COVER PAGE AND DECLARATION

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Introduction

Management accounting systems are a valuable tool used by various business organizations all over the world. The reason why businesses use management accounting is because this type of system helps with the budgeting, recording, and reporting of financial information that is simple andeasy to understand for managerial review. Business owners are also drawn with a lot of decision making for the company every day. That is why it is efficient to apply management accounting techniques that would lead towards the improvement of decision making, to benefit the company in the long run.

Managerial Accounting report

The method of arranging and creating administration reports and records that presents precise and appropriate financial and analytical data required by managers to help them with their everyday decision making. Management accounting reports are primarily forward-looking and are also usually confidential and for internal use only. They are calculated based upon management’s informational needs.

Contrary to financial accounting, which produces yearly reports that consists of the company’s financial status, administration bookkeeping creates month to month or week by week reports for anassociation's internal stakeholders, for example, division directors and the CEO. These reports normally demonstrate the measure of available cash, sales income produced, measure of requests close by, condition of records payable and records receivable, outstanding debts, raw materials, and stock, and may likewise incorporate graphs and charts such as trend charts, variance analysis, and various types of analysis and insights.

Different types of management accounting systems

Cost Accounting

Cost accounting includes verifying fixed and variable costs from one another. A fixed cost is a type of cost that is incurred for an accounting period, and which certain activity levels remains constant. Examples of fixed costs are rent, business rates, executive salaries. While variable costs are costs that depends on the number of units produced or the consumption of the levels of activity. As activity levels increase then total variable cost will also increase. Examples of variable costs are raw materials and direct labor.

Marginal Costing

It is the principal costing technique that is mainly used for decision making. Management accounts in Swipe 50 uses this type of approach that helps the managers to prioritize their attention to the changes or results that would occur from the decision that is being examined. The marginal cost of a unit of inventory is the total of the variable costs required to produce the unit. The direct labor, expenses, materials and variable production overheads are used in calculation the marginal cost.

Absorption Costing

Swipe 50 also using absorption costing for means to know the inventory that is incurred to produce the unit. This includes the amount added to the expense of each unit to represent the full production overheads that is spent by that product. Absorption costing is a method of calculating the full product cost that adds direct costs and a portion of the production overhead costs by using one or a number of overhead absorption rates.

Inventory Management Systems

In a manufacturing business, inventory may be the largest item of expense so it is important that the material that is being bought must be ensured that it is suitable for its purpose.
When the material is required, it must be ordered, received by the stores department, recorded, issued to the manufacturing department that requires it and eventually paid for. This process needs a great deal of paperwork and strict internal controls.

<u>Economic Order Quantity</u> – This type of inventory minimizes the total costs that are associated with holding and ordering inventory is at a minimum. When huge quantities are being requested and created, the level of inventory holding costs would increase, but the ordering cost would decrease. Contrarily, when the total quantity of a product for manufacturing decrease, inventory of holding costs would decrease but the cost of ordering would increase since more orders are needed to meet the requests of demand. When both holding cost and ordering costs are equal the total cost of the production is minimized.

Job Costing

Whenever a certain client wants a specific order to like for example diet Swipe 50 it is our responsible to create that job order. Each job is priced differently, and each job is classified to be unique. The people that handle the formulation of the Soda has unique type of job that is assigned to them thus using the job costing method, this helps with the calculation of assessing the various expenses that is included in accomplishing the task given and to list them accurately.

Batch Costing

Swipe 50 has various retail clients all over the world and all of them orders in a bulk basis. Batch costing is another form of order costing that calculates the cost that is associated with the same batch. The cost per unit of batch is equals to the total production of the batch divided by the number of units in the batch.

Process Costing

This type of system is used to manage the formulation of the soda that is done in a continuous process. Like Swipe 50 , this type of costing is done when one particular item produces the same product but it undergoes through a couple of stages. The calculation of process costing is equals to the net costs of inputs divided by the expected output. In this way you will be able to keep track of the whole process costs.

Calculations for labor and overtime pay

Management Accounting is also used for the calculation of the employees' direct labor such as basic pays, as well as their overtime. Swipe 50 is a large company that has thousands of employees working for us and it is only fair to pay them for their job well done.

Price Skimming

Price skimming is the method of launching a new product in the market with a high price. The longer the product stays on the market, the lower the cost will become.

Price Discrimination

Price discriminations are used by companies to provide better services for example; airlines, you areriding on the same aircraft but various services are being provided; economy, business class and first class. The benefit of using price discrimination can manage the demand to prevent overcrowding. In the long run, once you have included this in your budget and forecasting you would be able to come up with the results that'll solve problems such as benefiting some groups when you offer cheaper prices.

Loss Leader Pricing

Whenever a festive season is fast approaching, Swipe 50 would use this type of method to attract customers to buy our products that come together with other items to cope up with the loss of the sale of that specific item and the other non-discounted products.

Benefits of Management Accounting

Boosts Efficiency of the company's operations

Management accounting uses efficiency equations to check the employees' performance. Management accounting for labor is used to calculate the employee's work that is done in a day. This type of work measurement approach measures an employee's allowed time compared to the actual time that was taken.

It helps with decision making

Another helpful function of management accounting being part of the decision-making process. Managerial Accounting uses scenario planning and management information systems to be able to choose the right decisions. These accounting systems are used to analyze the business projects to calculate whether it may be a worthwhile investment or not, and how much ROI (return of investment) and how much profitability is expected of the decision. It also helps with choosing wise measuresfor the company's sake.

Forecasting and Setting Budgets

Every organization whether small or big use budgets to plan the future and to control costs. Managing accounting helps with the forecasting and budget making process to set costs and revenues that are expected to be used in the future stage.

Measure the company's performance

Management Accounting assesses the company's operations with factors that involve calculating the financial performances such as the company's profitability, liquidity and activity ratios. These types of analysis provide information that would interpret the company's status to see if it can manage to continue its operations.

Cost Control of the Production

Every single company wants to manage its expenses or may use ways that can help reduce costs. Management accounting is a perfect tool that controls the company's costs by using techniques to help the company lower the expenses or at least prevent the costs from increasing. They use systems such as outsourcing, organization restructuring and so on. These types of methods are used by the company for them to save money.

Lays out a clear and a more simplified financial report

Accounting terms and statements that are filled with numbers are confusing, making it hard for the managers and top-level officers to understand. Thus, management accountants help rationalize the financial statements in ways that would be understandable to everyone.

2. Profit calculated using absorption costing to that using variable costing:

Financial Statement for Absorption Cost

	$	**$**	
Sales (20,000 x 50)		1, 000,000	
Less: Cost of goods sold (20,000 x 30)	600,000		
Total Cost			(600,000)
Gross Margin			400,000
Less: Selling and administrative Expenses			
Variable (4x 20,000)	80,000		
Fixed	190,000		
Total Expenses			(270,000)
Net Operation Income		130,000	

Financial Statement for Variable Cost

	$	$	
Sales (20,000 x 50)		1, 000,000	
Less: Variable Expenses			
Variable goods sold (20,000 x 18)	360,000		
		(360,000)	
Contribution Margin			560,000
Less: Fixed Expenses			
Fixed Overheads	300,000		
Fixed Selling and Administration	190,000		
Total Expenses		(490,000)	

Net Operating Income70,000

Explanation

The contribution margin income statement is a helpful method that is used by managers with planning and decision making. The contribution margin income statement is calculating all variable costs that are required to produce a unit. Rather than separating product costs from period costs, like the traditional income statement, this statement separates variable costs from fixed costs. For my financial statement, I start by calculating the sales through multiplying the cost of unit by the units sold (50 x 20,000). After that I will add up all of the variable costs; direct materials, direct labor, variable overhead and variable selling and administrative expense. Once added, I subtracted it from sales that leads to getting the contribution margin (440,000). I then subtracted the total fixed costs (490,000) from the contribution margin so that I can get the answer for the Net Operating Profit.

3. Explain how each method differs from the other method and also explain the importance of each method

The difference between the absorption and variable costing methods centers on the treatment of fixed manufacturing overhead costs. Absorption costing "absorbs" all of the costs used in manufacturing and includes fixed manufacturing overhead as product costs. Absorption costing isin accordance with GAAP, because the product cost includes fixed overhead. Variable costing considers the variable overhead costs and does not consider fixed overhead as part of a product's cost. It is not in accordance with GAAP, because fixed overhead is treated as a period cost and is not included in thecost of the product.

Absorption costing includes all of the direct costs associated with manufacturing a product, while variable costing can exclude some direct fixed costs. Absorption costing, also known as full costing, entails allocating fixed overhead costs across all units produced for the period, resulting ina per-unit cost

Variable cost is the accounting method in which all the variable production costs are only included in product cost whereas **Absorption costing** is where all the absorbed costs are taken into account and under this method, all the fixed and variable production costs are deducted and then fixed and variable selling expenses are deducted.

Variable costing is defined as an accounting method for production expenses where only variable costs are included in the product cost, whereas, Absorption costing includes all costs associated with a production process that is assigned to the units produced.

- Variable costing consists of direct material costs, direct labor costs, and variable manufacturing overheads, whereas, Absorption costing consists of direct material costs, direct labor costs, variable manufacturing overheads, and fixed manufacturing overheads.
- Under variable costing, there is no concept of over and under absorption of overheads. Under absorption costing, fixed costs are absorbed on an actual basis, or on the basis of the predetermined rate based on normal capacity.

4. Explain three ways that Swipes 50 Ltd. can improve its accounting systems

An accounting system can be an extremely powerful tool for business owners. When structured with the specific needs of the business in mind, it has the power (through the magic of debits and credits) to convert data into a format that tells an interactive, completely personalized story about your business. The balance sheet is a snapshot at a specific date,

In this part I will explain different methods used for management accounting reporting.

Financial planning

Financial Planning is a total assessment of an investor's current and future financial state by utilizing at present known variable to predict future cash flows, asset values and withdrawal plans. Numerous people work in mix with a financial planner and utilize current total assets, tax liabilities, asset allocation, and future retirement and estate plans in creating financial plans.

There are elements of a financial planning such as:

- The financial plan: is supported by the individual's defined financial goals. Financial goals should be measurably and set for tracking.
- Personal net worth statement: A picture of assets and liabilities serves as a benchmark for measuring progress towards financial goals
- Cash flow analysis: in order to determine how much can be allocated for debt repayment, savings, and investing each month is by having an income and spending plan.
- Retirement strategy: it should include strategies for obtaining retirement independent of other financial priorities and for collecting the needed retirement capital and its planned lifetime distribution.

- Long-term investment plan: There should be a personalized asset allocation strategy that is basing on specific investment objectives and a risk profile
- Tax reduction strategy: enumerating ways to decrease taxes on personal income to the point permissible by the tax code.

There are 4 types of financial planning and these are;

- Short-term forecast
- Budget
- Strategic forecast
- Cash forecast

Analysis of Financial Statement

It is the process of applying analytical tools to a company's financial statements to understand the company's financial health. Financial Statement provide a great deal of information to Carrefour however to enable users to make information to the users to make and create informed decisions, statements on their own do not always provide sufficient information.

Historical Cost Accounting

Historical cost accounting is the first cost of margin. A great deal of the trades recorded in an affiliation's accounting records is communicated at their chronicled fetched. This idea is streamlined by the cost rule, which communicates that they should just record an advantage,

obligations or value hypothesis at its unique acquiring cost. Historical cost accounting can be essentially exhibited by getting to the premise buy or trade records.

Standard Costing

Standard costing incorporates the creation of assessed, for example, standard cost for a couple or each movement inside an association. The primary clarification behind using standard costs in Carrefour is that there are different applications where it is dull, making it difficult to gather real costs; hence standard costs are used as nearby estimate to real expenses.

Budgetary Control

The budget process is an internal part of both planning and control. Budgets exist in order to implement development and control of the business.

Role of Budgeting

- To ensure planning for future
- To coordinate departmental activities
- To bring efficiency and economy in operations
- To fix responsibility of various individuals
- To centralize the control system

Budgetary control is the foundation of spending plans identifying with obligations of official to the necessities of an approach and the stable examination of actual with planned outcomes, either to secure by singular task the goals of that strategy or to give a premise to its improvement.

Marginal Costing

Marginal costing is an important technique of costing. Marginal Cost is the cost from each additional increment or unit. It is the ascertainment of 'Marginal cost' and analyzing the effect of changes in volume or type of output on profit by differentiating variable costs and fixed costs. So, themost important task in marginal costing is to differentiate or to segregate the total cost of productionand sales into two main parts, the variable cost and the fixed cost.

Cash Flow Statement

A cash flow statement is one of the main financial statements of an organization, the other financial statements being the balance sheet, income statement and statement of stockholders' equity.

The cash flow statement reports the money produced and utilized amid the time interim indicated in its heading. The timeframe that the announcement spreads is picked by the organization.

Revaluation Accounting

The revaluation accounting system gives a business the decision of passing on a settled asset at its revalued aggregate. Ensuing to the revaluation, the total carried on the books is the benefit's sensible esteem, less resulting aggregated deterioration and amassed hindrance misfortunes.

Through this approach, Carrefour must continue revaluing settled resources at sufficiently standard intervals to ensure that the passing on total does not differ generously from the sensible motivating force in any period. This option is open just through the international financial reporting standards. It brings into account the impact of adjustments in the expenses on the arrangement of the budgetary decrees.

Decision Making

Decision Making is consistent and fundamental section of managing any organization exercises. Decisions are made to keep up the exercises of each association exercises and progressive working. Decisions are made at each level of organization of Carrefour to ensure progressive or association goals are expert. Likewise, the choice makes up one of focus pragmatic esteems that every affiliation grasps and completes to ensure perfect advancement viewing organization and also things promoted.

Statistical and Graphical Techniques

The administration bookkeeper utilizes different statistical and graphical techniques so as to make the data more significant and introduction of the same in such shape with the goal that it might help the administration in basic leadership. The methods utilized by my company are Master Chart, Chart of Sales: and Earnings, Investment Chart, Linear Programming, Statistical Quality Control, and so forth.

Funds Flow Statement

Fund Flow statement is an account that reveals the data of different kinds and sources of a fund of the similar accounting phase. Funds flow statement deals with different transaction and operation that transform the sum of the total of current assets and liabilities or fixed assets long haul advances including possession support.

Communicating

Communicating is the process of sending and receiving information, ideas, opinions, and facts between two or more people. Communication is the blood line of Carrefour because without communication it is hard to express the thoughts and the opinions of each and every one and there would be no business in our surroundings. There are two types of communicating the internal and external. It is important to have a good communication in the business.

- To build reputation among customers and friends
- To create better relation between seniors, sub ordinates, workers, management, customers,and sellers
- To increase the sales of the company
- Use to endorse and promote the product and services of the organization
- B2B deals

5. State why managing accounting jobs are important in a manufacturing company

Management accounting is the process of preparing and providing up-to-date financial to the managers of the entity. The information should assist and support managers in making usual everyday decisions as well as decisions for the short term. In contrast to financial accounting there are no legal requirements for an entity to provide documents related to management accounting. Another key difference is that management accounting has no standards or formats that need to be followed.

Management accounting is provided for the users inside of an entity, these include mainly management and as well as owners of the business and employees. In relation to my business (Carrefour) Management accounting can give data that covers the whole thing or only a specific product/department known as a cost center of the company. Likewise, it concentrates on the future of the company whereby a financial accounting gives careful consideration to the past. Management accounting's definition is.

- Identification
- Measurement
- Accumulation
- Analysis
- Preparation and communication leading to managerial decisions.

Type

There are many different types of management accounting systems. Some include cost accountingsystems, inventory management systems, labor costing systems and price improvement systems.

Features

The account management system takes existing operational data and creates media reports such as sales analysis, product and time, inventory cost analysis before it is necessary for production, and comparisons of budgeted expenditures versus actual expenditures. For example, a cost accounting system can provide the direct and indirect cost of manufacturing a product that allows Wal-Mart todetermine the price of a profitable product.

Consideration

It is always a smart business decision to define a management accounting system that integrates with the company's financial accounting system. This eliminates redundancy and increases the timing of management reports.

Benefits

With timely and accurate information, the department can make informed decisions about operational items such as cost reduction, increased production time, increased inventory respectively and increased marketing budgets.

Potential

Companies that have a management accounting system in place have a clear advantage instreamlining operations procedures, reducing costs and building capital to achieve futureexpansion.

Conclusion

Accounting management systems are therefore very helpful when it comes to budgeting, planning, and assessing calculations that would help the management of the company to make the rightful decisions. But considering the factors listed earlier, there must be a lot of improvements needed tobe done to ensure that the uses of the accounting systems are utilized to their full extent. In the Brightside, each of the problems that I have set out earlier in the tables has provided solutions to help mend the issues. Thus, it is the accountant’s job to be of fully aware of the solutions so that if any problems may occur the accountant would be of great help to guide the management departmentof the company

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