COVER PAGE AND DECLARATION

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Student's Full Name:	**Khiyam Hesham Alabdullah**
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E-SIGNATURE: Khiyam Al Abdullah

DATE: 17/07/2022

EIU Paris City Campus

Address: 59RueLamarck, 75018Paris, France| **Tel:** +33144857317|**Mobile/WhatsApp:** +33607591197|**Email:**paris@eiu.c

EIU Corporate Strategy & Operations Headquarter

Address: 12thFl.AmarinTower, 496-502PloenchitRd., Bangkok10330, Thailand| **Tel:** +66(2)256923&+66(2)2569908|

Mobile/WhatsApp: +33607591197|**Email:**info@eiu.ac

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Introduction

Management accounting is the sourcing, analyzing, correspondence and utilization of both financial and non-financial data to create and save an incentive for associations.Management accounting merges accounting, finance and management with the business aptitudes and procedures needed to increase the value of any association. Management accountants have the qualifications to work over the business, not only in finance, and in advising managers on the money related implications of major choices, figuring business systems and monitoring risks-significantly more than simply doing the math.

Management accountants utilize the data of a number of things, not only in financial matters, in order to lead and inform business methodology and drive feasible achievement.

A management accounting system or framework gathers budgetary information from business operations, for example sales information, moves in stock and changes in raw materials expenses, at that point changes over the data to analysis reports. Additionally, there are four types of management accounting systems which are cost accounting systems, inventory management systems, job costing systems and price optimizing systems.

1. **The profit statement for Swipe 50 Limited for the month of February and March using:**

1.A Absorption cost

Absorption costing

Absorption Costing

		$000	$000
Sales	20000 x 50		1000
(Less Cost of Sales)			
Direct Material	25000 x 9	225	
Direct Labor	25000 x 6	150	
Overhead	25000 x 3	75	
(Closing Inventory)	22 x 5000	-110	
			-340
Gross Profit			660
Actual Overhead		300	
Budgeted Overhead		-75	
			-225
Under absorbed			
Selling expense	20000 x 4		-80
Fixed Cost			-190
Profit			165

Variable Costing

		$000	$000
Sales	20000 x 50		1000
Less: Variable Expenses			
Variable Manufacturing Cost	20000 x 18	-360	
Variable Selling & Admin Cost		-80	
Total Variable Expenses			-440
Contribution Margin			560
Less: Fixed Expenses			
Manufacturing		-300	
Selling and Administration		-190	-490
Net Operating Profit			70

Absorption costing is the process by which the costs associated with the production process are identified and linked to the final production units of products and services.

Costing theories

Full Absorption Cost Theory: All elements of costs are charged to production units, whether those costs are direct or indirect, fixed or variable.

Direct Cost Theory: According to this theory, production units are charged with direct costs only. As for indirect costs of all kinds, they are charged to the profit and loss account.

Variable Cost Theory: According to this theory, production units are charged with variable costs only, and fixed costs are excluded as costs not related to the product, so that they are charged to the profit and loss account.

Utilized Capacity Cost Theory: This theory is based on charging production units with variable costs and a portion of fixed costs as much as they were utilized or exploited in production. Unutilized fixed costs are charged to profit and loss account.

Absorption cost is a term referring to manufacturing overheads that are allocated to production costs or the purchase of raw materials, and this value is usually determined depending on a predetermined Overhead Allocation Rate. Overheads are classified as above average if the allotted value is

1.B Variable costing

Variable costing, also called Direct Costing or Marginal Costing, is the costs incurred in the project that vary according to the volume of sales or production. For an industrial company, the variable costs include raw materials, utilities such as electricity and water, and some salaries.

Variable costing is a costing method that assumes that the main cost of products is the cost of direct labor, direct materials, and variable manufacturing expenses.

These costs are fixed in units and variable in total, in other words it is the cost that is variablely attributed to the cost of the product, for example if we want to know the cost per unit of cloth, we can determine the cost of three main items, these are the materials used for each piece of cloth and it is a cost spent Workers generally process the cloth into finished goods.

The

Classifying some costs can be difficult as they do not clearly match the pattern of fixed or variable costs. For example, the employee can receive his wages in the form of a fixed salary and an additional bonus that varies according to the volume of production, and it is preferable to divide these costs into fixed and variable sections. In the example above, only the variable premium is a variable cost.

There are many techniques that make your business more profitable. These include examples of fixed and variable costs that every business owner should know about monthly income and expenses. There are some expenses that can be controlled, such as variable costs. Reducing these costs quickly enables you to increase profitability. On the other hand, fixed costs are more stable, and you often have less control over them. For example, paying for rent, utilities and licenses expenses. To be a successful CFO of any business, you must pay close attention to your company's financial metrics. And make your business more profitable by efficiently exploiting income and minimizing expenses. This can be achieved by understanding fixed and variable costs and how to deal with them.

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

Direct and variable cost: It is directly related to the product or work activity, as well as it is a variable cost based on productivity, such as (materials such as tiles) in construction projects.
Direct and fixed cost: It has a direct relationship to the product or work activity. It is a fixed cost on the basis of productivity. It will not change if productivity decreases or increases (such as the salaries of tilers).
Indirect and fixed cost: It has no direct relationship to the single product in the project, and it is not affected by productivity such as the salaries of project engineers, and the rental of equipment such as cranes.
Indirect and variable cost: It is the lowest as a type.. It has no direct relationship to the single product in the project, but is affected by the productivity of work, such as the consumption of electricity and water in the project.
Therefore, determining the type of cost helps a lot in making decisions when planning the project, as well as when the workflow in the project is weak for various reasons, which will be discussed in the upcoming blogs (the relationship between time, productivity and cost).
Fixed costs do not vary with the number of goods or services the firm produces in the short run. For example, suppose a company rents a machine for production for two years. The company has to pay $2,000 a month to cover the cost of the lease, no matter how many products this machine uses.

3. **How each method differs from other method and explanation the importance of each method:**

The number of period costs is almost unlimited because period costs basically include everything else from product costs, where all costs must be either product costs or period costs. The most common examples of period costs include selling, management, and accounting, but period costs are all costs of any department not involved in production.
Period costs can be variable, fixed, or mixed, but they are not included in the cost of goods sold or cost of goods manufactured calculation. For financial reporting purposes, period costs are charged to the income statement as incurred.

However, for internal decision making, some period costs may be allocated to departmental production and then to individual units. This allocation can be done internally so that the company can set a price for each product that covers all costs incurred by the company.

The overhead allocation for period costs of production is not reported as such in the company's external financial statements, because it is not appropriate to do so in accordance with US GAAP or International Financial Reporting Standards (IFRS).

In accordance with both US Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS), period costs must be accounted for in the period in which they occurred. The allocation of period costs to production will be used for internal decision-making purposes only.

The number of period expense classifications a company uses in its income statement will depend on the company. Examples include general and administrative expenses, selling expenses, accounting, depreciation of administrative facilities, etc.

VARIABLE COST	ABEORBTION COST
Fixed cost per unit and vice versa, so the fixed cost per unit is inversely proportional to the number of outputs produced A cost that remains the same, regardless of the volume produced, is known as fixed cost Fixed costs are specific, as they are incurred whether or not the units are produced	A cost that changes with a change in production is considered a variable cost**.** Absorption costing is one of the methods used for the purpose of valuing inventory or calculating product cost in a company where all expenses incurred by the company are taken into consideration i.e. it includes all direct and indirect expenses incurred by the company during the given period. In simple terms, Absorption Costing refers to the method of collecting all costs related to the production process and then allocating them to the products individually. This costing method is necessary according to accounting standards to produce the valuation of inventory that is recorded on the balance sheet of the enterprise.

	According to this method, the total cost of a product is calculated by adding the variable costs, such as direct labor cost per unit, direct material cost per unit, variable manufacturing overhead per unit

4. Three ways to improve its accounting systems.

Determining the objectives of the financial reports is the starting point in applying the accounting information utility approach in rationalizing the decisions of the main external beneficiaries. That is, the good information is the most useful information in the field of rationalizing decisions. The concepts of information quality mean those characteristics that must be characterized by useful accounting information. These characteristics are of great benefit to those responsible for preparing financial reports in evaluating the quality of information that results from the application of alternative accounting methods and methods

The decision that the user of accounting information intends to make is important and dangerous, whether this user is a manager or an investor. The starting point for making a decision is the validity and appropriateness of the information provided to him in relation to the decision under study. In addition to the manager's interest in knowing the degree of liquidity enjoyed by the company, he also pays attention and focuses on the current assets and current liabilities side. As for the investor, he is interested in the profits achieved by the company now and in the future. Therefore, what matters to him is knowing the profitability of the company in which he owns shares or intends to invest in.

But the multiplicity of users of financial reports, and their different goals, makes the task of the accountant, which includes producing and securing appropriate information, not an easy matter. However, the accountant plays a major role in providing accounting information guided by ethical concepts such as honesty in expression, justice, truth, fairness, impartiality, clarity, etc... which are essential to his profession.

The possibility of verifying and verifying information, and in the accounting concept, it means the availability of the objective condition in any scientific measurement. This characteristic means that the results reached by a particular person using certain methods of measurement and disclosure can be reached by another using the same methods. As for the possibility of verifying the information, it is a feature that enables us to avoid that kind of bias related to the personality of the operator. That is, a distinction should be made between the ability to verify the standards themselves and the ability to verify the correctness of the application of the measurement method.

Neutrality of information, which means presenting truthful facts without deleting, or selecting information for the benefit of a particular group or decision. This characteristic is important on two levels:

The level of the organs responsible for setting the accounting policy.

The level of those responsible for preparing financial reports.

The use of modern information technologies in the work of accounting information systems requires that those responsible for the work of accounting information systems have technical knowledge acquired through scientific study and practical application that enables them to perform their work efficiently and effectively that can contribute to achieving the objectives of the economic unit in which they work, through their ability to Taking into consideration the recent developments in the business environment, especially with regard to the use of modern information technologies.

2. Accounting information system analysts and designers, who are responsible for analyzing and designing the accounting information system or any of its sub-systems when necessary.

3. Financial analysts, who are responsible for analyzing the basic and additional financial statements produced by the accounting information system in the economic unit, or analyzing any other data related to the work of the accounting information system.

4. Programmers, who are responsible for carrying out the programming operations required by the work of the computer.

5. Any other individuals within entities related to the work of the accounting information system, in order to exchange knowledge and try to mutually benefit from it between the accounting information system and any other information systems that may exist within or outside the economic unit.

The importance of the human components (individuals) is increasing in light of the use of modern information technologies in economic units - in general - and accounting information systems - in particular - in terms of the need for qualified individuals - scientifically and practically - and their ability to perform accounting work efficiently and effectively. Researchers and writers assert that individuals constitute one of the basic components within the components of information technologies (Turban et., 2002, 22) (Kenneth & Jane, 2000, 55).

As for the physical components that fall within the components of accounting information systems in light of the use of modern information technologies, they include: - (Taha, 2000, 495)

1. The database.
2. Computer equipment and accessories.
3. Software.
4. Procedures.
5. Communication techniques

5. The importance of management accounting jobs

The accounting function is important in companies in general and in manufacturing companies in particular. Accounting is based on global principles that accountants must be familiar with as much as possible, as they are represented in the international courses and certificates of the world of accounting. If the accountant wants to be promoted from his position, he must obtain the following certificates:

Generally Accepted Accounting Principles: These are the globally accepted financial accounting principles, which are applied by all accountants around the world, and are expressed by the acronym GAAP

Certified General Accountant or CGA

Certified Public Accountant - CPA

Certified Management Accountant, which is the abbreviation CMA

Certified Internal Auditor, referred to as the CIA

Accounting is the science and art of recording, analyzing and summarizing the financial transactions of the enterprise and presenting its results to whom it may concern

It is the recording, tabulation and transfer of accounting information from account to account by double-entry method until the reference balance, from which lists and final accounts are prepared that express the company's financial position for a specific period and at a specific moment for the benefit of stakeholders, whether money owners, shareholders, investors, government bodies, employees or auditors or suppliers or customers.

Accounting is a basic and important function because it controls all the accounting operations of the institution or company, including incomes and outputs (expenses), the exploitation of its means used, and the preservation of its capital from imbalances.

The main areas of accounting

Public accounting also covers a wide range of services, including the preparation and issuance of the company's general financial reports, and the provision of consulting services

Business or personal financial planning services, preparing tax returns.

Public accounting includes several types of jobs

The functions of the accounting major, especially financial accounting, include preparing the company's general financial statements.

Forensic accounting involves examining financial records for fraud and other illegal activities or rebuilding lost financial records.

Tax accounting focuses on individual and business taxes, usually with the goal of reducing tax liability as much as possible.

An external audit involves reviewing the financial statements to ensure that they are properly prepared.

New accountants who go on to work for a public accounting firm may work as employee auditors who analyze and verify activities in

Specific customer accounts.

Similarly, tax accountants with accounting firms do most of the tax return preparation and research without interacting with clients.

Thus, accounting is defined as a set of technical steps and methods used to clarify the activity and work of the institution and to indicate the extent of the impact on building its funds correctly because it monitors and measures costs, profits and other financial movements of the company.

The importance of accounting

It is the only way to know all the financial information of the management in order to make sound decisions regarding the economic situation that suits them. It is a means of legal and administrative evidence for all the events that occur regarding financial movements during a specific period of time, as it is called the fiscal year. It is used in preparing income and financial statements, so it is the main means of preparing accounting and financial position. It helps to provide information about creditors and information about individuals who deal with the facility and the outsiders. Recording financial transactions, where the main function of financial accounting is to write and record financial transactions, and this function is called in accounting language known as bookkeeping. Where the owners of small business companies rely on financial accounting in order to record all the activities of trade that occur within the companies in the accounting book. Financial accounting depends on the use of conditions in recording all financial transactions, whereby each accounting process shows two sides, one of which is a creditor and the other is a debtor. Communicating information to external individuals is the role of accounting, i.e. helping companies of the trade to communicate accounting information to external parties. It also includes individuals and other entities that deal financially with companies, but they are part of its parts, and they are also called as external users of financial statements. These financial statements show the final outputs that appear from the accounting and financial activities and are considered as one of the evaluation methods for these users abroad. Comparison and analysis are the two main means that help commercial companies to benefit from financial accounting information, in order to analyze and study the competitors among them.

Conclusion

In this arduous task, I dealt with several axes other than the introduction and conclusion, I talked about absorption cost and variable and fixed costs, and presented a statement of account for the company, and in the penultimate part I talked about ways to develop management accounting, and then presented in the last axis the importance of managerial accounting for manufacturing companies

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