obligations. Follow the simple instructions, and you can develop the type of accounting system that will help you keep track of your business.

In the case of Swipes 50 Limited, In the case of Swipes 50 Limited, the company must apply modern and effective accounting methods by analysing as much data as possible to help it make critical and strategic decisions, here are three important ways I believe Swipes 50 Limited can improve the management accounting system.

- 1. The necessity of adopting and activating the use of accounting information technology in general and in the accounting system in particular.**

Lately, the world has witnessed a revolution in information technology, and reliance on information technology in all fields has become an indispensable necessity and one of the most important elements of success for enterprises. In achieving a competitive advantage for its facilities. Among the recommendations is the need for establishments to increase their investments in information technology, and to maintain the technological level they have reached by keeping pace with the latest global technological developments in order to increase the effectiveness of their accounting information systems.

- 2. Work on rehabilitating and educating accounting cadres through holding specialized courses in information technology and giving them incentives that help them accept the idea.**

With regard to the most important problems that accompany the use of information technology and affect the effectiveness of the accounting information system, the most important of which was the rapid increase in technological progress and the

qualification of accountants working in establishments so that they have the ability to deal with the accounting system in light of the use of information technology. Among the recommendations is the necessity of increasing the number of training courses in the fields related to information technology for accountants, and the necessity of having specialists in the fields of information technology within the functional staff working in the facility.

**3. Creation of the Accounting Information Technology Department as a specialized department entrusted with developing the accounting system in the facility.**

The accounting information system is one of the open systems, so it is necessary to keep up with the communication tools

And the networks (Internet, Intranet and Extranet) surrounding the internal and external environment of the economic units In order for these units to carry out their activities and keep pace with the changes in the surrounding environment, they need to find

A modern method (electronic networks) for exchanging accounting information between subunits within the unit.

**E- Why managing accounting jobs are important in a manufacturing company.**

The account manager is defined as the person who applies and develops the system that is concerned with studying the financial conditions of the company, collects financial information, studies it, and analyses it carefully, and then prepares reports for the responsible authorities, and reports any defect that may occur in relation to financial matters, and it falls within the scope of his work. It also manages financial matters related to employees, such as employment and training, all with the aim of determining the financial situation. It also supports management in terms of decisions related to operation, and the work of the financial manager, or the manager of financial accounts, can be summarized as an official or a special treasury. The company in which he works; it aims to achieve the maximum return for the company from investing its money, while trying to reduce the risks that it may be exposed to minimum possible and it ensures that there is control over the transfer of funds, and their investment.

### **Account manager duties**

The duties of the account manager, or financial manager, may differ from one company to another; In large companies, his role includes strategic analysis, while in small companies, his role may be limited to collection and preparation, and the following are the most important tasks of the account manager in various fields.

### **Public Administration**

Analyse any changes that may occur to the company, and any financial matters related to it, and advise the management staff.

Monitoring the factors that would affect the company's performance of its work and the achievement of its objectives.

Develop strategies and long-term action plans.

Develop external relations with the necessary contacts, such as auditors, lawyers, and those working in banks and legal institutions.

Developing financial management methods, which would reduce the financial risks that the company may be exposed to.

Managing the company's accounting systems, in addition to monitoring and financial reporting systems.

Supervising the employees.

Manage tasks related to any outsourcing.

Supervising the administrative operations of the treasury, which includes designing the organizational structure necessary to achieve the department's objectives.

Maintaining a documented system for the various financial and accounting procedures and policies.

### **Money management**

Financial information collection and interpretation.

Analysing financial returns, and forecasting any future financial matters that may happen to the company.

Communicate with the company's auditors regularly; To ensure that annual monitoring is carried out.

Keeping abreast of developments and changes that may occur in legislation and financial regulations.

Managing the company's budget.

Predict whether the company will need a particular loan, and know how much money is available to carry out any investment.

Maintaining the company's relations with various banks.

Invest the money in the best way.

Ensuring that the available funds are sufficient to meet the needs of any operational or capital investment implemented by the company.

Determine the proper capital structure for the company.

Attempting to increase the capital, and pay off the company's debts, if any.

Take necessary precautions; to mitigate any financial risks related to interest rates on company loans, and to foreign exchange sites.

Profit distribution appropriately based on historical distribution patterns and projected fund flows.

### **The company's budget**

Managing the company's budget preparation process.

Report any discrepancies in the established budget, and the reasons for such discrepancies.

Cooperating with the administration in formulating its general strategic directions.

Financial analysis

Carry out reviews, analyses and evaluate opportunities; to reduce the costs incurred by the company.

Identify competitors, analyse their ways of competing, identify market trends, and report on key financial issues to management.

Issuing accurate financial reports in a timely manner.

Providing new sources of financing; to reduce the company's debts.

Participation in reference studies, which would identify potential areas for operational improvement.

Participate in the activities necessary to determine the cost; with the aim of creating products that match pre-established price targets.

Participate in determining the prices of products based on their features, and the prices of competitors.

Review the issues that contribute to the company's suffocation and its decline, and come up with recommendations that contribute to improving its level.

Analyse any financial results of the company, and inform the management about them.  
Manage the capital budgeting process based on the entry analysis and discounted cash flows.

Attempting to issue additional financial and analytical reports as required by the company.

Preparing reports for the main financial works.

### **Account manager skills**

As for the skills that must be available in an account manager, they are manifested in the following:

Commercial awareness.

Analytical capabilities of various work matters.

Communication skills, communication.

High technical and arithmetic skills.

The initiative, the perseverance.

The ability to solve problems.

The ability to manage time and prioritize work.

The ability to work in a team, and build strong relationships within the work.

Leadership skills and motivating others.

Possess the necessary technological skills, and a strong knowledge of electronic spreadsheets.

The ability to make quick and sound decisions.

The ability to negotiate and influence others.

Precision, attention to detail.

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