COVER PAGE AND DECLARATION

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1. Introduction.

Management accounting concept appeared for the initial time within the year 1950 throughout the creation of a team known as Management Accounting through the Anglo-American Council. Team task was to go to a gaggle of commercial facilities settled within the USA. Main assignment of this team to create a report on the character of labor in USA. Then the report was revealed beneath the title (Management Accounting), and it contained a definition of the thought of this kind of accounting by explaining accounting data in an exceedingly manner that helps management to organize special policies within the daily actions of enterprises.

Finance and accounting have assumed abundant importance in today's competitive world of business whereby company organizations have to show the transparency read of their money position (India, 2015). Accounting data or information is vital for each business, which can assist the requirements of style of interested parties. To satisfy the wants of all involved parties a sound register is extremely necessary.

Financial accounting, cost accounting, and management accounting are the three components of accounting.

Accounting of managerial has its roots within the technological revolution of the nineteenth century (India, 2015). The most management accounting mission is to reshape the total method of accounting therefore that it is going to aid the operational necessities of the firm. It contains specific accounting data from the past, current, or future that can be used to guide management decisions (Malik, 2013).

Basic role of management accounting is to support the administration in execution its functions with efficiency. The roles of management include planning, coordinating, directing, and regulating (Malik, 2013).

Management Accounting offers main economic and monetary info to the management and therefore the Accounting of Management is that the passage through that this information effectively and with efficiency streams to the management (Malik, 2013).

Management accounting – a way of recording and analysis of business knowledge with the goal of higher cognitive process, calculation of the prime price estimates, coming up with and management to confirm high performance of business management functions (Saksonova, 2010).

Information may be thought of to be any knowledge, facts, observations etc. that extends scope of our information and provides the reason to various phenomena (Saksonova, 2010).

Operational data provides the necessary information for the development of a management accounting database (Saksonova, 2010).

The main element of management accounting is Decision-making, Cost accounting and the prime cost calculations and Planning and control.

Planning: For instance, determining what goods or service to make, and where and when to make them or give them.

Performance evaluation: determining the profitability of product lines and individual products.

Operational control, for example, knowing how much work-in-process is on the shop floor and at what stages of completion to assist the line manager in identifying bottlenecks and maintaining a smooth production flow.

Absorption Costing (Assimilation Costing) is a management accounting tool for aggregating all non-production expenses in the cost of manufactured inventory. It's also known as full costing.

Variable costing is a method of allocating only variable costs to inventory. This system allocates direct materials and variable overhead costs to inventory, while all overhead costs are paid to expenditure in the duration incurred (Bragg, 2020).

Costs are divided into three categories:

The first is material, which is the product from which manufactured products are produced. It can be both direct and indirect.

Second, labor costs are divided into two categories: direct labor and indirect labor.

Expenses, third: Expenditures may be direct or indirect (India, 2015)**.**

Direct material: It refers to those materials, which become a major portion of the ended product and can be easily traceable to the units. Direct materials contain all materials exactly bought for a particular job/process, all material attained and later requested from stores, pieces bought or manufactured, primary packing materials and substance passing from one process to another.

Indirect materials are any materials that are used for purposes other than manufacturing and may be allocated to particular physical units. Oil, grease, consumable shops, printing, and stationery products, for example, are examples of indirect materials.

Direct labor is characterized as the wages paid to employees who work on production lines and whose time can be used to manufacture units of goods in a cost-effective manner. Wages paid to compositors in a printing press, foundry workers in cast ironworks, and so on.

Indirect labor is labor employed to carry tasks incidental to goods or services provided, is indirect labor. It cannot be practically traced to specific units of output. For Instance, wages of store-keepers, foremen, time-keepers, supervisors, inspectors, etc.

Direct expenses are those that are incurred on a particular cost unit and can be tracked back to it. The cost of a custom layout, design, or drawing, the hiring of a specific tool or piece of equipment for a work, the fees charged to consultants in connection with a job, and so on are some examples.

Indirect expenses: These are expenses, which cannot be directly, conveniently, and totally owed to cost cores or cost items. Examples are rent, rates and taxes, insurance, power, lighting and heating, depreciation, etc.

Overheads consist of the indirect material cost, indirect labor, and indirect expenses.

Overheads may be categorized as Production or manufacturing overheads, administration overheads, selling overheads, distribution overheads.

Management accounting main objectives are to formulate Planning and policy, to the interpretation of financial documents, to assist in the decision-making process, to help in control, to provide a report, to Facilitate Coordination of Operations.

Income Statement using Absorption Cost

Sales

Goods sold cost:

Goods manufactured cost

Less ending inventory

Cost of goods sold

Gross profit

Less: Selling and administrative expenses

Income from operations

Income Statement using Contribution Margin (variable) Format

Revenue of Sales

Less Variable Costs:

Variable Cost of Sales

Variable Marketing & Administrative expense

Contribution Margin

Less Fixed Costs:

Fixed Cost of Sales

Fixed Marketing & Administrative expense

Net Income

Assignment

Swipe 50 Limited creates a unique screen protector for laptop computers. The plus swipe is a screen protector that protects laptop screens from scratches. The business has been in operation for three years.

2. Profit statement- February

Information for February

February	**Amount**
Inventory at beginning	0 unit
Production	12500 units
Sales	11500 units
Direct material	£29000
Direct labor	£19000
Variable production overhead	£7300
Selling and administrative expense total	£44500
Fixed selling expense and administrative expense	£8275
Variable selling expense and administrative expense	£36225
Fixed production overhead	£28600
Selling price each unit	£22
Production capacity	20000 units
Inventory at the ending	1000 units
Cost production per unit (absorption method)	29000+19000+7300+28600/12500 =£6.712
Cost production per unit (variable method)	29000+19000+7300/12500 =£4.424

Swipes 50 Ltd Income Statement For Ended of February absorption costing		
Sales (11500 units x€22)		**€253000**
Goods sold cost		
Inventory, February 1	€0	
Cost of goods manufactured (12500units x €6.712)	€83900	
Less inventory at end February (1000units x €6.712)	€6712	€77188
Gross profit		€175812
Total selling expenses and administrative expenses		€44500
Net profit		**€131312**

Net income in February with absorption approach = **€131312**

Swipes 50 Ltd Income Statement For Ended of February variable costing		
Sales (units11500 x22€)		**€253000**
Variable Cost:		
Cost of goods manufactured (12500 units x 4.424€)	€55300	
Variable selling expenses and administrative expenses	€36225	
Total variable cost		**€91525**
Contribution margin		**€161475**
Fixed cost:		
Fixed production overhead	€28600	
Fixed selling expenses and administrative expenses	€8275	
Total variable cost		**€36875**
Net income		**€124600**

Net income in February with variable method = **€124600**

3. **Profit statement- March**

Information for March

March	**Amount**
Inventory at beginning	1000 units
Production	14500 units
Sales	15500 units
Direct material	£33250
Direct labor	£22000
Variable production overhead	£8500
Selling and administrative expense total	£57100
Fixed selling and administrative expense	£8275
Variable selling and administrative expense	£48825
Fixed production overhead	£28600
Selling price each unit	£22
Production capacity	20000 units
Inventory at the ending	0 units
Cost production per unit (absorption method)	33250+22000+8500+28600/14500 =6.368
Cost production per unit (variable method)	33250+22000+8500/14500 =4.396

Swipes 50 Ltd Income Statement For Ended of March absorption costing		
Sales (15500 units x€22)		**€341000**
Goods sold cost		
Inventory, March 1 (1000x€6.368)	€6368	
Cost of goods manufactured (14500units x €6.368)	€92350.5	
Less inventory at end March	€0	€98718.5
Gross profit		€242281.5
Selling and administrative expenses total		€57100
Net profit		€185181.5

Net income in March with absorption approach **= €185181.5**

Swipes 50 Ltd Income Statement For Ended of March variable costing		
Sales (15500units x22€)		**€341000**
Variable Cost:		
Cost of goods manufactured (14500units x€4.396)	€63742	
Variable selling expenses and administrative expenses	€48825	
Total variable cost		**€112567**
Contribution margin		**€228433**
Fixed cost:		
Fixed production overhead	€28600	
Fixed selling expenses and administrative expenses	€8275	
Total variable cost		**€36875**
Net income		**€191558**

Net income in March with variable approach **= €191558**

4. **Reconcile the profit calculated using absorption costing to that using variable costing.**

February

Net income using absorption costing - Net income using variable costing = Fixed manufacturing cost of end inventory using absorption costing - Fixed manufacturing cost of begging inventory under absorption costing method

€131312 - €124600=€6712

1000x6.712 – 0x6.712 =€6712

Or

Operational income by absorption costing

Add: fixed FOH in beginning inventory

Less: fixed FOH in ending stock

Equal: Operating income under variable costing

€131312 + 0x6.712-1000x6.712 =€124600

March

Net income under absorption costing - Net income under variable costing = Fixed manufacturing cost of end inventory under absorption costing method - Fixed manufacturing cost of begging inventory under absorption costing method

€185181.5 - €191558 =€-6376.5

0x€6.368-1000x€6.368= -€6368

Or

Operating income under absorption costing

Add: fixed FOH in beginning inventory

Less: fixed FOH in ending inventory

Equal: Operating income under variable costing

€185181.5

+1000*6.368

- 0

=€191549.5

5. Difference between absorption costing and variable costing.

Variable costing, on the other hand, only includes the variable costs directly incurred in manufacturing and does not include any of the fixed costs (Staff, 2020). Only businesses who expense costs of products sold (COGS) on their income statement would accept absorption vs. variable costing. Since public corporations are expected to use absorption costing due to their GAAP accounting responsibilities, absorption costing vs. variable costing is not a choice for them (Staff, 2020). Full costing is another name for absorption costing. COGS contains all variable, direct costs by using variable costing. The management of fixed production overheads is the key difference between the two approaches. Set production overheads are included in the commodity cost in absorption costing or full costing. Only the direct/variable costs of producing a product are included in variable costing, making fixed manufacturing overheads a period expense. In variable pricing, only the variable manufacturing costs are added to assess the cost of production; fixed costs are not taken into account. Variable Costing provides you with a product's contribution, which you can use to determine a product's Break-Even Point. Absorption costing absorbs all variable and fixed costs, or both costs incurred in determining a product's cost of production.

Assimilation in fixed costing, you must add the fixed costs as periodic costs to find the benefit of the product, while in variable costing, and you must add the fixed costs as periodic costs to find the profit of the product. Internal management relies heavily on the data generated by the variable costing method to make decisions. Internal management as well as external parties such as creditors, government agencies, and auditors may benefit from absorption costing. Another distinction is how fixed production costs are handled in variable costing. Variable costing treats these costs as time costs, while the absorption approach capitalizes these costs before the commodity is sold by applying them to the inventory account.

Operational activity costs are categorized in variable costing according to their reaction to changes in the scope of the business activity (Dyhdalewicz, 2015). There are two types of costs: variable costs and fixed costs. Contribution margin is used to determine the profitability of a company.

The total contribution margin, which is the distinction between sales revenue and variable costs of products sold, should cover the company's fixed costs and produce the anticipated profit (Dyhdalewicz, 2015).

The absorption and variable costing methods differ in their treatment of fixed output operating costs. Absorption costing requires fixed production overhead as inventory prices and “absorbs” all of the costs used in manufacturing. Since the commodity expense requires fixed overhead, absorption costing follows GAAP. Variable costing accounts for variable overhead costs and removes fixed overhead from a commodity's price. When the fixed overhead is considered as a time expense and not included in the product cost, it does not comply with GAAP.

Variable costing provides managers with more valuable knowledge for pricing decisions than absorption costing. The best or ideal price, it is rightly argued, is the one that generates the greatest excess of total sales revenue over total cost (Agarwal, 2021).

In absorption costing, which is used for external financial statements, direct supplies, direct workers, variable factory overhead, and fixed factory overhead are all included. Internal variable costing planning and decision-making reduces the need for fixed factory overhead as a product expense.

6. Important of absorption costing.

- The absorption approach is well suited to long-term purchasing decisions where it is important that the price cover all production costs over the product's lifetime.
- When calculating income statements in financial statements, the absorption method is critical.
- In the case of seasonal production and sales, the absorption-costing scheme aids in determining accurate profitability.
- Absorption costing assists in the planning of the company's income statement and final account.
- The absorption costing system for product costing is a straightforward process that can be set up and run without difficulty.
- It takes less time and resources to run

7. **Important of variable costing.**

- The contribution-margin (variable) approach can provide significant value in situations where cost behavior trends are most relevant, such as short-run pricing decisions.
- Financial planning necessitates managers forecasting projected revenue, output levels, expenses, and so on. Making accurate cost forecasts at different levels of production and sales requires knowledge of cost behavior and the difference between fixed and variable costs (Agarwal, 2021).

8. **Ways to improve accounting systems**.

Make sure the workers are well educated.

The first step is to ensure that the people in charge of your finances are skilled. They must be able to learn both financial methods and any accounting software that the company has used in the past. As a result, conducting training to enhance the efficiency of your finance team is strongly recommended.

You can have a variety of training options, including in-house workshops, external conferences, one-on-one training, and more. Cross training is often required to fill in the gaps in your accounting department, especially when an accountant is absent due to illness, holiday, or unexpected departure. When this happens, another cross-trained employee will temporarily take over financial duties.

Make policies that are successful

Make policies that are successful financial management indiscipline is one of the most significant money wasters for enterprises. As a result, the business must develop payment policies and deadlines. Request that the finance department process all payments on time, including wages and contracts.

You must also keep track of the customers' payments. Before your customers or clients' invoices become past due, ask your workers to give them reminders. Your finance workers will be able to easily handle your company cash flow and file full financial statements each month if they follow existing policies.

Automate and computerize manual operations.

Manual accounting, which takes a long time, should have been discarded in this technological age. Provide an accounting system that automates the finance department's complicated tasks so they can function more effectively. In only a few clicks, the finance team can produce reports, measure gains and losses, build invoices, document and save transaction data, handle taxes, and much more. Your finance team will concentrate on other critical tasks by automating a lot of manual work.

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

Because managing accounting:

- Obtaining data related to various employment and administrative levels within the company.
- Knowledge processing involves sorting and categorizing data into logical classes.
- Information evaluation involves distinguishing between appropriate and inappropriate data, excluding the latter, and categorizing the former according to its value to management.
- Providing information in the form of reports to assist management in making decisions.
- Furthermore, managerial accounting's primary goal is to collect useful data for a company's internal use. Business managers collect data that aids strategic planning, assists them in setting ambitious targets, and promotes productive resource management. Since it offers expense information for decision-making, management accounting is critical to the operation of manufacturing companies.

  What is a management accountant's job description?

  Management accountants operate in an organization's accounting, corporate finance, and strategic departments. In addition, management accountants analyze data from a variety of order of sources to provide information for improving results.

  They also contribute to strategic business decision-making by offering insight into the company's financial situation, in addition to internal audit and budget review. Furthermore, they work closely with other performance managers to make suggestions for strengthening the company's financial strength. Cost accountants, risk managers, project managers, corporate accountants, Certified management accountants work as strategic planning and research consultants, management accountants, financial strategists, and corporate decision-makers.

Management accountants are used by both public and private companies, as well as the government sector, and they are given different titles and names depending on the size of the organization and the nature of the work they do, but their roles are similar, if not identical, in all of them.

The management accountant's job description involves dealing with all forms of information and numbers relevant to the company's work, reviewing these data and numbers, and presenting enough information to the Board of Directors to handle the company's current investments and choose the company's potential investments in a manner that maximizes return while mitigating danger.

The management accountant's work often involves supervising a team of accountants charged with tracking the company's everyday accounting activities, such as expenses, revenue, and tax obligations that are beyond the scope of the business,

and then use this information to prepare income statements, cash flow statements, and the balance sheet, and in some small businesses that don't use accounting software, this information is used to prepare income statements, cash flow statements, and the balance sheet. If the business cannot afford there are a lot of people working there, the management accountant would be responsible for all of the employment and tasks mentioned above. It also aids the management accountant in making operating decisions for the organization by reviewing data derived from the company's daily constraints and financial statements, and presenting a report of these data and information to higher management.

Some management accountants in some companies keep company books and create a financial structure for them, and some management accountants in some companies contribute to deciding the path the company will take in the future and seizing reasonable opportunities to improve the reality of the company's work.

10. Conclusion.

Finally, variable costing can be applied to help management decisions rather than acting as the primary source of knowledge. The management should consider a number of factors, including absorption costing results. When making decisions, management should consider market insights, relationships with customers, the effects on brand building, and other factors. A manager should use all costing methods when measuring net profit.

Managerial accounting's goal is to provide data for internal decision-making, especially for planning and control. Planning and managing are the two main functions of administrative accounting. Both of these assist administrators in making decisions. The management accounting framework is also used to enhance decision-making as well as management control. When the number of produced units equals how many units were sold, all strategies yield the same income from operations.

Controlling costs, pricing products, organizing manufacture, evaluating business sectors, and analyzing contribution margins are all circumstances where variable costing and absorption costing reports come in handy.

Despite the importance of managerial accounting in providing information for preparation, monitoring, and decision-making, there are a number of critiques of existing management accounting practices, including: Owing to the nature of in-depth distribution issues, the product's price in companies that manufacture several goods remains inaccurate. Costs that are not explicitly borne. The use of management accounting data in strategic decisions, for example, is still limited. The inability of managerial accounting to keep up with the output of companies in light of new production systems has resulted from ongoing technical growth in operating processes. Planning reports and budgets, as well as forecast lists such as the expected revenue list, planning budgets, and lists of estimated cash disbursements, reflect the outcomes of the management accounting system as one of the accounting information systems. All of this is based on certainty level as well as the time span covered by the studies. The shorter the time, the more useful the data; we find that the Financial Department's quarterly periodic reports are more appropriate than annual lists, and that regular cost reports are more useful in decision-making than weekly or monthly reports.

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