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COVER PAGE AND DECLARATION

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The introduction

There is great importance to a company's management accounting processes because it helps in the collection, recording, analysis, and interpretation of internal accounting information that helps business managers make urgent decisions regard its future growth and improvement. In this context, this report is prepared for the purpose of providing a sufficient understanding of management accounting processes to assess the company's internal business operations and to develop a future strategic business plan. The use of various accounting methods adopted by the company to prepare internal accounting information is adequately explained in the report. Management accounting is the part of the responsibility accounting system that gives managers and decision-makers reports for making decisions that are not focused on following reporting standards. Instead, it uses principles from different areas of the business to meet the needs of management. Management accounting includes budgeting and forecasting, performance evaluation, financial analysis, product costing and pricing, evaluating business decisions, governance, corporate finance, and other areas.

Managerial Accounting Assignment Submission

A. Profit Statements for Swipes 50 Limited for the months of February and March:

i) Profit Statements using Absorption Costing for February and March

Profit Statement (using Absorption Costing)			
Swipe 50 Limited			
			February
Sales (11,500 Units @ Euro 22ea)			€ 253,000
Less Cost of Goods (COG) Sold			
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
Gross Profit			€ 179,860
Less Selling & Administration Expenses			
Fixed Selling & Administrative Expenses		€ 36,225	
Variable Selling & Administrative Expenses		€ 8,275	€ 44,500
Net Profit for February (Using Absorption Costing)			€ 135,360

Profit Statement (using Absorption Costing)			
Swipe 50 Limited			
			March
Sales (15,500 Units @ Euro 22ea)			€ 341,000
Less Cost of Goods (COG) Sold			
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
Gross Profit			€ 247,290
Less Selling & Administration Expenses			
Fixed Selling & Administrative Expenses		€ 48,825	
Variable Selling & Administrative Expenses		€ 8,275	€ 57,100
Net Profit for March (Using Absorption Costing)			€ 190,190

ii) Profit Statements using Variable Costing for February and March

Profit Statement (using Variable Costing)			
Swipe 50 Limited			
			February
Sales (11,500 Units @ Euro 22ea)			€ 253,000
Less Variable Cost of Goods (COG) Sold			
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
Variable Manufacturing Margin			€ 206,172
Less Variable Selling & Administration Expenses			€ 36,225
Contribution Margin			€ 169,947
Less Fixed Expenses			
Fixed Selling & Administrative Expenses		€ 8,275	
Fixed Production Overheads		€ 28,600	€ 36,875
Net Profit for February (Using Variable Costing)			€ 133,072

Profit Statement (using Variable Costing)			
Swipe 50 Limited			
			March
Sales (15,500 Units @ Euro 22ea)			€ 341,000
Less Variable Cost of Goods (COG) Sold			
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
Variable Manufacturing Margin			€ 278,178
Less Variable Selling & Administration Expenses			€ 48,825
Contribution Margin			€ 229,353
Less Fixed Expenses			
Fixed Selling & Administrative Expenses		€ 8,275	
Fixed Production Overheads		€ 28,600	€ 36,875
Net Profit for March (Using Variable Costing)			€ 192,478

B. Profit Reconciliation Statement calculated using Absorption Costing to that using Variable Costing

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

C. How each method differs from the other method and also explain the importance of each of the methods

Definition the differences between Absorption and Variable Costing, we should understand first what the meaning of managerial accounting is.

Which have several names like management accounting and cost accounting

Whatever you called, it is a tool to analyzing business and operating cost then get the internal reports the support manager and high board to take a decision in business strategic then achieves organizational goals and target

The previous part I very important I mean here “internal” so this reports for the internal managers and decision-maker. So, can share this reporting outside the organization

This financial and economic reporting proven and show how this management fit and efficient to take decisions not only decision but also the right decision most of the time.

We should know that managerial accounting is a very effective tool for planning and forecasting in the short and long terms

In addition, we use managerial accounting to prepare budgets in business

Finally, we can say that” Managerial accounting is an important tool for the managers and high board to make a financial decision in short and long terms based on forecasting and planning.

Variable and Absorption Costing are the two core methods in Managerial Accounting, but both of them have disadvantages and advantages. However, we should note that most of companies if not all of it using Generally Accepted Accounting Principles (GAAP) which means you can only use Absorption Costing to prepare external financial statement reporting. However, you have a free choose between absorption costing and variable costing to use during preparing internal financial statement reports

First, we should understand what the meaning of fixed-overhead expenses is. Then understand the

Differences between absorption and variable costing

The most common definition, fixed-overhead expenses are things that don't have any change by production capacity

Fixed-expenses include rent insurance salaries, equipment-leasing fees

This means these expenses you going to pay whatever the amount of production or amount of selling, let us start with:

The cost of the assimilation will look in and follows that in the throwing of look on the changeable cost: Smiling metabolism introduces complete cost the assimilation, and the name the more simplicity to method coasted the assimilation he is complete in her application of part from the general expenses the produced constantly on the cost from industrialization.

The account establishes the basis of the cost for each one - and is complete do it easily about the road of division the total costs fixed on the number the produced unities and sold during the period of preparation the reports. The result costs the one for each unity produced and sold in the verb. Method estimate of the cost of the assimilation includes the only specification of the costs fixed across all unities produced during accounting period. Introduces the kind from the cost raved smiling metabolism the cost complete and treatment of costs includes all formed of the industrialization direct identically the substances and the direct employment and the expenses is the common people changeable and the expenses are the common people fixed in costs produced acceptable principles of the accounting reconciled for generally (GAAP).

Method estimate of the cost straightens this in the general specification the costs fixed across all industrialized unities and consequently specification of cost helps in the one. Performs in general to the specification of factions from the general costs fixed, and which cost of the merchandise includes sold and charges stored. The main importance hides to utilizing the method of cost of the assimilation in that she the companies from development managed suitable politics of pricing

Fixed processing costs and changeable include.

Price setting includes accordingly all incurred costs in the operation of the production. Chapter of the costs to constant avoids and changeable the rising do not be possible in him in easy method and minute. In addition to that, method of the accounting helps also inaccurate specification the profitability where registration of all expenses is complete the sales and the marketing in a breath of the period. Yet, so indeed the main fault connected in this method he that some costs the period, not any tie have fun futuristic and consequently inclusion within cost does not be necessary her produced and stored.

Another positive side, abundance method estimate of the cost of the sucking is characteristic when formation ended from the merchandise in the stock during the included period in the report, and to is does not be completely sold her. Looked for that all producer in the stock corrodes me on the quantity of for each unity specialized for the expenses fixed, so indeed all element in stock stored for him designating value includes also part from the expenses general fixed.

Therefore, the corroded sale is completely produced, the notification about the producer as the expense does not be complete corroded is complete sold him in the verb and elimination his blessing stored.

Some companies like raved most for that he improvement of the profits is possible for a period designating notification; Yet, so indeed this method have a fun negative impact from where that she be possible that inflation the exaggerated profits artificially in the definitive period of the report, where deduction of the expenses does not be complete the general complete constant if industrialized selling all products was complete or lack sold her or some from her only. Already is raved delusive stubborn measure of analysis for the profitability for the period included in the report.

Unlike absorption costing, variable cost accounts for fixed overheads in a lump sum, instead of a per-unit expense. In addition, under this method of costing, all variable prices include Production tools include shipping, raw materials and packaging. The full fixed cost of the expenses related to the period is added to the report. Specifically, these expenses are not added on a per-unit basis on the basis of their sale - instead, these expenses are subtracted from the amount of revenue as a total expense. (Norine et al., 2016). Includes variable cost

Including only the variable costs that are incurred in the process of production. This kind of costing method include only emphasizing the variable costs of production to the cost of products and Stock valuation. This type of costing unlike absorption costing consolidates all fixed overhead costs into one account and reports them in one line item on the balance sheet. The main advantage of using variable costing as compared to absorption costing is that it enables to identify only the significant costs that have been incurred in developing a product or service. In addition, this type of costing support in improve income statements by using

Contribution margin that leads to better information in the context of CVP analysis. Absorption cost does not help with CVP analysis.

Therefore, the variable cost will show profits only after all Costs paid during the period within the report. Therefore, even if there is no return on sales of manufactured goods during the reporting period - the company still has to account for all production expenses. Of course, when the goods produced are eventually sold out of stock, the firm will report only income without corresponding expenses.

It is a disadvantage of variable cost, therefore, we show a full payment of all fixed overheads during the covered period in which the report occurs. Even if not of the Produced products are sold; a deduction must be made from the full cost of fixed overhead

Or in other words, it means that the report may show less profit for the reporting period because

You need to show your full overhead even if there are no products or only some of your products. The report will show lower income due to unsold products but still full expenses.

In conclusion, although variable costing apparently covers more expenses, it Can 't be included as a GAAP method - the rules state that all related income and expenses must be recorded in the same reporting/accounting period. In addition, Variable costs do not include allocating fixed manufacturing expenses - this also makes them unusable for external reporting purposes.

Therefore, variable cost estimation is usually limited to its use as a decision-making tool to improve the operational effectiveness of the business.

(Patankar, 2019). Having said that, business managers still largely rely on the use of variable costing to perform a break-even analysis, determine contribution margin, and enhance decision-making in the context of improving operational efficiency. Maybe

On the basis of analysis of the important characteristics of each costing method that must be applied by businesses involved in variable costing to a large extent

Manufacture of various production lines. This is because it helps largely in determining the profits earned from all of the product lines in a precise manner. On the other way, companies that participate in the development of a single product line can adopt the use of absorption costing as the method assist in determining the exact price level on a per-unit basis for the products manufactured. This is because the products, which are manufactured by the absorption costing method, absorb all costs. However, under accounting standards, companies are only allowed to adopt the use of absorption costing where variable costing appears to conflict with the matching principle

Which states that all related income and expenses must be recognized during the same accounting period.

D. Three ways the Swipes 50 Limited can improve its Accounting Systems

Management Accounting gives valuable produce performance data to the business management; and so, supports them to make critical economic decisions in the areas of prediction, plan. Managerial Accounting is already the control technique used in any difference from the comparison of actual results against money results. Therefore, this makes Managerial Accounting a very important resource-planning tool when it is used to plan on longer-term planning. In addition, It can be used as a very effective tool for resource control due to its ability to plan on present results. (Warrin, et al. 2019)Therefore, like a performance measurement method, It can also be said that management accounting is an invaluable tool and certain industrialization success and profitability. Especially in industrialization, it is important to, as soon as possible, introduce a rigorous management accounting cycle that is used to certain that all funds and expenses are properly accounted for and controlled. (Partaker .2019)In the case of Swipes 50 Limited, it is true that the company has ended at least the basics of a comparatively simplistic Managerial Accounting System. Anyway, for the information of that data to be more important for To use management in making the best critical and strategic decisions, it is very important to obtain more detailed information in order to improve the accounting system. Also, there are three necessary and important ways in which I think it can be done 50 Limited can increase its Managerial Accounting System are follows.

1. Budget Reporting –comparing Actual vs Forecasted Results

The Managerial Accounting System is not a one-time activity, nor is it a short-term process. also, the importance of expecting / budgeting and planning cannot be miss – Cannot be miss with the relevance of the control process in Managerial Accounting be overlooked or lessened in any way. In a way, expect and/or budgeting is providing the

Business a successful baseline –from which everything is then measured and rated.

Managerial accounting consider this baseline as an important part of its normal framework that can be used. Improve plans Evaluate the performance of section Help eliminate differences.

Minimize benefit uncertainty, and assist to create more controlled future planning funds or expecting it is a very important part and absolutely inseparable from effective management accounting, and it is necessary to reach the goals and objectives of organizations. It can be used to reach profits by controlling the added costs and potential costs to be incurred during the budget year and targeting quality. Budgeting certainly that prices are allocate to this activity that support to reach the strategic main objectives of the organization and can play a necessary part in building key performance indicators (KPI's) for individual things, managers, and sections as a whole. (Noren, et al . 2016)The process of drafting costs provides a chance for every section to provide their recommendations and contribute towards the business plan but the cost must be well planned and properly indicate the responsibilities for each member. In the end, funds will greatly increase the

Managerial Accounting Framework because it is one of the foremost imperative facets of the business all control framework instruments and thus can be utilized to Comparison to the real results with the budgeted score to evaluate any variances against actual performance.

Effective funds / expecting will improve enormously helpful feedback to management and so help eliminate or at least decrease any variance –and thus to help improve the business and companies' profitability performance. (Warren, et al., 2019)

2. The use of more Managerial Accounting techniques

Regardless of Variable and Absorption Costing, there is other Management Accounting style that may be done to support coordinated the administration execution with the financial performance of the company or business, Management Accounting style such as cost volume profit, basic cost, marginal costing and cash flow management will assist Swipes 50 Limited to evaluate different aspects of their cost details and then be able to merge the resultant data with the financial performance of the company or business. As an example, funds volume benefit examination would give profitable data on the break-even point of a unit of industry or to alarm on the number of units required to be sold in arrange to reach the target benefit. (Waren, et al. 2019)

3. Introduction of activity-based costing:

Seems like it appears in the Swipes 50 Limited given details outline, the business industry only one product and all, therefore, all overhead-expenses price got to be straightforwardly connected to that one item fabricate; be that as it may, this too means that there may be a few overhead prices that are not related to the products and/or are occurring with no purpose. The Applying of an activity-based costing system, the cost from each section will be separated and only those overhead prices related to that item will be included. This will support isolated value-added costs and non-value-added costs from the total-overhead costs. This style will offer assistance eliminate or minimize non-value-added activities and so offer assistance to move forward the general benefit of the business or company; In expansion, these activity-based funds will give data that can be utilized to compute the precise benefit of each unused item produced by a company such as Swipes 50 Limited. The activity-based cost could be a much more solid and accurate cost allotment Method as compared to

Absorption Costing; Absorption Costing takes the total sum of generation overhead and spreads this overhead overall manufacturing amounts of all products taken together. It is obvious at that point that some products have been utilized as they were a portion of the overhead costs as compared to another. This issue can subsequently be settled rapidly, precisely, and effectively through utilize the of an activity-based reserves framework. In conclusion, it is true that activity-based costing may be prevalent when compared to the Assimilation Costing method as it relegates overhead costs to the fixed product. (Partakeer .2019) (Waren, et al .2019)

E. Why the managerial accountant's job is important within a manufacturing Company

The part of a management accountant is critically important because it covers everything in an organization. (Kulkarny, et al. 2018)The work of the management accountant incorporates the collection, recording, and announcing of financial information from, perhaps, a few business units all through the organization. The job also included the notice and analysis of financial plan/prediction and then to realize and recommend their funding. This last part includes an estimate of the price of raw materials, labor, production, sales, marketing, sales, ads, and the business's internal operational price. In addition, the management accountant needs to coordinate with all related business units in order to make an overall analysis of the organizations functioning capital and availability of funds and then to declaration all this information to senior management and the Board of managers. Thusly, the management accountant is the key source of information required by Manger and CEOs that they then use to make decisions. Details to make a decision by the management accountant is the function of tracking all costs on any business process that helps the organizations to make decisions about the production, operation, and investments. Corporates need management accounting and the management accountant to be able to realize the efficiency of their funds, the Price of their operations and then Specify budget accordingly in production, sales and investment.

(Noren, et al. 2016)The function of a management accountant is thus, very important to make any corporates successful. Their role and function are so huge that even an individual error of the management accountant may endanger the organization and companies. The management accountant enforces both the internal costing process and accepted accounting practices to ensure continues compliance. Timing X is an important part of making all plans for a company's management. A management accountant's role is time-related, as they need to make exceptions, funds, and report within a stipulated time so that they can be implemented fast without late at the time of need. Timely expectation especially needed in order to take into consideration market doubts. The funds need to be according to the available working capital and shown to market risks thus a certain amount of accuracy is very important. Before reporting, the management accountant has to ensure the accuracy of all details gathered to assist the perfect decision-making. Finally, a management accountant needs to be aware of all, be it a political situation that could affect the market, inflation, other exposures in the market, competition, cost of labor, raw material, all operations, coordination among different sections within corporates as well as its interaction with rest of the business world in order that they can show to company management in advance so that they can make financial decisions with consideration of available budgets and requirements.

(Kulkarny, et al. 2018)Due to the particular complexity of an industrialization organization, the role of the management accountant is therefore even more necessary, or at least as important as most kinds of businesses.

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