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INTERNATIONAL
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COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialization:	Operations Management
Affiliated Center:	CEO Business School
Module Code & Module Title:	MGT510: MANAGERIAL ACCOUNTING
Student's Full Name:	Mahmoud Yehia Mahmoud Abdalla Abou Kamil
Student ID:	EIU2020477
Word Count:	3869 words
Date of Submission:	13/06/2022

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E-SIGNATURE:

DATE:

13/06/2022

EIU Paris City Campus

Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 | **Mobile/WhatsApp:** +33607591197 | **Email:** info@eiu.ac

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The introduction

Managing a company's financial health relies heavily on a company's internal accounting systems since they aid in the gathering, recording, analysis, and interpretation of critical financial data. For the purposes of evaluating the company's internal business operations and developing a long-term strategic business strategy, this report is being developed in order to provide appropriate knowledge of management accounting procedures. The report effectively explains the company's internal accounting procedures, which include the use of a variety of accounting methodologies. To offer managers and decision-makers the information they need to make sound business choices, the responsibility accounting system includes management accounting. Instead, it combines ideas from many parts of the company to satisfy management's specific requirements.

Among the many functions of management accounting are budgeting and forecasting, appraisal of performance, financial analysis, costing and pricing of products, and assessing business choices.

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

To understand the distinctions between Absorption and Variable Costing, we first need to comprehend what management accounting is.

In addition to management and cost accounting, there are a number of other terms for this kind of accounting.

This is a tool for assessing company and running costs and then receiving internal reports, regardless of what you label it. The support manager and the high board to make a business strategy choice, the firm accomplishes its aims and targets

Internal managers and decision-makers are the target audience for the preceding section, which I refer to as "internal." It's possible to disseminate this information outside of the company.

Because of the evidence provided by the financial and economic reporting, we can see that this management team is capable of not just making sound judgments but also making the best ones.

The short- and long-term planning and forecasting capabilities of management accounting should be well understood.

To develop corporate budgets, we utilize management accounting.

Managerial accounting is an essential tool for managers and the board of directors to make financial decisions in both the short and long-term. However, both Variable and Absorption Costing systems have their merits and limitations. Absorption Costing is the sole accounting method that may be used to create external financial statements for most organizations; however this is not the case for all of them, since most companies adhere to Generally Accepted Accounting Principles (GAAP). When creating internal financial statements, you may utilize

either absorption costing or variable costing.

To begin, let us define the term "fixed-overhead expenditures." Then you'll be able to comprehend it.

a comparison of absorption and variable costing methods

Things that don't fluctuate in price or quantity, according to the most popular definition, are considered fixed-overhead costs

Among the fixed costs are rent insurance premiums, salary, and equipment leasing fees.

This implies that regardless of how much you produce or how much you sell, you will be responsible for these costs. Let's begin with:

If you take a glance at the variable cost of assimilation, you'll see how much it'll cost: Metabolic smile introduces full cost absorption; term of technique coasted assimilation is simpler in its application of portion from general expenditures created continuously on cost from industrialization.

For each individual, the account lays out their expenditures, and it is easy to divide up the totals based on the number of units produced and sold during the time of report preparation. It costs one for every unit generated and sold in the verb. Cost estimates for the assimilation method contain only the fixed costs that apply to all units generated throughout the period of accounting. When it comes to calculating costs, it's important to keep in mind that they're not only based on the amount of money you make, but on the amount of money you spend as well. This is why it's important to know how much money you're making and how much money you're spending (GAAP).

Estimate method straightens this in the general specification of the costs fixed across all industrialized nations, and so the specification of cost assists in one. General performance to faction specifications based on set general expenses and item costs that comprise sold and stored charges. The most important aspect of using the cost of assimilation approach is that the enterprises from development were able to implement pricing policies that were appropriate.

Both fixed and variable processing expenses are involved.

The whole cost of manufacturing is taken into account when determining the price. An simple technique and minute for him to prevent or modify the escalating expense is not conceivable. It is also possible to accurately estimate the profitability of a company by using the accounting system that registers all costs related to sales and marketing in a single period. However, the fundamental flaw in this strategy is that certain expenditures are based on a specific time period, while others are not, and therefore their inclusion in the cost of production and storage is unnecessary.

As a good side effect of the abundant technique, it may be used to estimate the cost of sucking even if there is still stuff in store that has yet to be sold. According to my research, each unit's fixed expenditures contain a certain amount from each producer's stock, meaning that every item in his stock identifying value also includes a portion of the general fixed expenses.

Corroded sales are thus fully created, and the producer's notice as to the expenditure not being fully corroded is fully sold to him in the verb and elimination of his blessing stored in the corroded sale

A few firms were most enthusiastic about the prospect of increasing profits during the reporting period by deducting expenses that would otherwise be left unaccounted for if industrialized sales of all products were completed or if they were not sold at all. However, this method has the

potential to have a significant negative impact because it makes it possible to artificially inflate previously reported profits during the reporting period. The report's profitability for the time period covered already has a raved-about illusive but tough gauge of analysis.

In contrast to absorption costing, which accounts for fixed overheads on a per-unit basis, variable cost does so in the form of a flat amount. All manufacturing supplies, including raw materials, packaging and freight, are included in this technique of pricing. During the reporting period, all fixed expenses are totaled. It's important to note that these expenditures aren't added to the total revenue per unit sold, rather they are removed from the overall revenue as a total expense. The study by Norine et al. Variable costs is included.

Including solely the expenses associated with the manufacturing process's variable components. In this technique, only the variable costs of manufacturing are taken into account for calculating product and stock costs. Costs are shown as a single line item on the balance sheet, as opposed to being broken down into several accounts as is the case with absorption costing. Because variable costs are easier to track, they're a better choice than absorption costs for determining the true cost of creating an item or service. In addition, by employing Contribution margin, this method of costing aids in the development of income statements, resulting in improved data for CVP analysis. CVP analysis is not aided by the cost of absorption.

This means that only after all of the expenditures incurred during the reporting period have been reimbursed will profits be shown in the variable cost. Even if the firm does not make a profit from the sale of produced items during the reporting period, it must nonetheless account for all production costs. Naturally, the company will only record revenue if and when all of the created items have been sold off.

A drawback of variable costs is that all fixed overheads are paid in full at the reporting period in

which they occur. In the event that no items are sold, fixed overhead costs must be deducted from the total cost.

The report may indicate less profit for this reporting period because of this, which suggests

Because even if you have no goods on the market, or just a few, you need to disclose your total costs. Unsold items will result in lesser revenue in the report, but costs will remain the same.

Even though variable costs seem to contain additional spending, GAAP standards require that all associated revenue and expenses be reported within the same reporting/accounting period, hence this approach cannot be included. To add insult to injury, variable costing does not account for fixed production costs, making it useless for external reporting.

Variable cost estimate is thus restricted to decision-making in order to enhance the operational efficiency of a corporation.

(Patankar, 2019). Business managers continue to depend on variable costing to do break-even analyses, establish contribution margins, and increase decision-making in the context of enhancing operations' efficiency. Maybe

For firms that use variable costing to a great degree, a study of the most relevant elements of each costing technique was conducted.

Various manufacturing lines are manufactured. This is due to the fact that it helps greatly in assessing the profitability of each of the product lines. However, absorption costing may be used by organization's who collaborate on a single product line. Products created using this technology may be accurately priced per unit. This is due to the fact that the absorption costing approach produces items that absorb all expenses. Companies are only permitted to utilize absorption costing in situations when the matching principle seems to contradict with variable costing.

All related revenue and costs must be recorded in the same accounting period.

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

In order to help the company's management make key economic choices, managerial accounting provides useful data on the performance of the company's products. Any discrepancy in the comparison of the actual results to the funds outcomes is basically a control tool utilized by Managerial Accounting. This makes Managerial Accounting a particularly significant resource planning tool when it is utilized for long-term planning. Due to its capacity to plan based on current outcomes, it may also be used as a resource management tool. In the year 2019, Warrin et al. In order to ensure industrialization success and profitability, Managerial Accounting may be regarded to be a vital performance assessment instrument. It is critical to implement a rigorous management accounting cycle as soon as in industrialization to ensure that all funds and costs are appropriately accounted for and managed. (Partaker .2019) At least the beginnings of a somewhat simple Managerial Accounting System have been completed by Swipes 50 Limited. Because that data is becoming more vital in making critical and strategic choices, more and more precise information is needed to enhance the Accounting System's performance. Swipes 50 Limited's Managerial Accounting System may be improved in the following areas, according to my opinion.

1. Budget Reporting –comparing Actual vs. Forecasted Results

For the Managerial Accounting System, there is no one-time or short-term implementation.

Also, don't overlook the significance of anticipating, budgeting, and planning – The importance of the control process in managerial accounting cannot be understated or minimized. Expectation and/or budgeting, in a sense, are giving the framework.

A successful firm serves as a benchmark against which all other endeavors are judged.

Managerial accounting necessitates the establishment of a common denominator for comparison. Enhance the plans Analyze the section's results. Help Bridge the gap between people.

Assist in the creation of more regulated future planning by reducing benefit uncertainty In order to achieve the aims and objectives of a business, a successful Managerial Accounting System must include money or expectations. For profit, it may be used to manage additional and perhaps needless expenditures within the budget year and to focus on quality. For the sake of achieving the company's long-term strategic goals, budgeting must ensure that prices are assigned to those activities that contribute to those goals and serve to establish key performance indicators (KPIs) for individual objects, managers, and whole sections. The authors of this study (Noren et al., 2016) The process of drafting costs gives each department an opportunity to make their ideas and contribute to the company strategy, but the cost must be well designed and clearly reflect the duties of each member.. To sum it all up, finances will have a significant impact on the company's management accounting system since it is one of the most critical aspects of the company's overall control mechanisms and therefore may be used to analyses any discrepancies versus actual performance. In order to increase management's feedback and, ultimately, the business's profitability, effective funds/expectations are essential. They may assist eliminate or at least reduce any deviation. Warden and colleagues (2019)

2. The use of more Managerial Accounting techniques

As an alternative to Variable and Absorption Costing, management accounting styles such as cost volume profit, basic cost, marginal costing and cash flow management can assist Swipes 50 Limited in evaluating different aspects of their cost details and then integrating the resultant data with the financial performance of the company or business. The break-even point for a unit of industry or the number of units that must be sold to attain the goal profit may be determined using funds volume profit analysis, for example. In the year 2019, Waren et al.

3. Introduction of activity-based costing:

According to the information provided by Swipes 50 Limited, the company manufactures only one product, and as a result, all overhead costs must be applied directly to the production of that single product. However, this also means that some overhead costs may not be related to the goods and/or occur for no reason. To avoid adding unnecessary costs, the use of an activity-based costing system separates the costs from each segment. In this way, it will be possible to differentiate value-added expenses from non-value added costs. These activity-based funds provide information that can be used to calculate the exact profitability of each new product produced by a firm like Swipes 50 Limited by helping to eliminate or minimize non-value-added activities and thereby improving the overall profitability of the business or company. Activity-based pricing is a more precise and reliable technique of allocating costs.

Because Absorption Costing distributes the total amount of overhead overall manufacturing quantities of all goods considered collectively, it is a more accurate method for determining the true cost of a product than Absorption Costing. As a result, it's evident that certain products have only used a portion of the overhead expenses. In this case, an activity-based funding system provides a simple, fast and accurate solution. Activity-based costing may be a better option than Absorption Costing since it allocates overhead expenses to the fixed product. As of (Partaker.2019), According to Waren, et al.

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

When it comes to a company's finances, the work of a management accountant is critical.

Researchers (Kulkarny and colleagues, 2018) the management accountant's responsibilities include the gathering, recording, and reporting of financial data from various business divisions within the corporation. Observation and analysis of financial plans and predictions were also a part of the role, along with the implementation of and recommendation for their financing. Final costs comprise raw materials, labor, manufacturing, sales, marketing, advertising, and internal operating costs for the firm. An additional responsibility of the management accountant is to coordinate across all relevant business divisions and provide senior management and the Board of Directors with a comprehensive review of the organization's working capital as well as its financial resources.

Thus, the management accountant is the primary source of information needed by CEOs and managers to make choices. The role of monitoring all expenses on any business process that aids companies in making choices about production, operation, and investments is called details to make a decision by the management accountant. In order for corporations to realize the efficiency of their finances, as well as the price of their operations, they require management accounting and the management accountant.

The authors (Noren et al., 2016)

In order for any company to be successful, the role of a management accountant is critical. Even a single blunder by a management accountant might put the whole firm and its businesses in jeopardy. Internal costing procedures and generally recognized accounting principles are consistently enforced by the management accountant. The timing of X is critical to a company's long-term strategy.

Management As a management accountant, your job is time-sensitive since you must create exceptions, finances, and reports within a certain time frame so that they may be executed quickly and without delay as necessary. Market uncertainty necessitates the requirement for timely expectations. A certain degree of precision is required in the allocation of money, which must be done in accordance with the company's working capital and market risks. All information obtained by management accountants must be accurate before they can be used to make informed decisions. Lastly, a management accountant needs to be well-versed in everything that could affect the market—whether inflation or other market exposures—as well as all operations, coordination among various departments within corporations and their interactions with the rest of the business world—so that they can show senior management in advance and help them make financial decisions with consideration. Researchers (Kulkarny and colleagues, 2018) With regard to industrialization organizations, the management accountant's job is of utmost importance because of the intricacy of their operations.

Conclusion

The analysis found that the firm obtains the accounting information needed by the management accountant for the decision-making process of a commercial operation through different management accounting tools and technologies. When it comes to manufacturing, Swipes 50 Limited has stiff competition from other companies that are using cutting-edge sustainability and growth technologies. The corporation produces a cost-effective structure for its goods by employing the margin and absorption expenses. In the absorption cost, gross profit exceeds the marginal cost of absorption, which suggests that the corporation gains from absorption costs. Management may utilize the information in the distinct accounts for strategic goals and strategies for development and progress of the firm. Management accountants are critical to a company's capacity to steer and monitor its management toward profitability. The accounting framework used to evaluate a company's financial plans and planning performance necessitates the establishment of financial accounts.

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