COVER PAGE AND DECLARATION

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I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

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Table Of Content	Page Number
Introduction	4
Profit Statements for Swipe 50 Limited for the months of February and March	5
Profit Reconciliation Statement calculated using Absorption Costing	8
each method differs from the other method and also explaining the importance ofeach of the methods	11
Three ways that Swipes 50 Limited can improve its accounting systems	14
Why the managerial accountant’s job is important within a manufacturing company	19
References	21

The introduction

The accounting department plays an important role in every company, as they are the ones who believe in the language that does not lie, which is the language of numbers.

Of course, any study or strategy requires the presence of numbers so that they can produce correct and accurate results. Accounting is to evaluate the current or past situation, as for the finance department in which the future situation falls.

There are three main factors they take care of:

- income statement   This is what states that you are losing or winning in your project
- balance sheet It contains a clear picture of your financial situation and specifies a date
- cash flow statement   It is the bridge that connects the first and second points, and determines for you the amount spent and the amount received to your account

Profit Statement (using Absorption Costing)			
Swipe 50 Limited			
			February
Sales (11,500 Units at EUR 22)			**€ 253,000**
	Less Cost (COG) Sold		
	Inventory (0)	€ 0	
	COG Manufactured (12,500)	€ 79,500	
	COG for Sale (12,500)	€ 79,500	
	Less Closing	€ 6,360	€ 73,140
Gross Profit			**€ 179,860**
	Less Selling and Managment Expenses		
	Fixed Selling and Management fees	€ 36,225	
	Variable Selling and Management fees 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 at EUR 22ea)			**€ 341,000**
	(COG) Sold		
	Inventory (1,000 Units)	€ 6,360	
	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 and Managment Expenses		
	Fixed Selling and Management fees	€ 48,825	
	Variable Selling and Management fees	€ 8,275	€ 57,100
Net Profit for March (Using Absorption Costing) € 190,190			

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 and EUR 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 EUR 6.36ea)	€ 6,360	€ 73,140
Gross Profit		**€ 179,860**
Less Selling & Management Expenses		
Fixed Selling and Management Expenses	€ 36,225	
Variable Selling and Management 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 and EUR 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 & Management Expenses		
Fixed Selling & Management Expenses	€ 48,825	
Variable Selling & Management 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 and EUR 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 EUR 4.072ea)	€ 4,072	€ 46,828
Variable Manufacturing Margin		**€ 206,172**
Less Variable Selling & Managment Expenses		€ 36,225
Contribution Margin		**€ 169,947**
Less Fixed Expenses		
Fixed Selling & Management 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 and EUR 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 & Managment Expenses		€ 48,825
Contribution Margin		**€ 229,353**
Less Fixed Expenses		
Fixed Selling & Management 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**

Management accounting is an information system that specializes in collecting, classifying, analyzing, and storing basic data, as well as information resulting from other information subsystems within the company in the form of paper files or using an electronic accounting program that allows cloud storage over the Internet. For the purpose of producing information of a quantitative nature, whether financial or non-financial, to assist management in planning, control and decision-making.

Management accounting includes multiple aspects aimed at improving the quality of information provided to management about the company's operations metrics. Management accountants also use information related to the cost and revenues from sales of goods and services produced by the company. Its primary goal is to help managers plan, control, and make strategic decisions that enhance the organization's efficiency, effectiveness, and overall performance.

Management accounting tasks are performed by a management accountant who typically serves as an employee of the company, and these individuals are typically responsible for things such as bookkeeping, payroll, managing company assets, tax preparation and planning, inventory control, and developing a company budget.

The difference between managerial accounting and financial accounting:

The primary difference between management accounting and financial accounting is the end users of the information they both provide. Management accounting information is directed at helping managers within the organization make informed business decisions, while financial accounting is aimed at providing financial information to parties outside the organization.

Management accounting is not directed to external users, which allows it to be modified to meet the needs of the intended users, and may vary significantly between companies or even between departments within a single company. For example, managers in the production department may want to see financial information as percentages of units produced during a period, while a human resources department manager may be interested in seeing a graph of employee salaries over a specific time period. Management accounting can meet the needs of both departments by providing information as appropriate to their needs.

What are variable costs?

Variable cost is those costs that change depending on the amount of production of the company. It rises according to the increase in production and decreases according to the decrease in production.

Variable costs change based on factors such as the quantity of units produced, the level of sales, or the volume of services provided. Variable costs rise or fall as the level of production or business activity increases or decreases.

Common examples of variable costs are the cost of raw materials, direct labor wages, sales commissions, packaging materials, shipping costs, and electricity consumption directly related to production.

Understanding variable costs is important for businesses in analyzing cost structure, determining pricing strategies, performing break-even analysis, and making decisions regarding production levels and profitability. By identifying and managing variable costs effectively, companies can improve their operations and financial performance.

Types of variable costs:

Variable costs are a valuable tool for managers and decision-makers to understand the composition of costs and their impact on financial performance. Types of variable costs include a group of costs that are directly affected by changes in the volume of production .

Direct costs and variable costs:

These costs are directly related to the overall size of your business. The more work you do, the more expenses you incur. The reason is that each sale has a cost for the raw materials, production or service directly related to it. On the other hand, the fewer sales you make, the fewer direct or variable expenses you will have. It actually “changes” directly according to how big your sales are. For example, in a restaurant, the variable costs are food and direct service workers such as cooks and waitstaff.

As meals are consumed, there is a need for more food and for more employees to carry out cooking and service provision. In the process of retailing, every sale of goods becomes a direct cost, represented by the price of the goods and the salaries of those charged with making the sale. In a manufacturing process, variable expenses would include raw materials and the labor of all those employees who are involved in the manufacturing process, including direct benefits to them such as union contributions. These employees, such as managers, are considered an indirect or fixed cost.

Once you deduct variable costs from your revenue, the profit before overhead (general) expenses will display the total profit (profit before expenses and Management costs that were spent) and you will also disclose your profits in percentage numbers, called the profit margin. It goes without saying that knowing the numbers will lead to pricing in a more informed manner with less guesswork.

Total absorption costing is a method of calculating costs that includes the full cost of manufacturing and providing a service. Total absorption costing includes not only raw materials and labor costs but also all manufacturing expenses, both fixed and variable. The cost of each expense item can be direct or indirect. The direct cost can be determined and identified through each item separately, while the indirect cost cannot be easily determined. The process of distributing overhead expenses to different departments and divisions is called the allocation or division process.

The choice of the basis on which overhead expenditures are to be distributed or working expenditures should be distributed depends on the following principles:

- The principle of service or use: If it is possible to measure and calculate the interest obtained by different departments from public expenditures, then in this case public expenditures can be distributed among the departments on this basis.
- The principle of questionnaires (surveys): If it is not possible to measure and calculate public expenditures, it is possible to resort to applying questionnaires.
- The principle of ability to pay: In this case, the distribution of overhead expenses can depend on some factors such as profits or total sales. Sometimes this situation is not fair, because some departments may bear most of the burden and others do not.

The absorption costing system charges direct and indirect industrial costs on production units. These industrial costs include variable industrial costs and fixed industrial costs. This method is known as the total cost method or the absorption cost method. As for the marginal cost method, known as variable costing, it does not consider fixed costs as production costs. It does not allow them to be charged to the units produced, so the cost of these units is limited to the variable industrial costs. According to this method, the industrial variable cost of the units sold and the variable marketing and Management costs are subtracted from the sales revenue to determine what is known as the contribution margin. After that, the fixed industrial, marketing and Management fixed expenses are subtracted from the contribution margin to arrive at To the net profit figure. By comparing the two types, we find that the difference is limited to the treatment of fixed industrial costs, as these costs are considered part of the production cost in the total or absorption cost method, while they are considered period expenses from the variable cost method point of view, and this is reflected in the evaluation of goods at the end of the period.

Marginal cost represents the variable costs incurred by the project in order to produce goods or services. It also represents the lowest price that can be accepted as the selling price for the product or service.

Absorption cost or total cost, which represents the costs, both direct and indirect, variable and fixed, charged to the unit of product.

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

1- Search for appropriate accounting programs

Accounts within the company are the process through which revenues, expenses, and everything related to financial matters are collected. It is a necessary process that ensures that the business owner obtains the information he needs, which helps him make sound decisions, whether those decisions are financial or non-financial.

As for this task, it is characterized by some complexity and difficulty, as accounting is not one of the skills of most business owners, in addition to hiring competent people to undertake this task is difficult in reality, as it is rare to find a competent, experienced accountant among millions of accountants.

Therefore, investing in accounting software is wise and effective, as these programs carry out all manual calculations. Which takes a long time, a lot of manpower, and of course more errors, all of this electronically, in an easier and faster way, in addition to making it easier to find the financial information that the employer wants, at any time, while linking all work details to a central database.

2- Set a specific budget

When searching for accounting advice for companies, the advice of setting a specific budget comes to the fore, and you can implement this advice by:

Establish a specific budget for all work departments.

Determine expected profits and expenses.

Comparing budget with expenses and actual revenues.

By tracking companies whose continuity, success, and financial stability were observed, we find that they did not neglect setting a budget and carefully tracked their financial situation.

3-Record all transactions in real time

There are many accounting tips, but the most important of them is recording all transactions up to date, and keeping track of everything that happens within the organization. Without periodic recording of transactions that take place of various types, the business owner becomes unaware of the financial status of his company, which causes many problems in making decisions internally and externally. .

To avoid these problems, there is no better solution than accounting programs, as they record all transactions occurring in the various departments of the company, at any time, to ensure knowledge of all developments, even if they are simple.

One of the important steps that the employer must pay attention to in this matter is linking the bank accounts with the accounting programs within the company, as with this step it becomes able to synchronize the banking data and banking transactions that take place moment by moment, and then import them using one of the manual methods on the computer. Excel, for example, knowing that some accounting programs offer direct integration with some banks; Thus, the employer can manage all banking tasks with ease.

4- Use financial statements to evaluate business performance

Cash flow shows whether the company has sufficient funds, and is used to analyze the liquidity position of the company. It also shows the amount of cash coming into it and where it came from. One of the biggest reasons for company failure is the lack of liquidity and the inability to collect cash flows for the company or business.

in general; Knowing the cash flow shows the company’s ability to meet its current and future obligations, as well as revenue and expense data, are among the most important data that evaluates business performance, so do not be preoccupied with growing beyond your financial data, as growth without careful monitoring is a time bomb.

5- Make future financial expectations

The most important accounting advice that business owners should follow while developing their companies is to create financial projections, as this step helps to estimate revenues and expenses in the future, to anticipate whether this company needs financing, or reduce its expenses. If the financing decision is difficult.

Financial forecasts also help estimate cash flows and determine when pricing or production plans for the business might be changed.

In addition to developing formal financial statements such as expected revenues and cash flow statements, they help answer questions from investors or stakeholders in business sectors, for example: If we finance this company, what will you do with the money? When will you pay it, and how?

6- Verify the inventory data

The most important accounting advice that companies should follow is verifying inventory data, as it helps business owners follow up on their work in a correct manner through regular inventory, verifying its results, and tracking physical inventory, either by manually counting the items in an organized manner, or completing the process of Inventory automatically and easily.

To complete this step systematically and professionally, ERP programs help reduce time and effort, as they not only make the inventory tracking process easy, but also the resulting information is more accurate and far removed from human errors, and all of this is done electronically using a scanner.

7- Monitor high-cost expenses

For most companies, high-cost expenses represent a major challenge, and examples of those expenses that cause high costs are stagnant items, as they may expose the company to losses and reduce its profits, and all of this happens due to not monitoring and examining expenses well

To avoid this problem, one of the first steps to reduce these expenses is to address the wrong practices that cause them. In the case of stagnant inventory, the business owner can overcome this crisis by tracking the costs of carrying inventory and monitoring the inventory turnover ratio.

One of the effective ways to reduce high-cost expenses is to employ hourly workers, not contractually, as some jobs do not require a long-term contract to complete them, and business owners can track the exact time required to complete the work through time-tracking software.

When talking about this problem, the most important accounting advice related to it is the use of enterprise resource planning programs, as it reduces the time and effort expended, and accomplishes many tasks, and this in turn reduces labor, increases work efficiency, and thus reduces expenses.

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

There are many tasks that an accountant must perform, including:

- Supervising how the factory’s financial documents and accounting books are written.
- Write purchases and sales according to official invoices.
- Registering the factory accounts and working to settle them.
- Preparing bank reconciliation memorandums and conducting interviews with the bank.
- Preparing the monthly audit budget.
- Document all entries and documents issued at the factory.
- Financial auditing and recording financial restrictions periodically.
- Collecting all revenues from all parties and placing them in the factory’s account.
- Entering the necessary data and documents via computer systems

I deliberately mentioned all these tasks of the accountant inside the factory in order to shed more light on all these important tasks that the accountant covers.

In short, any successful company starts from the accounting department

Conclusion

My final recommendation to Swipes 50 Company is that they appoint competent accountants so that they can monitor the situation and analyze all inputs and outputs.

Most important of all is scrutinizing all types of costs, whether fixed, variable, or total absorption, because the final total that will be issued from them is the language of numbers, so any wrong information will lead the rest of the departments down wrong paths.

Technological developments have greatly influenced the development of financial accounting. From simple ledgers to complex financial reports, reliance on digital solutions is rapidly increasing. Tools such as artificial intelligence and big data have made financial accounting a simpler and less time-consuming task.

The role of artificial intelligence

AI algorithms can now examine massive amounts of financial data in seconds, providing real-time analytics. This not only speeds up accounting processes, but also reduces human errors. Automated systems can perform repetitive tasks such as managing invoices and payroll accounts, allowing accountants to focus on strategic activities.

Big data

Big data analytics provides a comprehensive view of an organization's financial health. By compiling data from multiple sources, companies can identify trends, effectiveness, and opportunities for improvement. It also enhances predictive modeling, allowing companies to make more accurate forecasts.

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