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### **Introduction:**

Managerial accounting is important to a business because it helps compile, record, analyze, and decipher internal data that helps managers make compelling decisions for the long-term growth and improvement of the business. Overall, accounting is about the internal use of monetary data to improve decision making. It is a branch of accounting that focuses on the knowledge level of managers who use various techniques in this field to satisfy their needs.

#### **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)		
	February	
Sales (11,500 Units at Euro 22 each)		€ 253,000
(COG) Less cost of goods sold		
Inventory begins with (0 Units)	€ 0	
Add COG Manufactured for (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
<b>Gross Profit</b>		<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>

Profit Statement (using Absorption Costing)		
	March	
Sales (15,500 Units @ Euro 22ea)		€ 341,000
(COG) Less cost of goods Sold		
Inventory Begins with (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

Profit Statement (using Variable Costing)		
	February	
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
Variable Manufacturing Margin		<b>€ 206,172</b>
<b>Less Variable Selling &amp; Administration Expenses</b>		€ 36,225
<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>

Profit Statement (using Variable Costing)		
	March	
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
Variable Manufacturing Margin		<b>€ 278,178</b>
<b>Less Variable Selling &amp; Administration Expenses</b>		€ 48,825
<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>February</b>	<b>March</b>
<b>Net Income using Absorption Costing</b>	<b>€ 135,360</b>	<b>€ 190,190</b>
<b>Less</b> Fixed Manufacturing Overheads carried forward (Closing Inventory)	€ 2,288	
<b>Add</b> Fixed Manufacturing Overheads brought forward (Beginning Inventory)		€ 2,288
<b>Net Income using Variable Costing</b>	<b>€ 133,072</b>	<b>€ 192,478</b>

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

To outline the differences between absorption and variable accounting, we should first understand what is meant by management accounting. There are completely different terms such as management accounting and value accounting. Regardless of which one you choose, it's a tool for analyzing business and operating costs and producing internal reports that help managers and boards make strategic decisions and achieve business goals. That last part is incredibly important. I am talking about "internal" here, meaning these reports are for internal managers and call managers. So you can use these reports outside the company as well. This monetary and economic news has proven that management is ready to make decisions, and not just decisions, but in most cases the right decisions. We should always be aware that social control accounting can be an effective tool for short and long term planning and setting up. Variable costing and absorption costing are the 2 main strategies of social control accounting, but both have their advantages and disadvantages. However, we should always keep in mind that almost all companies, if not all, operate under Generally Accepted Accounting Principles (GAAP), which means that you can only

use absorption costing to prepare external financial reports. However, for preparing internal financial reports, you have a choice between absorption costing and variable cost...

Let us first recognize what the means of composite overhead are. Then recognize the differences between full cost accounting and variable cost accounting. The most common definition states that overhead is things that do not change the supported production capacity. Overhead includes rent, insurance, salaries, and equipment leasing fees:

The value of assimilation is total in and follows that in the study of variable costs: smiling metabolism leads the total cost of assimilation, and also the name that kissed much simplicity on the tactic that assimilation is he in its application of the part of the total prices that make square measure constantly on the price of the industry.

The calculation establishes the idea of {value price} of each unit - and completes it only by the way in which the total cost is divided by the number of units produced and sold during the period of preparation of the reports. The result is the price of each unit produced and sold in the verb. In the assimilation calculation, only the price for all units produced during the entire accounting period is calculated. Introduces the kind of prices that complete the metabolism of smiling prices, and also the treatment {of prices} includes all the fashionable of the industry directly identical the substances and also the direct employment and also the costs measure the total variable individuals and also the costs measure the total individuals that comply within the made costs basic guidelines of the accounting square for normally (GAAP).

The method of estimation smooths the prices set within the general specification of the entire industrial units and consequently helps in the specification of the costs. It is usually the fractions of the final prices and includes the price of the products sold and also the retention prices. The best meaning hides in the application of the assimilation value technique, because it helps companies to develop an associated applicable valuation policy. include composite process prices and variable prices. A chapter of prices to constant avoids and also

the variable they will be within the simple technique and minute not possible. In addition, the strategy of accounting also helps within the inaccurate determination of profit when the inclusion of all prices completed the sale and promotion in one breath of the quantity. Mital, so in truth, most of the errors associated with this technique is that some prices have the quantity, not some binding fun art movement and consequently inclusion in the value is not necessary, it is made and kept.

Another positive aspect is that the abundance technique estimates the value of consumption as soon as the arrangement of products in the warehouse is completed over the entire quantity included in the report and also is not completely sold out. Since each producer in the Maine warehouse specializes in the number of for each unit for the price, so in truth all items in a warehouse for him the value together unusable a quarter of the price in general. As a result, the unsound sale is completely created, and the notification to the producer, since the price is not completely unsound, sells it completely within the warehouse and eliminates its blessings. Some companies swarmed most that the improvement of the profit is possible for a quantity called the notification; but so this technique has a funny negative effect of where that it is possible that the inflation of the exaggerated profits is unnatural within the final quantity of the report, in which deduction of the costs is not the final complete constant, if industrial marketing was complete all the goods or lack sold them or some of it only. It is already a false continuation of the study for the profit for the amount included in the report.

Another positive facet, abundance technique estimation of value of consumption is characteristic once arrangement of products in warehouse throughout enclosed amount in report is finished, and to that isn't sold-out utterly. Seen that each one producers in warehouse Maine on the number of for every unit specialised for the price, thus in truth all articles in warehouse for him the worth conjointly unsound a district of the price general mounted. As a result, the unsound sale is created complete, the communication to the producer, since the expense isn't utterly unsound, sells it utterly within the warehouse and eliminates its blessings. Some corporations like raved most for that he improvement of the profits is feasible for a amount designating

notification; however, thus so this technique have a fun negative impact from wherever that she be potential that inflation the exaggerated profits unnaturally within the definitive amount of the report, wherever deduction of the expenses doesn't be complete the final complete constant if industrial marketing all merchandise was complete or lack sold-out her or some from her solely. Already is raved false stubborn live of study for the profit for the amount enclosed within the report.

The method of price calculation smooths the prices set within the general specification of the entire industrial units and consequently helps to set the costs. It typically leads to the determination of the shares in the total assembly prices and includes the price of the sold products and also the holding prices. The greatest importance is hidden in the application of assimilation pricing method, because it helps companies to develop AN acceptable pricing policy. assembled process prices and variable prices included. A chapter of prices to constant avoids and the variable they will not be within the simple technique and minute. In addition, the tactic of accounting also helps within the inaccurate determination of profit when recording all prices completes the sale and promotion in one breath of the amount. Nevertheless, so in reality the biggest mistake associated with this technique is that some prices have the amount, not some mandatory fun futurist and consequently inclusion in the price is not necessary, it is created and kept.

Another positive aspect is that the abundance technique estimation of the price of revenue is characteristic once the arrangement of products in the warehouse during the included quantity in the report is completed, and in addition is not completely sold out. Since each producer in the warehouse Maine specializes in the quantity for each unit for the price, therefore in reality all items in a warehouse for him the value together unsounds a district of the price in general. As a result, the sale is completely invalid, and the notification to the producer, since the issue is not completely invalid, sells him completely within the warehouse and eliminates his blessings. Some companies



rave that it is possible to improve the profits for a certain number of reports; however, so this technique has a funny negative effect, in which it is possible that the inflation unnaturally inflates the exaggerated profits within the final quantity of the report, in which deduction of the cost is not the whole complete constant when the industrialized mercantilism has sold the whole product completely or lack or only a part of it. It is already unrealistic to live stubbornly from the study for the profit for the quantity included in the report.

It is a disadvantage of variable price, so we tend to show a full payment of all the fastened overhead during the coated quantity during which the report happens. although not of the manufactured goods sold square measure; a deduction should be made from the total price of the fastened overhead Or in other words, it means that the report could show less profit for the cover quantity because you should show your full overhead even though there are no goods or only some of your goods. The report could show less financial profit because of the unsold goods, but still show the full cost.

as a result of u ought to show your full overhead though there are not any merchandise or just some of your merchandise. The report can show lower financial gain because of unsold merchandise however still full expenses. In summary, variable costing, although it covers many costs, cannot be used as a recording method - the fundamentals state that all related financial gains and costs should be recorded in the same report/posting record. In addition, variable prices do not include the attribution of fixed production costs - this also makes them useless for external accounting functions. Therefore, the estimation of variable prices is usually limited to use as a decision support tool to improve the operational efficiency of the firm. (Patankar, 2019). Nonetheless, business managers still rely primarily on the use of variable costing to perform break-even analysis, confirm contribution margins, and improve decision making related to increasing operational efficiency. Perhaps Based on a study of the necessary characteristics of each cost accounting method used by companies that make excessive use of variable cost accounting production of different production

lines. This is because it helps to a great extent to accurately determine the profits generated by all product lines. On the other hand, companies engaged in the development of a single product line may use absorption costing as a method to determine the exact unit price level for the manufactured products. This is because the goods produced in the factory absorb all prices in absorption costing. However, accounting standards only allow companies to use absorption costing when variable costing conflicts with the matching principle, which states that all related financial gains and expenses should be recorded at the same level.

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

Management accounting provides management with valuable information about the company's performance and helps them make important economic decisions in the areas of forecasting and planning. Social accounting is already the control technique used in any distinction between actual results and cash results. This makes social control accounting an indispensable tool for resource planning if it is to be used for longer-term planning. Because of its ability to give away results, it can also be used as an effective tool for resource management. (Warrin, et al. 2019) So, as a kind of performance measurement method, it can be said that management accounting is a useful tool that ensures the success and profitability of the industry. Especially in the industry, it is necessary to implement a rigorous management accounting cycle as soon as possible to ensure that each and every fund and expense is properly accounted for and controlled. (Partaker .2019) In the case of Swipes fifty restricted, the company has indeed completed a minimum of the basics of relatively simple social control accounting. However, in order that {the information and knowledge} of this data is additionally necessary for the management to make the simplest crucial and strategic decisions, it is essential to obtain additional elaborated information to improve the accounting. In addition, there are 3 necessary and necessary ways in which I believe it can be done fifty limited will increase its social control accounting square measure follows.

## **1. Budget Reporting –comparing Actual vs Forecasted Results**

The social control register is neither a one-time activity nor a short method. Nor should the importance of expectation/budgeting and design be overlooked - the link between management method and social control register should not be neglected or weakened in any method. In a sense, expectation and/or budgeting provides the Company a productive baseline from which everything is then measured and evaluated. For social control accounting, this baseline is an essential part of their traditional framework that is used. To improve plans to evaluate departmental performance and facilitate the elimination of variances. Minimizing profit uncertainty and helping to create or anticipate a controlled future means that it is a terribly necessary component and completely inseparable from effective business accounting, and it is necessary to achieve the goals of organizations. It can be utilized to make profits by determining the additional prices and potential prices that will be incurred during the fiscal year and targeting them for quality. Budgeting for costs is an important part of the ongoing activities that help achieve the organization's key strategic objectives and can play an important role in setting key performance indicators (KPIs) for individual things, managers, and departments as a whole. (Noren, et al. 2016) The method of pricing provides an opportunity for each department to contribute their recommendations and help build the organization. However, the price should be planned and define the responsibilities of each member. Ultimately, the funds can be used to support the Managerial Accounting Framework as it is one of the most important aspects of the organization's overall management framework and therefore can be used to compare the \$64000 results to the budgeted result to assess any variances from actual performance. Effective averages/expectations can provide amazingly useful feedback to management and then help eliminate or at least reduce variances - improving business and organizational performance. (Warren, et al., 2019)

## **2. The use of more Managerial Accounting techniques**

Regardless of variable costing and absorption costing, different management accounting vagues are performed to coordinate the execution of administration with the monetary performance of the company or business. Management accounting vagues like Value Volume Profit, Basic Cost, Margin Costing, and Income Management can help swipes fifty evaluate totally different aspects of their value statements to merge the resulting insights with the monetary performance of the enterprise or business. For the Associate in Nursing example, studying fund volume profit would supply profitable insights into the break-even purpose of a unit of a business, or the number of units that must be sold to achieve the target profit. (Ware, et al. 2019)

### **3. Introduction of activity-based costing:**

It seems as if the company produces only one product within the fifty limited specifications and therefore any overhead value associated with an item should be four digits; be it because it could be so, it also means that there could be some overhead costs that are not associated with the commodity and/or occur without purpose. Step costing separates the value of each section and includes only the overhead associated with that item. This can help separate isolated value-added prices and non-value-added costs from total overhead costs. This method can help eliminate or minimize non-value-added activities to improve the end quality of the business. In addition, these activity-based means can provide information that can be used to calculate the exact quality of each unused item produced by a company like Swipes fifty restricted. Activity-based pricing can be a far more solid and correct price allocation technique than the absorption costing; absorption costing takes full account of production overheads and allocates them to the total production quantities of all goods managed. At this point, it becomes clear that some goods are used because they represent a small proportion of overhead compared to others. This problem is then solved in a lump-sum, precise, and effective manner by using an activity-based reserve system. Finally, activity-based costing could also be used alongside assimilation costing because it allocates overhead costs to the assembled product. (Partakeer .2019) (Waren, et al .2019)

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

Part of a management controller is critical because it covers everything related to the organization. (Kulkarny, et al. 2018) The work of the management controller of the gathering, capturing, and enforcing monetary information from potentially many business units throughout the organization. The work also includes knowing and analyzing the monetary plan/forecast to understand and advocate its funding. This last half includes a common estimate of the value of raw materials, labor, production, sales, marketing, distribution, advertising, and therefore the internal operating value of the business. In addition, the Management Controller must coordinate with all affiliated business units to provide a common overall analysis of working capital and availability of funds and communicate all of this information to management and thus to the Board of Directors. Thus, the Management Controller is the primary provider of data needed by the Containers and the CEOs, which they use to make decisions. The details of decision making by the Management Controller consists of tracking all prices for each business method that helps organizations make decisions related to construction, operations, and capital expenditures. Organizations want Management Accounting and therefore the Management Controller to be able to recognize the potency of their funds and the value of their operations in order to set the budget for production, sales and investments accordingly. (Noren, et al. 2016) So the performance of a management controller is important to make any company happy. Their role and scope of performance are so extensive that even a private mistake of the management controller can endanger the organization and the companies. The management controller enforces both the internal cost accounting method and the accepted accounting practices to ensure continuous compliance. time order X is a crucial part of all plans for the management of a company. The role of the management controller is time-related, as they must form exceptions, allocate resources, and report at specific intervals so they can be enforced quickly and not be late when you need them. Timely expectation is especially important to account for market doubts. Funds must match available capital and

cover risks, so some degree of accuracy is essential. Before reporting, he or she should ensure that all details recorded are accurate to support appropriate decision making. Finally, a controller must think of everything, whether it is the political situation affecting the market, inflation, the various risks in the market, competition, the value of labor, staples, all the operations and coordination between the various departments in the companies, as well as the interaction with the rest of the business world, to show management that they will make money decisions considering the available budgets and necessities. (Kulkarny, et al. 2018) Due to the current quality of AN industrialization, the role of the controller is even more necessary for management, or at least as important as in most other companies.

**Conclusion:**

In this context, this report has been written with the aim of providing a comfortable understanding of the processes of management accounting to evaluate the internal operations of the company and develop future strategic business planning. The application of various accounting methods used by companies to prepare internal accounting data is well explained in this report. Management accounting is the part of accounting that provides reports to managers and manufacturers that are not designed to comply with accounting standards. Instead, it uses principles from entirely different areas of the business to meet management's needs. Management accounting includes budgeting and forecasting, performance analysis, monetary analysis, product costing and evaluation, business needs analysis, corporate governance, finance, and alternative areas.

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