



EUROPEAN  
INTERNATIONAL  
UNIVERSITY



## COVER PAGE AND DECLARATION

	<b>Master of Business Administration (M.B.A.)</b>
<b>Specialisation:</b>	<b>Finance</b>
<b>Affiliated Center:</b>	<b>CEO Business School</b>
<b>Module Code &amp; Module Title:</b>	<b>MGT510 - MANAGERIAL ACCOUNTING</b>
<b>Student's Full Name:</b>	<b>Ahmed ahmed eid ahmed</b>
<b>Student ID:</b>	<b>EIU2020471</b>
<b>Word Count:</b>	<b>3500</b>
<b>Date of Submission:</b>	<b>17-06-2022</b>

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

**E-SIGNATURE:** [Ahmed Ahmed Eid Ahmed](#)

**DATE:** 17-06-2022

**EIU Paris City Campus**

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

## Table of Contents

1	<b>Introduction</b>	2
2	<b>Income statement</b>	3
3	Managerial Accounting Assignment Requirements	4
4	Profit Statements using Absorption Costing for February and March	5
5	Profit Statements using Variable Costing for February and March	6,7
6	Profit Reconciliation Statement calculated using Absorption Costing to that using Variable Costing	8
7	The main difference between absorption costs and variable costs	8,9
8	The three ways that Swipes 50 Ltd. can improve its accounting systems	10,11
9	Why managing accounting jobs are important in a manufacturing company	11,12,13,14
10	Conclusion	15
11	References	16

## **Introduction:**

For everyone who works, success is a main aim, particularly if the area of labor is trade and producing money, and the measure of success in the field of trade is deciding whether the firm wins or loses?

As a result, it was required to perform accounting reports verified by professionals, as well as follow up on statistics and analysis of the group of financial accounts.

Accounting report is a financial report that shows the financial institution's information, beginning with costs, different types of spending, and revenues, as well as a description of cash flows and the balance sheet preparation.

The following are some of the advantages of accounting reports:

It aids a firm or institution in establishing strategies for the future based on the findings of the reports once they have been analyzed.

In the case of financial or administrative barriers, accounting reports provide visualizations, answers, and a variety of options, allowing issues to be solved swiftly and effectively.

The accounting report is the most powerful means of communicating in numbers between all employees and all levels of administration within the facility, whether in the form of a report on a specific period, a fact that cannot be disputed, or in the case of setting a goal or target in the form of a number that can be achieved and working on it.

Only the language of numbers is understood by executives and investors. As a result, all accounting reports are completed primarily for the benefit of the institution and the investors, in order to assist them in making the best decision possible in a timely manner, whether that decision is to participate and pump money into the facility or to reverse another financial decision.

Accounting reports are a useful tool for monitoring employee performance and determining the amount to which the objective has been fulfilled as well as the efficiency with which the target has been attained.

**Income statement:**

Which displays the outcome of the establishment's work by comparing profit or loss from the sale of products to its cost and other operational banks, as well as other revenues such as credit interests, earnings from the sale of fixed assets, and real estate income, among other things.

In other words, it is possible to demonstrate the value of the income statement in determining how to get at the outcome of commercial enterprises' labor. The net sales must first be compared against the cost of sales. The outcome will be the overall profit if the value of net sales exceeds the value of the cost. If, on the other hand, net sales are less than the cost of the product, the consequence is a complete loss.

Then deduct operational expenditures or add other revenues to the overall profit or loss to get the enterprise's outcome from the net profit or loss for that time.

After all expenditures are deducted, a company's profit is the amount of money it makes. Because the basic goal of every company is to produce money, its success is determined by profitability in numerous ways.

Gross profit, operational profit, and net profit are the three basic forms of profit that may be seen on the income statement. Analysts may learn more about a company's success by looking at several types of profits, particularly when compared to other companies and over time.

**Managerial Accounting Assignment Requirements:**

For the months of February and March, the following information is available for Swipe 50

Limited:

	February	March
Product (Units)	12500	14500
Sales (Units)	11500	15500
Direct Materials	€ 29,000	€ 33,250
Direct Labors	€ 19,000	€ 22,000
Variable Production overhead	€ 7,300	€ 8,500
Total Selling & Administrative expenses	€ 44,500	€ 57,100

Information Supplementary

Swipes 50 Ltd. has a monthly manufacturing capacity of 20,000 units.

2. Monthly fixed manufacturing overheads are €28,600.

3. Plus Swipes are €22 apiece at Swipe 50.

4. The company's warehouse had no Plus Swipes in stock on January 31st.

5. Total administration expenditures comprise both fixed and variable aspects (the variable share is dependent on the number of units sold).

In February, the income announced a 50-swipe restriction.:

**A- Prepare a profit statement for Swipe 50 Limited for the months of Feb and March**

**i) Profit Statements using Absorption Costing for February and March**

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

<b>Profit Statement (using Absorption Costing)</b>		
Swipe 50 Limited		
	<b>March</b>	
Sales (15,500 Units @ Euro 22ea)		<b>€ 341,000</b>



<b>Less Cost of Goods (COG) Sold</b>		
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
<b>Gross Profit</b>		<b>€ 247,290</b>
<b>Less Selling &amp; Administration Expenses</b>		
Fixed Selling & Administrative Expenses	€ 48,825	
Variable Selling & Administrative Expenses	€ 8,275	€ 57,100
<b>Net Profit for March (Using Absorption Costing)</b>		<b>€ 190,190</b>

ii) **Profit Statements using Variable Costing for February and March**

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

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

**B- Profit Reconciliation Statement calculated using Absorption Costing to that using Variable Costing**

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

**C- The main difference between absorption costs and variable costs:**

Indirect industrial costs are classified as product costs under absorption costs and as period costs under absorption costs.

It's worth noting that all variable expenses (industrial and non-industrial) are removed from sales when computing the Contribution Margin (under variable costs).

We will obtain the manufacturing contribution margin if only industrial variable expenses are

deducted from revenues.

Because fixed industrial expenses are classified as period costs and fall under variable costs, they are not removed before the contribution margin.

The cost of products sold (which includes all fixed and variable industrial expenses) is reduced from sales to arrive at the gross profit (under absorption costs).

Non-industrial expenses are subtracted after the entire profit is reached since they are classified as period costs under the absorption costs.

The indirect industrial costs (fixed and variable) are added to the inventory of production in operation at the start of the period if you want to access the commodities available for sale.

The inventory of production in progress at the conclusion of the period is deducted from the commodities available for sale to arrive at the cost of goods sold.

### **Advantages of both the absorption cost system and the variable costing system:**

The following are some of the benefits of employing the absorption costing system:

- 1- Its the system that's necessary for external reporting (complies with GAAP)
- . 2- Revenues are matched to all production expenditures..

**The advantages of using variable costs are:**

1- Inventory changes have no effect on the period's profit. 2- Ease of calculating the product's profitability.

3- It encourages managers to focus on increasing sales rather than output.

4- Variable expenses are linked to cost-cutting strategies like flexible budgeting.

**Advantages of Variable Costs:**

- Assist in making sound management choices
- Decide on product price
- Cost control
- Inventory adjustments have no impact on profit
- Fixed cost avoidance
- Managerial performance review
- Sector reporting
- Customer profitability analysis

#### **D- The three ways that Swipes 50 Ltd. can improve its accounting systems.**

Choosing the correct accounting system for your company may make all the difference in its success or failure. You'll always know how your firm is performing if you know your spending and returns and can watch your profit margins. You'll also know how much tax you'll owe and be able to plan ahead to fulfil your payroll, inventory, and tax responsibilities. You can create an accounting system that will help you keep track of your company if you follow the basic steps.

In the case of Swipes 50 Limited, the firm must use current and effective accounting procedures by analyzing as much data as possible to assist it in making essential and strategic choices. Here are three key ways I think Swipes 50 Limited may strengthen the management accounting system.

- 1. The necessity of adopting and activating the use of accounting information technology in general and in the accounting system in particular.**

Information technology has recently undergone a revolution throughout the globe, and dependence on it in all industries has become an unavoidable need and one of the most critical factors of business success. In order to get a competitive edge for its facilities. One of the suggestions is for businesses to boost their investments in

information technology and maintain their technical level by keeping up with the newest global technological advances in order to improve the efficiency of their accounting information systems.

**2. Work on rehabilitating and educating accounting cadres through holding specialized courses in information technology and giving them incentives that help them accept the idea.**

The most significant problems that accompany the use of information technology and affect the effectiveness of the accounting information system, the most significant of which was the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and the rapid increase in technological progress and

Qualification of accountants working in businesses so that they can deal with accounting systems in light of the usage of information technology. Among the proposals is the need to increase the number of training courses for accountants in information technology-related disciplines, as well as the need for information technology experts among the functional staff working in the facility.

**3. Creation of the Accounting Information Technology Department as a specialized department entrusted with developing the accounting system in the facility.**

Because the accounting information system is one of the open systems, keeping up with communication tools is essential.

And the networks (Internet, Intranet, and Extranet) that surround the economic units' internal and external environments. These units must find a way to carry out their



tasks while also keeping up with changes in the surrounding environment.

A new way for sharing accounting information amongst subunits inside the unit (electronic networks).

#### **E- Why managing accounting jobs are important in a manufacturing company.**

The account manager is described as a person who implements and creates a system for analyzing a company's financial situation, gathers financial data, thoroughly researches and analyses it, and then makes reports for the appropriate authorities, as well as reporting any financial-related problem. It also handles staff financial problems including hiring and training, all with the goal of establishing the company's financial status. It also assists management with operational choices, and the financial manager's or financial accounts manager's role might be described as an official or a special treasury. The firm where he works strives to maximize the company's return on investment while minimizing the dangers to which it may be exposed. It also guarantees that funds are transferred and invested in a controlled manner.

#### **Account manager responsibilities**

The account manager's (or financial manager's) responsibilities vary by company; in

large companies, his role may include strategic analysis, whereas in small businesses, his role may be limited to collection and preparation. The following are the most important tasks of the account manager in various fields.

### **Public Administration**

Analyze any potential changes to the firm, as well as any financial issues that may arise, and provide advice to the management team.

Monitoring the aspects that may have an impact on the company's work performance and attainment of its goals.

Create long-term strategy and action plans.

Develop external relationships with the right people, such as auditors, attorneys, and bankers and legal professionals.

Developing financial management procedures to mitigate the financial hazards that the organization may face.

In addition to accounting, monitoring, and financial reporting systems, you'll be in charge of the company's accounting systems.

Keeping an eye on the workers.

Manage any outsourcing-related responsibilities.

Supervising the Treasury's administrative activities, which involves establishing the organizational structure required to meet the department's goals.

Keeping track of the numerous financial and accounting processes and policies in a written system.

### **Management of funds**

The gathering and analysis of financial data.

Analyzing and projecting financial returns and any potential financial issues that may arise for the firm.

To guarantee that yearly monitoring is conducted out, communicate with the company's auditors on a regular basis.

Keeping up with any changes in law or financial rules that could arise.

Taking care of the company's finances.

Determine if the firm will need a specific loan and how much money is available for any investment.

Maintaining the company's banking relationships. Put your money to the greatest possible use.

Assuring that the company's available finances are adequate to cover the costs of any operational or capital investment it makes.

Determine the company's correct capital structure.

Attempting to raise funds and, if necessary, pay off the company's obligations.

Take the essential safeguards to reduce any financial hazards associated with corporate loan interest rates and foreign exchange sites.

Based on previous distribution patterns and predicted capital flows, profit distribution should be suitably distributed.

## **The company's budget**

Managing the budgeting process for the organization.

Any differences in the set budget should be reported, together with the reasons for the inconsistencies.

Participating in the formulation of the administration's broad strategic orientations in collaboration with the administration. a financial evaluation

Conduct studies, analyses, and evaluations of prospects in order to lower the company's expenses.

Identify rivals, analyses their strategies for competing, spot market trends, and provide management with updates on significant financial difficulties.

Providing timely and accurate financial reporting.

To minimize the company's indebtedness, fresh sources of funding are being sought.

Participation in reference studies to identify areas where operational improvements might be made.

Participate in the tasks required to calculate the cost in order to create items that meet pre-determined pricing objectives.

Participate in establishing product pricing based on their attributes and rivals' prices.

Examine the factors that lead to the company's stagnation and decline, and provide solutions to help it improve its performance.

Analyze any firm financial results and report them to the management. Using the entry analysis and discounted cash flows, manage the capital budgeting process.

Attempting to provide the organization with extra financial and analytical data as

requested.

Creating reports for the most important financial projects.

### **Account manager skills**

The following are the competencies required of an account manager:

Business savvy.

Various work concerns have analytic skills. Communication abilities are important.

A high level of technical and mathematical ability is required. The foresight, the tenacity.

Problem-solving abilities.

Ability to priorities tasks and manage time.

Ability to operate as part of a team and establish excellent working connections. Leadership and encouraging people are two qualities that you should have.

Have a thorough understanding of electronic spreadsheets and the relevant technical capabilities.

The capacity to make smart judgments quickly. Negotiation and persuasion skills.

Precision and attention to detail are two words that come to mind when thinking about precision and attention to

### **Conclusion:-**

According to the research, the business uses numerous management accounting methods and technologies to get the accounting information necessary by the managerial accountant for the decision-making process by the senior management of a manufacturing operation.

While the management employs Variable Costing as part of the business's internal reporting system and as an important element of product costing data. Variable costing is a useful statistic for identifying costs associated with a product when assigning fixed costs is not practicable or practical, or when management is more interested in knowing the additional costs to be spent in production without considering fixed costs at all.

The firm constructs a cost-effective structure for its goods using the margin and absorption expenses. In the absorption cost, gross profit exceeds the marginal cost of absorption, showing that the business gains from absorption expenditures.

## References:

- 1- Ghosh P.T. (2009). *Financial Accounting for Managers*. Hyderabad: Taxman Publications.
- 2- <https://www.taapeer.com/2020/06/24/%D8%AA%D9%82%D8%A7%D8%B1%D9%8A%D8%B1-%D9%85%D8%AD%D8%A7%D8%B3%D8%A8%D9%8A%D8%A9-%D9%87%D8%A7%D9%85%D8%A9-%D9%8A%D8%AC%D8%A8-%D8%A3%D9%86-%D8%AA%D8%AA%D8%B9%D8%B1%D9%81-%D8%B9%D9%84%D9%8A%D9%87%D8%A7/>
- 3- <https://www.th3accountant.com/2019/09/Income.Stat.html>
- 4- <https://www.investopedia.com/terms/p/profit.asp>
- 5- <https://skysft.com/%D8%A7%D9%84%D8%AA%D9%83%D8%A7%D9%84%D9%8A%D9%81-%D8%A7%D9%84%D9%83%D9%84%D9%8A%D8%A9-%D9%88%D8%A7%D9%84%D8%AA%D9%83%D8%A7%D9%84%D9%8A%D9%81->

[%D8%A7%D9%84%D9%85%D8%AA%D8%BA%D9%8A%D8%B1%D8%A9](#)

6- <https://ar.ebrdbusinesslens.com/80-how-2202269-develop-small-business-accounting-systeml-32378>

6- <https://search.emarefa.net/ar>