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COVER PAGE AND DECLARATION

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Introduction :

Management accounting originated from the 19th and 20th century together with the industrial revolution ,management accountant duties include recording , helping to choose investments, risk management,controlling, planning, strategizing, and decision making, to make informed business decisions, we should use managerial accounting concepts,managerial accounting focuses on internal users—executives, product managers, sales managers,for internal decision-making.

you should be constantly looking for ways to improve financial intelligence,expand the financial methods used and getting to know them help you increase your creativity , the leader who is searching,learning and boosting his talent.

accounting provides an explanation financially about the transactions of the organization. The main financial reports are the Profit and Loss account, the Balance Sheet and the Cash Flow statement.The traditional accounting system was developed in a period dominated by competition accelerated and technological change.

One of the most important accounting functions, cost estimates for existing products, budgets for new product lines, and profit and loss reports. accounting must provide reports.

which are easy to read and understand for everyone at the company. so no meaning to use a terminology only understood by accountants themselves.

Others consider cost accounting a specific and important function.It is important to differentiate between the costs that related in the production process of goods , are called manufacturing costs ,mostly related to ,direct materials, direct labor, and manufacturing overhead,or non manufacturing cost, and we call them fixed costs.

profitability is the main objective of anyone who is a business owner, measuring profitability means success of business.

Cost accounting deals with the calculation and assessment of costs and expenses to purchase or produce something,understanding of the full costs, including variable and fixed costs. The cost accounting turns data into information, knowing the factors which influence efficiency , profit or loss. Costing data is the basis for strategic decisions,no accounting process can be successful without engagement from the entire team, Balance and accuracy cause and effect is an important part of management accounting.

There are strong relations between cost accounting and management accounting; they are often seen two in one. Accounting systems have been developed, the need for accounting data has become more complicated, this system helps companies the data can be organized to meet the needs of internal and external users, this programs Is characterized by accurate, and up-to-date financial information to help organizations clarify vision.

accounting functions are important to the manufacturing process, it helps decision making, Estimating cash flows. Data from managerial accounting facilitate decision-making at both levels an operational and strategic

An accounting information system contains the processes that a company uses to report accurate and valid financial information. The development of systems helps in applying efficient and effective information technology based business and economic decisions.

Profitstatement for swipe limited for the month of february using absorption.

1)The correct table:

Production (units)	February	march
Sales (units)	12500	14500
Direct materials	11500	15500
Direct labour	29000	33250
Variable production		
Overhead	7300	8500
Total selling and administrative		
Expenses	44500	57100

First : absorption method:

a:February

DM per unit $29000 \div 12500 = 2.32$

DL per unit $19000 \div 12500 = 1.52$

Variable POH $7300 \div 12500 = 0.584$

Fixed POH $28600 \div 12500 = 2.288$

a: Income statement February (absorption)

Sales revenue $22 \times 11500 = \underline{253,000}$

-COGS:

Beg. Inv	0
+ Production (DM+DL+DOVH+FOVH)	
	$6.712 \times 12500 = 83,900$
- End. Inv	$1000 \times 6.712 = 6,712$
COGS	<u>77,188</u>
Gross margin	175,812
- Administration	44500

Operating income **131,312**

_COGS

+Production volume variance

$28,600 \div 20,000 = 1.43$

$1.43 \times 7,500 = 10,725$

b: Income statement March (Absorption)

DM $33,250 \div 14,500 = 2.29$

DL $22,000 \div 14,500 = 1.51$

VOH $8500 \div 14,500 = 0.58$

FOH $28600 \div 14,500 = 1.972$

Sales revenue $22 \times 15,500 = \underline{341,000}$

_COGS:

Beg. Inv	6,712
+ Production (DM+DL+DOH+DFH)	
	$6.352 \times 14500 = 92,104$
COGS	<u>98,816</u>
+Production volume	

Variance	10,725
Adjusted Cogs	109,541
Gross profit	231,459
- Administration	57,100

Net profit	184,840
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*production volume variance :

$$28600 \div 20000 = 1.43$$

$$1.43 \times 5500 = 7,865$$

Second: Variable cost

a:February :

Sales revenue	253,000
- Cost of goods sold(v)	
Big.Inv	0
+ Production	
Direct M	2.32
Direct L	1.52
VOH	0.584
Administrative (v)	3.15

$$7.574 \times 12500 = 94,675$$

$$\text{- End } 1000 \times 7.574 = 7,574$$

COGS	87,101
Gross profit	165,899
-Administrative (f)	8,275
Production (f)	28,600

Operating income	129,042
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*about fixed and variable

$$12600 \div 4000 = 3.15$$

$$3.15 \times 11500 = 36,225 \text{ (v)}$$

$$44500 - 36225 = 8,275 \text{ (f)}$$

b:March

Sales revenue	341,000
COGS	
Beg.Inv	7574
+Production (DM+DL+VOH+ADV)	
	$7.74 \times 14500 = 112,230$
COGS	119,804
Gross profit	221,196
-fixed production	28,600
-fixed ovh	8275
<hr/>	
Operating income	184,321
<hr/>	

2) Differences in income are resulted from the fixed element of manufacturing cost assigned to inventory under each.

February:

(Operating income under absorpt - op.income under variable)

=(fixed manuf.cost of end.inventory under absorpt - F.manuf.of beg.inv. Under absorpt)

$$131,312 - 129,024 = \underline{28600} \times 6,712 - 0 =$$
$$12500$$

March:

$$184,840 - 184,321 = \underline{28600} \times 0 - 6712 =$$
$$14500$$

How does each method differ from the other method ?

All the different methods have their advantages and disadvantages and are more or less suitable

for different companies depending on the context in which they operate.

Absorption costing :

Absorption costing is one method which is used for the aid of assessment of inventory or account of the cost of the product in the establishment where all the expenses incurred by the establishment. uses the total direct costs and overhead costs associated with manufacturing a product the cost base component of direct materials, direct labor, variable and fixed manufacturing overhead. so absorption costing method all costs associated with manufacturing particular product, the direct and indirect costs, absorption costing is show you what included, how to calculate it, there are several pros to using full costing that it is GAAP compliant, financial accounting depends on many concepts and principles that have arisen and developed over the historical development of accounting, it describes the method or procedures by which the items of the financial statement are handled, in away that leads to the homogeneity of the records and lists of establishments in which such items appear, absorption costs more realistic product cost because the load cost calculation take into account the fixed and variable overhead that go into manufacturing process $AC=DM+DL+VMOH+FMOH$ Production units this is the best way to estimate costs for small businesses. There are few limitations associated with this method. absorption costing is that it can distort the picture of a company's profitability. sometimes the result of this method is not clear.

In addition , it does not help management in decision making and variable costing is more effective . it is not useful for analysis to enhance operational and financial capability or for measuring product lines , and it failed to provide as good an analysis of cost and volume. load cost is a suitable accounting method for companies with a steady demand for product and more used in companies in annual reports. Absorption costing is a very important tool in management accounting for determining the cost.

Variable cost :

Part of the total cost are directly related production

Total cost=cost fixed+cost variable

The average variable cost is used to aid in a company evaluating whether it will be profitable in the short-run.

Variable cost are those costs which output depended, that increase as sales or production volume increases , variable costs in total change in response to changes in activity levels there is positive

correlation between the production output and the variable costs, short run costs such as raw material, wages, variable overhead, electricity, and corruption tax

Total cost of materials + total cost of labor = total variable cost

Variable costs per unit = $\frac{\text{total variable costs}}{\text{Total number of units}}$

Total number of units .

Variable costs per unit remain steady .If marginal revenue, from selling the next unit, remains higher than the average variable cost, this is excellent positive vision and the company should continue in this good plan.

variable costs change based on your sales activity, fixed costs remain the same regardless of sales. using both costs helps the manager count the break even point proportion between the variable costs and the fixed costs clarify . The fixed costs are time related; it remains constant over a period while the variable costs related to production are not specific; it will bear only when the company does some production, like special order. Companies compute the average variable cost on both a per-element basis and over their utter production line.

some disadvantages of the Variable Costing System.

1. Difficulty in segregating overhead cost into fixed and variable cost.
2. do not apply to accounting principles (GAAP) , properly auditors may refuse to accept it.
3. Somtimes variable cost misguides management thinking that because overlook fixed cost which also related profitability.
4. we cannot use for external reporting , or for long term planning.
5. the production costs cannot correspond with revenues, because the variable cost doesn't determine fixed cost to units.

The importance of absorption and variable costs :

Generally managerial accounting is concerned with reporting to external parties such as owners, analysts, stakeholder, investors, and creditors.

In addition, it is beneficial to the internal parties management and help them in the decision making process, where it is Measuring efficiency by Knowing the company's ability to use resources in an efficient manner, managerial accounting It abbreviates many options and alternatives, to find the best decision and thus helps us find information accurate and relevant, So

how do I know that the data that I have related to this decision or not..... From the amount of its effect on income and expenses.

Presenting data in the correct way = a correct decision.

In an income statement, there are two methods absorption costs, and variable costs. variable and Absorption are two different costing methods.

Financial statements use absorption method.

i- absorption has benefits of which that simple and easy to use and the profit almost guaranteed to organize and clarify the data in the instaplashment.

ii-the accurate ending balance of inventory as costs related to unsold goods are in the balance.

iii-The importance of including fixed manufacturing costs product cost determination and framing a suitable pricing policy.

ix-The best way to set a selling price because it covers the expenses.

And given the variable costs we use this method for the short run when we need to ratio the profit and loss with a quick decision.

The company's goals are often related to profits and revenues, and the costs factor has a major impact on the money in the company, The role of successful management is to convert the parity into profit, or increase profit ratio, In every organization there are the actual costs , projected variable costs, and the variable costs.

day-to-day tasks sometimes hard to see the some Sub-goals with activities associated with delivering, goods and services to customers. the variable helps organization take advantage of opportunities, with retention on core values, mission, and objectives to organisation, the variable costs does not affect the original production, but aims at profit and quality together because any additional work must be within idle manufacturing capacity, far away of the fixed costs , so the variable costs doesn't focus the profit only .also is it not the goal to maximize profit through full utilization of capacity , maximize the flow through the value stream.

Both methods cannot be replaced for one another because both the systems have their own pros and cons , Both methods are used widely by bright successful companies in the globe.

How can we improve the accounting system?

In any company, the accounting department will always have a huge responsibility in managing business finances. Evaluating the performance of business, your financial records reflect the results of operations as well as the financial status of your small business. Things seldom go exactly as we planned, and management must make a concentrated effort to monitor and adjust for deviations, exploration of alternative reformative strategies to treat disadvantageous situations.

How to improve the accounting management system? I think after learning about the accounting systems we will reach to innovation and creation, more bloom in experience and learning, means more flexible balancing in the financial matters. In addition to, the above, accounting supports the customer orientation by measuring and using the information for improvements in customer related.

i exist accounting system, to determine available funds, and knowing your exact accounts receivable balance, tracking bills when due for suppliers help optimize cash flow by paying when due, a recent trend brought about in the USA by financial legislation most commonly known as Sarbanes-Oxley or SOX is for enhanced internal controls and mandatory certifications by CEO and CFO as to the accuracy of financial reports, making management decisions on a timely basis, an important and essential point before a problem compounds. So ... The faster you have high-quality information, you will have a strong management to take corrective action. There are a lot of expenses that the company has to abide such as internal repairs or maintenance, individual employees who travel regularly on company business. Capture tax information when source documents are processed. The accountant has significant financial responsibilities, the accountant creative lies ability to control between income and expenses. In many companies software is designed to handle tax needs with greater efficiency... Creative solutions are what people are looking for. Even if you are new to accounting, do not underestimate your ability. Think critically, and remember you are a new professional. Renewal of the financial system with a fully integrated software package can radically shorten any lateness.

A company's financial software can read bank records daily, automatically match cleared outstanding checks and update the accounts payable check file. Learn how to analyse data, find about new software and systems, explore, and learn it.

ii: Improve collaboration between departments recommended to allow all departments in your company to use a shared system . good Communication will clarify to your team on what they should do ,according to policies and vision your company has established up front. boost your team and push them to be able to adapt any new account software, respect their advice and be resilient with their ideas because smetimes changes accompany installation of new accounting software can help cut labor costs. Coordination between team resources, activities, to complete a task on time for making correct decisions by available information, supervise the activities of team members, assess team performance, assign tasks, plan and organize, and establish a positive atmosphere for the team. The management needs to have a clear picture of business in the current moment, and where you are heading in the future.setting goals, should clarity about , business development, inventory management, and focus on financial goals,Planning not only annual goals, but you also need to have plans quarterly and monthly. Not all clients are familiar with accounting matters so ability to relate information to clients needs some training, understanding and good listening takes creativity, to know the goals of the clients or company , relate ,interpret it with accurate reports and serve their plans.

every one working with accounting should be a renewed leader because of the organization and discipline. accountants deal with sensitive files as time management,not every accountant is an expert in every financial field, there are different areas.

accountants can focus on it ,and there are many online training platforms , find the right training to develop your talent.

iii: As a business leader, you should be constantly looking for ways to enhance financial intelligence, improve operational efficiency, In order to produce management reports in a consistent reliable fashion, you need much of the automation to feed these reports on a monthly basis, Automation is a key tool for businesses that are expecting finance functions to maximise the operational efficiency and minimise the time spent on non-value activities, according to a report.Your accounting system effectively documents all the activity in your business and provides critical information.

Accounting software processes the information it receives automatically and relates this to all existing records in its system.

Many companies want to clamp down on costs. In the global economic crisis, reducing expenses is not nearly enough. there are some administrative duties that are repeated without producing

any real value, You'll get better results revisiting processes along the entire value chain going through, It is not just about how many of these apps sync, it is about the power of these apps working together. Automation has the biggest impact on financial intelligence because it allows you to get more information and get it faster than if you did things manually. Automated accounting software simply helps businesses and financial professionals to do their job more efficiently. to transition to a new accounting system, preparing your staff for change. tell them why your firm is moving to a new accounting system, amount of benefit that will back on the organization, explain what will the new system help them, train your staff to implement the change.

automation guarantees the storage of details indefinitely after being entered into the database, also It Offers Enhanced Security. it gives accountants the freedom to focus on being the critical advisors that help steer the organization.

The management accounting jobs are important in manufacturing companies.

Management accounting its function of collecting, processing, and communicating information and analyzes all real and value-based costs within a manufacturing firm's operations, provides essential information planning, evaluating, controlling and decision making processes, manufacturing cost impacting production operations and the valuation of inventory, these activities can drastically boost the profits of a business.

The prime functions of accounting are to pile and analyze financial information and supervision monetary transactions. It's close accountants can help determine the lifecycle of current products Accounting also functions to warranty the payment of money into and out of a company. accounting helps in pricing when Launching new products.

Management accounting can support at every stage, by giving a detailed breakdown of production capabilities, changes that happened to the variable cost, and how impact on the fixed cost, how many ratio profit, Inventory Valuation cost accountants spend a amount of time in this area.

Staffing is another area in which management accounting can be hugely valuable. In general companies continuously have to improve their operations to be able to survive in the global competition. Senior management regards accounting policies and programs as success factors because they guide worker performance, which in turn has an impact on profitability,

there are some question about how can is accounting help you make the right decision by afford to spend on staffing, and what is returns You can expect for your investment in personnel. The strategy is Determine path of action or set of decisions which aid the entrepreneurs, It is a planner of corporate notion and action, which is strictly planned and flexibly designed with the objective. Strategy is concerned with long-term direction, about building on resources, quality, cost, and time, competences to create new opportunities, product cost is linked both to the management accounting system and production control, and the way it is calculated. strategy helps managers objective of cost analyzing factors that drive or cause costs to be incurred; analyzing product profitability; analyzing suppliers' cost structures; and comparing their cost against competitors' costs. Each element of marketing strategy reveal an conception of accounting, which can help such as the volume of product, services that are necessary to sell, and alternative tactics to pricing our customer, product, service and distribution channel profitability, success depends on products that meet customers' needs.

Conclusion :

Accounting ethics is an important topic because as accountants the key personnel who access the financial information of organization. Many organizations publish their own ethical guidelines, stay up-to-date with the latest accounting news, act professionally. ethics policies are becoming increasingly important to organizations.

Part of being ethical in accounting is following certain rules and laws, such as the GAAP Ethics Integrity and client confidentiality are of utmost importance in accounting ethics. the American Institute of Certified Public Accountants and the Institute of management accountants have formulated ethics (ATT) governing the behavior several ,commonalities, integrity, and morals.

An accountant's most valuable asset is an honest reputation .To be a professional accountant you must be objective, attempt to avoid any actual or apparent conflict of interest, discuss the problem with your immediate supervisor, and present it clearly.

Other professional organizations do provide ethical guidance. such as :Financial Executives International provides a Model Code of Ethical Conduct for Financial Managers (<http://www.financial executives.org>). the Securities and Exchange Commission (SEC) threats can be addressed either by eliminating the circumstances creating the threats, or by declining or ending the specific professional activity or service. requires accountants to competence, diligence and a proper understanding of financial information, exercise sound moral judgment in all accounting activities.



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