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Introduction

Managerial accounting, often known as management accounting, is an accounting type that deals with reports, statements, and documentation that aid management in making better company choices. Managerial accounting is largely employed within an organization. Managerial accounting's fundamental goal is to minimizing losses and maximizes profits.

It is focused with the display of data in order to foresee financial discrepancies and assist managers in making critical decisions. Its scope is fairly broad, and it encompasses a variety of corporate functions. Managerial accounting uses a variety of strategies to meet company objectives (Kumar, 2020). Profits are weighed against various forms of costs in a marginal analysis. It focuses on the advantages of higher output. It entails determining the break-even point, which necessitates knowledge of the contribution margin on the sales mix of the company. In this case, sales mix refers to the percentage of a product that a company has sold compared to the total sales. It is used to calculate the unit volume of the company's gross sales equal its total expenses. Managerial accountants utilize this value to calculate the price points for various products. Managerial accounting analyses the limits on cash flow and profitability using constraint analysis. It examines the main bottlenecks and the issues they cause, as well as the influence they have on cash flow, revenue, and profit.

Capital budgeting is the process of analyzing data in order to make decisions about capital expenditures. The internal rate of return and net present value are calculated to assist managers with capital budgeting decisions such as determining payback period and accounting rate of return. Inventory valuation and product costing are two terms used to describe the process of calculating the true cost of goods and services. In general, the procedure entails assessing direct costs and calculating overhead charges connected with cost of products sold. Trend analysis and forecasting, this is mostly concerned with product cost changes. The generated data is useful for detecting unexpected patterns and choosing the most perfect methods for identifying and solving the underlying problems (Weygandt, Kimmel, Kieso, & Aly, 2018).

In this project, we will use absorption costing and variable costing to prepare a profit statement for Swipe 50 Limited for the months of February and March, reconcile the profit calculated using absorption costing to that calculated using variable costing, explain how each method differs from the other and the importance of each method, explain ways for Swipes 50 Ltd. to improve its accounting systems, and finally state the importance of managing accounting jobs.

A profit statement for Swipe 50 Limited

A profit statement, also known as an income statement, it is a financial report that summarizes a company's revenues, expenses, and profits for a specific time period. The profit statement demonstrates a company's capacity to make sales, control expenses, and make money. It differs from the cash flow statement in that it is prepared using accounting concepts such as revenue recognition, matching, and accruals (Kumar, 2020).

Absorption costing and variable costing are accounting approaches for valuing a company's work in progress and inventory. All costs related with the manufacturing of a product are included in absorption costing. The variable costs immediately incurred in manufacturing are included in variable costing, but none of the fixed costs are. The Financial Accounting Standards Board's Generally Accepted Accounting Principles demand absorption costs for reporting purposes (GAAP). Only organizations that incur costs of goods sold (COGS) on the income statement will consider absorption vs. variable costing. While any corporation can utilize both approaches for various reasons, public companies are forced to adopt absorption costing owing to GAAP accounting requirements (Hansen, Mowen, & Heitger, 2021).

It's crucial to grasp the difference between indirect and direct costs on the income statement before looking into absorption versus variable costing. COGS are frequently linked to direct costs, which has an impact on gross profit margin and a company's gross profit. Indirect costs are related with a company's running expenses. These expenses have a significant impact on operating profit and operating profit margin. Wages for workers who physically manufacture a product, raw materials utilized in manufacturing a product, and direct overhead costs are all examples of direct costs associated with manufacturing a product (Weygandt et al., 2018).

The absorption costing

Profit statement for the month of February and March		
	February	March
Opening stock		4,420
Direct material	29,000	33,250
Direct Labour	19,000	22,000
Variable production overhead	79,476	19,220
Fixed selling and administrative expenses	37,700	79,400
Total cost	117, 176	153,874
Sales revenue	253,000	341,000
Net profit	135,824 €	187,126 €

The variable Costing

Profit statement for the month of February and March		
	February	March
Opening stock		4,420
Sales revenue	253,000	341,000
Direct material	29,000	33,250
Direct Labour	19,000	22,000
Variable production overhead	50,876	8,500
Variable sales and expenses	57,176	74,474
Contribution	201,824	266,526
Fixed production overheads	28,600	28,600
Selling and administrative expenses	66,300	79,400
Net profit	135,824 €	187,126 €

Reconcile the profit calculated using absorption costing to that using variable costing

Absorption costing is a way of calculating the cost of units produced by adding the variable manufacturing costs and the fixed manufacturing costs allocated to those units. Because all product costs (including fixed manufacturing overheads) are included in the cost of units produced and carried forward to future periods, rather than being charged entirely to the income statement in a single period, it is also known as full absorption costing or full costing. While direct costs (such as direct materials, direct labour, and variable manufacturing overheads) can be traced to different units, indirect costs (such as fixed manufacturing overheads) require a justified allocation to different units. There are two techniques to determining the cost of units produced, absorption costing and variable costing, depending on whether fixed production expenses are attributed to units or not (also called marginal costing). Fixed manufacturing costs are assigned to units in absorption costing, whereas fixed manufacturing costs are not assigned to units in variable costing (also known as marginal costing), but are removed from sales in the period in which they are incurred (Hansen et al., 2021).

By deducting the manufacturing overheads carried forward (absorbed by shutting inventories) and adding the manufacturing overheads brought in, net income under absorption costing can be reconciled with net income under variable costing (absorbed by opening inventories).

Absorption costing is a costing approach used in financial accounting and taxation to represent a more comprehensive net income on the income statement and a more complete cost of inventories on the balance sheet by transferring costs between periods according to the matching principle.

Reconciliation Statement		
	February	March
Net profit by Absorption Costing	135,824 €	187,126 €
Closing Inventory	2,288 €	
Beginning Inventory		2,288 €
Net Income by Variable Costing	133,536 €	184,838 €

The difference between absorption costing and variable costing methods

The consideration of fixed manufacturing overhead expenses is where the absorption and variable costing methodologies diverge. All production expenses are "absorbed" via absorption costing, which includes fixed manufacturing overhead as product costs. Because the product cost includes fixed overhead, absorption costing follows GAAP. Variable costing accounts for variable overhead costs and excludes fixed overhead from the cost of a product. All fixed overhead is considered part of a product's cost in absorption costing, and it is assigned to the product. The corporations distributes a portion of the fixed manufacturing overhead expenses from the present period to future periods as stocks rise and are perhaps carried over from the year of production to real unit sales the following year. Carrying over inventories and overhead expenditures is reflected in the ending inventory balances at the conclusion of the production cycle, which then become the beginning inventory balances at the beginning of the next period. The units that were carried over are expected to be sold in the next period. In case of not sold the units, the charges will be added to the unit's manufacturing costs until they are sold. Finally, these deferred production expenses, like fixed overhead, will be included in the cost of goods sold at the point of sale, whenever that occurs, and will be reflected in the income statement during the period of sale. Expenses should be reported in the same period as revenues, according to the principle. Fixed overhead is expensed (as part of the cost of goods sold) when the sale is recorded when it is included as a cost of the product. Fixed overhead, on the other hand, is not considered a product cost under variable costing, hence it is not accounted for in ending inventory (Hansen et al., 2021).

On the income statement, the fixed overhead would have been expensed as a period cost. The ending inventory value differs from that determined using the variable costing method because absorption costing defers expenditures. The inventory amount in absorption costing includes both fixed and variable manufacturing costs, whereas it only includes variable manufacturing costs in variable costing. The following are some distinctions between absorption and marginal costing:

Items	Absorption costing	Variable costing
Definition	As a commodity cost, the cost of absorption is one of the costing methodologies that includes both fixed and variable expenses.	One of the better costing systems is variable costing, which exclusively considers variable expenses as a commodity expense.
Overheads	Manufacturing, distribution, and sales and administration all have distinct absorption costs.	Fixed and variable costs are the nature of overheads for variable expenses.
Revenue calculation	Fixed expenses are factored into product prices, which is why revenues are constrained.	Profit is calculated using the profit volume ratio (P/V ratio) in variable costing.
Opening and closing stock	Absorption costing focuses on each product unit and variations in stock opening or shutting have an impact on the cost per unit.	The cost per unit is unaffected by changes in opening or closing stocks in variable costing because the focus is on the next unit.
Importance	▪ Including fixed costs in the overall cost of a product allows a company's cost accountant to calculate a price that is higher than the entire cost. ▪ In absorption expenses, costs are balanced with revenue, which is appropriate. ▪ Fixed costs are charged for	▪ Marginal costs are utilized to determine marginal costs as well as the influence of marginal costs on the output value. ▪ The methodology of marginal costs is relatively simple to work with and understand. ▪ A company's management can make quality decisions for its manufacturing divisions with the help of

	processing purposes and are factored into the closing stock valuation. ▪ There are fewer changes in earnings if demand is consistent but gains fluctuate. ▪ The overhead absorption rate is used to move overhead costs to the expenditure unit. ▪ At the cost of absorption, profit becomes a function of production rather than revenue.	contribution statistics. ▪ There is no over absorption or under absorption of overheads in marginal costs. ▪ In order to avoid complicated and incorrect assertions, marginal expenses must be avoided. ▪ Earnings are not inflated in marginal costs because operational costs are not absorbed in unsold stock or inventory.
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Ways of Swipes 50 Ltd to improve its accounting systems

An accounting system is a system used by an organization to manage and coordinate accounting records in order to make decisions. Accounting systems can be either electronic or manual. The accounting system is used to track and control the company's revenues, expenditures, and other business activities. The company's effective or efficient accounting system maintains a watch on any data that has a negative or positive impact on the company's finances. In other words, an accounting system enables a company's managers to keep track of and manage its financial activities on a daily basis. The accounting approach can be used to develop budgets and all future corporate growth and progress planning, as well as to produce a summary to be presented at the meeting (Petera, Wagner, & Šoljaková, 2020). The following are the many types of accounting systems used by the company: Administrative accounting provides administrators with useful information for future planning and operations management. Internally, even within the corporation, administrative accounting is beneficial. The corporation will set prospective targets for its business activities with the help of management accounting, and it will also be advantageous to determine whether or not to grow corporate operations. Both cost and lean accounting were used to account for management costs.

Management investigates the lean accounting mechanism to determine ways to decrease costs and remove energy waste while enhancing value, while cost accounting analyses the various expenses of producing items for more product-related decision-making.

Inventory Accounting: Inventory management enables a manufacturing organization to track and schedule the inventory or storage levels for goods. The use of a dependable and effective inventory system reduces the amount of time spent ordering and other expenditures linked with it. Inventory accounting entails determining the correct or acceptable units in the company's shop or warehouse. The company's inventory accounting services include barcode monitoring and RFID, which record and control the production department's inventory volume.

Industry-Specific Accounting: The Corporation tailors the sector's fundamental accounting to its diverse market activities. An accounting method for a manufacturing company, for example, differs from legal accounting.

Each organization has its own business operations and uses a different accounting system, and each has its own set of criteria or needs to be able to fulfill its own accounting system. While the competences and characteristics required for management accounting vary by industry or business, the following are some of the characteristics that should be addressed to improve one's management accounting abilities:

- **Team work**

Collaboration is the best way to actually improve your management accounting skills. If the team is cross-functional inside the same organization, you must demonstrate your ability to work well with others. Individuals that possess this trait get the confidence and respect of their peers, as well as access to a wide range of perspectives.

- **Commercial awareness**

Accounting data is insufficient on its own. You'll need to master broad business abilities as well as experience and awareness of the organization and the market in which it operates to boost your management accounting expertise. Anyone who wishes to improve their management accounting skills should first learn how a firm is run and how the outside world affects it.

- **Communication**

As important as obtaining data and applying one's skills and experience to gain insights is, if the information isn't effectively communicated to the intended audience, it's all for naught. The important details must be carefully stated in order to successfully give information.

In addition to the above-mentioned suggestions, a company can also improve its accounting systems in three ways, as described below:

- **Computerized accounting software:** Proper computerized accounting software reports the information that related to the organization's financial activity and can be utilized for reporting.

Accounting knowledge is efficiently recorded and organised using an accounting system. Swipes 50 Ltd. would allow the accounting 12 programme to record all of the company's data in accordance with the law, and it could be used by employees and top management to make decisions. A system of accounting records is utilized to give thorough information for the company, including annual reports. The accountant documents the whole financial statements once a year in this process. The accountant integrates all firm processes into the programme, and the programme automatically modifies reports or transactions. This eliminates errors and omissions from the transactions. Using proper business software and technology, the company can access this error-free transaction information for reporting and decision-making.

- **Cloud Accounting:** Cloud accounting is one of the most innovative bookkeeping developments. The organization can save time and make business procedures more sensitive and effective by using cloud accounting. Using cloud accounting software, the organization is able to save records on individual devices. Swipes 50 Ltd. will secure the financial reports of the business and other important data with the use of cloud accounting solutions. The cloud also provides storage servers at two or three places, allowing data to be accessed from several locations. In the event of a natural disaster, encrypted software is routinely lost or hacked, and backup servers are never recovered. Cloud accounting requires little downtime and provides unlimited storage, as well as automatic upgrades. Nothing on a corporate computer needs to be activated or accessed.

- **Regularly examine the accounting system:** If accounting operations are not properly handled and checked, they might become inefficient and useless. Swipes 50 Ltd. conducts frequent audits of their accounting system to ensure that anomalies are avoided and financial transactions are properly recorded. Regular analysis improves the efficiency of the accounting process by allowing users to obtain records or facts quickly and accurately. A good accounting system will generate a number of integrated reports that will assist the organization in making strategies, analyzing outcomes, and evaluating performance. By using external and internal evaluations the accounting system safeguards records failures and fraud. Swipes 50 Ltd. can widen the accounting system by using the following three categories to capture data or information in a framework that can be used for future decision-making processes for the organization's growth and advancement.

The importance of managing accounting jobs in a manufacturing company

Accounting positions must be controlled because they assist the producing company in meeting its goals or targets on schedule. Managerial accountants are responsible for ensuring that all business is handled correctly. With the help of suitable financial figures, management accountants assist in administrative planning as well as company decision-making. Manufacturing organizations utilize difficult-to-use and-manage accounting and electronic systems for things like raw material sourcing

and tracking, production, hours of service, repair and maintenance, and so on. The technique used by the production company is extremely intricate. In that situation, the management accountant efficiently examines and analyses the complete production process and gives precise information to top management for the company's business operations decision-making phase.

The accountant creates management reports and accounts using open-source software that provides accurate and actionable financial and statistical data to help senior management make long- and short-term choices. The accountant also keeps track of, identifies, records, and interprets data that helps manufacturing organizations' entire departments achieve their objectives and goals in a timely manner. The major goal of a management accountant is to produce documentation within the organization, not outside of it, with a focus on the company's internal financial system.

The basic goal of managerial accounting is to help a company's management perform its tasks more efficiently: planning, organizing, directing, and controlling. These functions are aided by management accounting in the following ways:

Provide data: It is an important source of information for planning. Managerial accounting's historical data reveals the business's growth, which is essential in forecasting.

Analyze data: By calculating ratios and forecasting trends, accounting data is presented in an understandable way. This data is then analyzed to help in planning and decision-making. You can, for example, categorize purchases of various things by period, provider, and territory.

Facilitate meaningful discussions: Management accounting can be utilized to communicate a strategy across the organization. It displays the organizational feasibility and consistency of several elements of a strategy in its early stages. Later, it discusses the progress of the plans and the involvement of various parties in putting them into action.

Assist in achieving objectives: It aids in the conversion of organizational strategy and objectives into attainable commercial objectives. Budget control and standard costing, both key aspects of management accounting, can help achieve these objectives.

Make use of qualitative data: Management accounting does not rely solely on quantitative data to make decisions. It considers qualitative information that cannot be quantified in terms of money. Industry cycles and the strength of research and development are just a few examples of qualitative data that a company might gather through specific surveys (Petera et al., 2020).

Conclusion

Management accounting aids in the analysis and recording of financial data that may be utilized to improve a company's efficiency and production. It uses simple approaches like standard costing, marginal costing, project evaluation, and control accounting to show financial data at regular intervals. Financial statements, on the other hand, provide all of the information needed to make managerial decisions. As a result, maintaining error-free records becomes critical. Apart from a few drawbacks, it is a great tool for improved corporate administration.

The analysis concluded that the organization receives the accounting information required by the management accountant for the decision-making process of a business enterprise using various management accounting tools and technology. Where its opponents are in fierce battle, Swipes 50 Limited must incorporate management accounting tools as well as sustainability and growth manufacturing technology. The corporation produces a cost-effective framework for its products by utilizing margin and absorption costs. The cost of absorption is defined as a gross profit that surpasses the market's marginal cost, allowing the corporation to profit from it. Separate accounts provide information to management and can be utilized to develop strategic priorities and strategies for the company's growth and advancement. For an organization that advises and oversees a company's management in the direction of profitability, the position of management accountant is critical. The accounting framework is used to examine the company's financial plans and planning performance, and financial accounts are set up to offer enough and trustworthy information.

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