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Introduction

Managerial accounting is the identification, measurement, and analysis of data. It is a system by which we record and convert the result or state of business into numerical representations using established procedures.

The financial statements are prepared by the accounting department, which also takes part in decision-making.

Essentially, managerial accounts provide vital information to a company's management team, assisting them in making numerous decisions. They also provide a wealth of financial and statistical data, which aids in company decision-making. frequently helped by powerful

accounting software.

An accountant's first task is to make a list of your assets and liabilities.

2. Providing an overview of the company's operational profitability and financial situation.
equity position of the owner.

4-Aid stakeholders in monitoring the activity and performance of the organization.

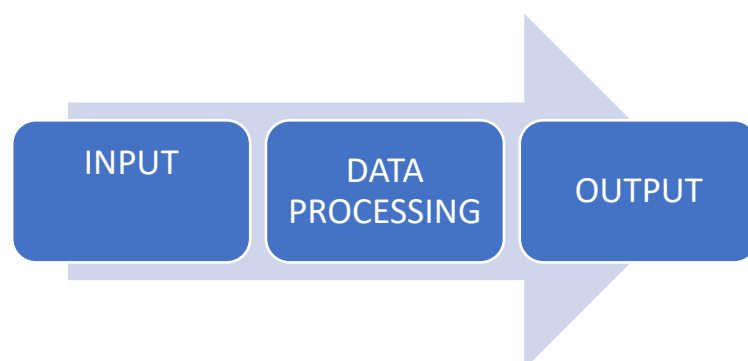
5. Make it easier for investors to evaluate a business and choose.

Principle of accounting:

Generally accepted accounting principles (GAAP) are a standardized set of accounting rules developed by the Financial Accounting Standards Board (FASB) in the United States.

Accounting principles are the regulations and standards that companies have to follow when disclosing financial information.

Reporting to external stakeholders, including creditors, investors, and governmental agencies, is the main goal of financial accounting.



A system intended to convert financial and other data into information is known as an accounting information system (AIS).

This conversion is carried out by accounting information systems, either manually or automatically.

(ERP) An enterprise resource planning system is one that any trained user may operate without the assistance of a specialist or expert.

The foundation of accounting principles is historical costs.

Transaction costs are documented at the time of the transaction.

* Recognizing revenue when

Reasonable guarantee for gathering

significant completion of the deal. *Complementing

* Full disclosure principle: All costs and revenues must be recorded in the same period.

Important business information is given in an easy-to-understand manner.

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Reason for integrity and ethics importance:

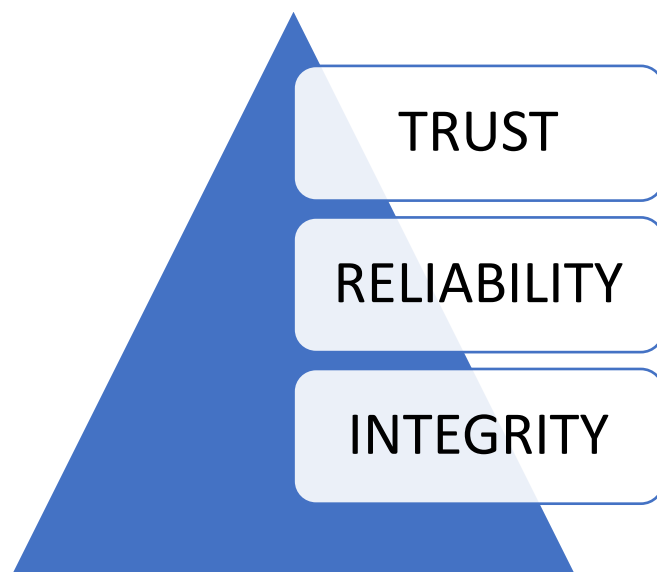
-Your career as a manager or accountant will benefit from the ethical habits you form in your personal life.

-High ethical standards are a prerequisite for accountants and company executives.

-Sincerity is simple to acquire but difficult to maintain.

In contrast to accounting information, which is invisible, you can see the excellent elements of an automobile.

To accomplish Ethics, focus on



Clarification of several account methods: The yearly reports, which comprise the following, are the primary and most significant output of the accounting system.

Managerial report No. 1.

2. The balance sheet.

3. The retained earnings statement.

4. The cash flow statement.

5. The declaration of revenue.

6-Reports from auditors.

7. Footnotes.

Accounting Assumption: We must adhere to this assumption when keeping our records.

-A distinct legal body.

-Short time frame (quarterly, yearly)

-Basic currency.

-Recognition of revenue.

-Keep track of your spending.

-Combining (income, expenses).

-Persistence.

-Revealed.

Basis of accounting: * Cash basis: Records income and costs in the periods in which they are incurred or earned.

Keep track of income when money is received and outlays when money is spent.

Financial statement users: * Internal users, such as management and staff

* External users, such as investors, analysts, consumers, lenders or creditors, and regulatory bodies.

Concept and clarification for different accounting methods

***Balance sheet**

Concept: Describe the company's financial position at a point in time.

clarification

Assets	Liability & owner equity
Current assets: Account receivable inventory	Current Liability Account payable or note payable (short-term debt or long-term debt)
Fixed assets: Equipment Land building	Owner equity : Common stock Paid-up capital Returned earned

Definition clarification of the concepts

Note receivable is when I allow the other party to sign a check or paper note for an amount that they should have received. Account receivable is when I have revenue but have not yet received it.

Note payable is when I sign a check or paper note for the amount that needs to be paid.

Account payable is when I took out debt to purchase certain assets but haven't paid it off yet.

Returned earnings are the money that owners make, but they keep it for themselves to use on other projects.

The money chosen to raise working capital to generate more revenue is known as paid-up capital.

Assets are the company's resources that help the business both today and in the future.

All loans and debts are considered liabilities.

Ultimately, total assets should match total obligation and owner equity on the balance sheet.

Income statement

Concept: Over a given period, describe the company's sales, expenses, and net income.

To be clear, there are three categories of business activities: trade, serving, and manufacturing.

If there is no cost of items sold, business operations are serving

Income statement

Revenue sales (direct material, direct labor, direct overhead)
Other revenue
Interest and expenses
taxes
Indirect (selling, marketing, general and administrative)SGA

Procedure to get net income

Total revenue –

Less cost of goods sold (COGS)

=GROSS PROFIT

Less other income

Plus other expenses

= earning before interest and taxes (EBIT)

Less expenses

=earning before tax(EBT)

Less tax

= NET INCOME

Statement of owner equity

Concept: describes how changes in net income and owners' long-term investments and withdrawals affect equity over time.

Clarification:

Beginning balance =	Net income
	Returned earning
	Increased unpaid capital

Less evidence	
Less withdrawal	=
	Ending balance

Statement of cash flow

Concept: Provides information about cash recipients and cash payments in a business entity during the accounting period.

Classification of cash flow is

*financing activities

*investing activity

*operating activity

Report the cash inflow and cash outflow generated from

1-cash flow from operating activity includes

(revenue, expenses, cost, current assets)

Cash flow	Cash outflow
Sales revenue	Cost of goods sold
Other revenue	Selling, marketing, general, administrative
Account receivable	Interest and expenses
	taxes

Should cash inflow > cash outflow

2-cash flow from investing activity as in

Fixed assets

-increased in case of selling

-decrease in case of purchasing.

Should cash inflow < cash outflow

3-Cash flow from financing activity

Source of finance

Owner Equity	liability
Cash inflow has increased in paid capital	Cash inflow as in the case of loan or debt
Cash outflow as dividends or withdrawal	Cash outflow as in case of repaying debt

A cash flow statement helps investors in

- *Ability to generate positive cash flow.
- *Ability to meet its obligations and pay dividends.
- *Need for external financing.
- *Investing and financing transactions for the period.
- *Provide information for the utilization of cash.

Concepts of cost terms:

Classified into

Direct cost	Indirect cost	Fixed cost	Variable cost
traceable	Untraceable Manufacturing overhead cost	Cost not related to production (total cost unchanged fixed but the cost per unit is variable)	Cost that change with output. (total cost changed variable but the cost per unit is fixed)
example:(direct material ,direct labor)	example:(indirect material,indirect labor,others)	example: rent	

*inventoriable cost :

All costs of a product are considered assets on the balance sheet when they are incurred and that becomes a cost of goods sold only when the product is sold.

Types of inventory

-direct material

-work in process

-finished goods inventory.

-merchandise inventory.

Period cost: All expenses included in the income statement that are not tied to the cost of items sold, such as labor expenditures for employees who work within a set time frame and advertising expenses.

Users of accounting data can be divided into two groups:

Managers who are internal users

2. External users, such as government agencies and investors

* Management accounting: Compiles, evaluates, and reports both financial and non-financial data to support managers in making choices that advance the objectives of the company.

Their main concern is internal reporting.

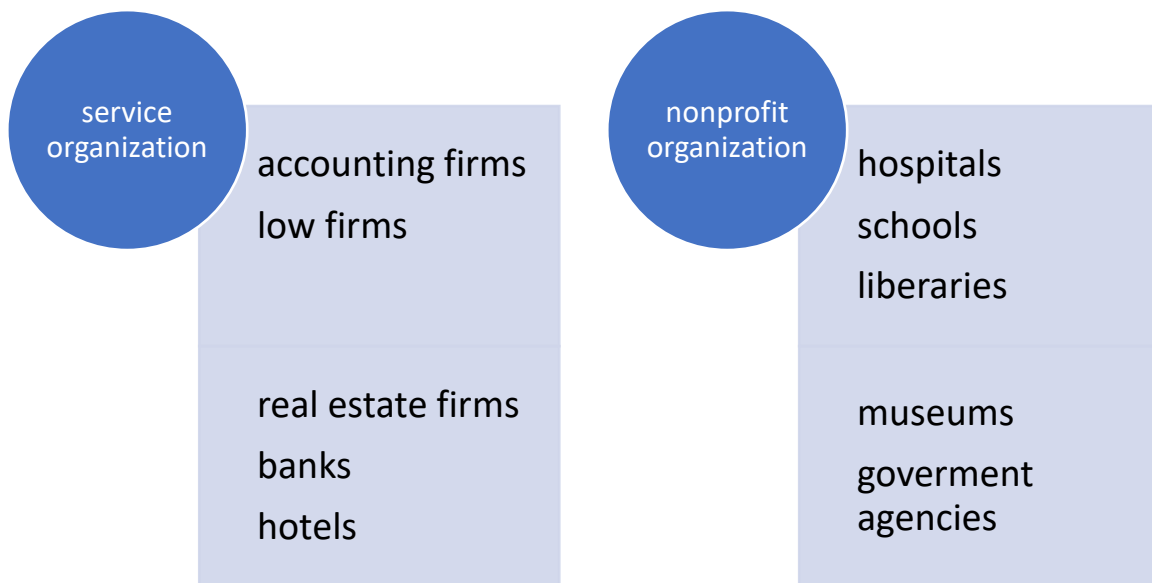
-people within.

It is focused on the future.

* Financial accounting: Emphasis on reporting to outside stakeholders, including creditors, banks, investors, and governments.

Accounting >>>financial statement (representable) >>>external auditors >>>crediting by global accounting principles (GAAP) and international financial report statement standards.

*Service and nonprofit organization



*Managers gain from accounting's information assistance:

Planning is the process of defining an organization's goals and determining how it will reach them.

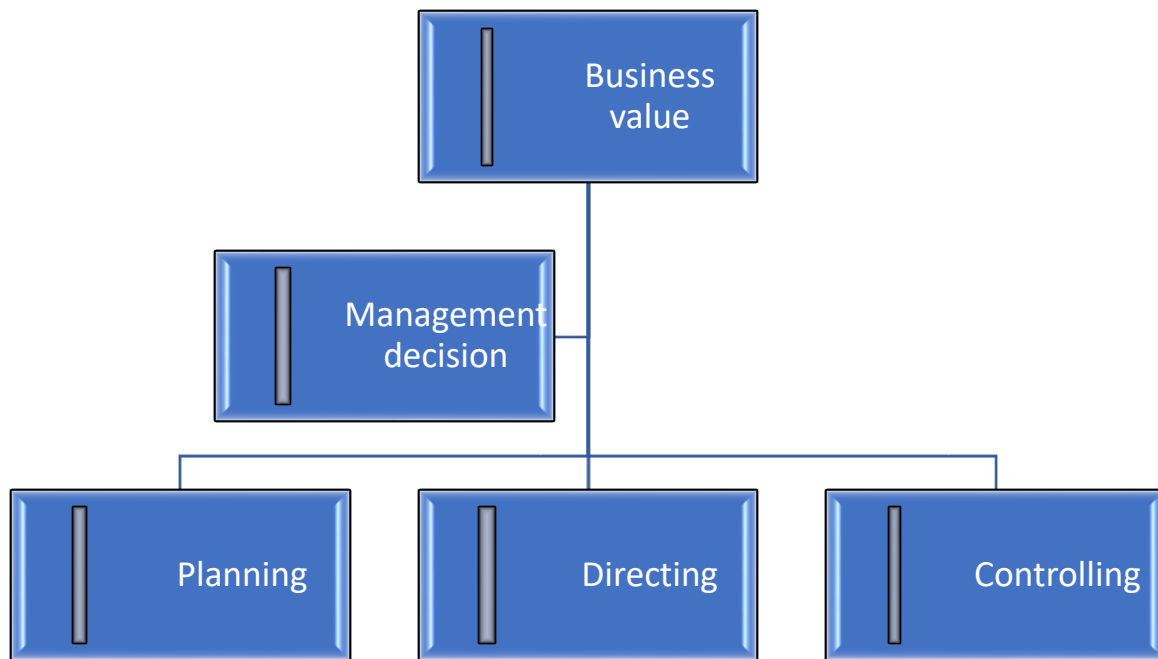
Implementing plans and utilizing feedback to assess goal attainment are referred to as control.

Decision-making process

Organizing pertinent information and accurately defining alternatives can help you make a more deliberate, thoughtful decision. Decision-making is the process of choosing by identifying a decision, gathering information, and assessing alternative resolutions using a step-by-step process.

the deliberate selection from a range of options intended to accomplish a certain goal

Organizing and managing



*Planning

A company needs to prepare for success. All layers of planning must take place. It takes place in the upper echelon of strategy formulation. Subsequently, it delves into a comprehensive analysis of how to determine the ideal "position" to optimize the likelihood of achieving objectives. Lastly, planning needs to be done with careful regard for both expected financial results (budgets) and financial realities/constraints.

*Budget:

serves as a quantitative representation of a plan of action and facilitates the plan's coordination and execution.

*P Give feedback by pointing out differences between the planned and actual results.

The management needs to consider the following factors before making a decision: what information is accessible; what information would be relevant; and how to evaluate the information and apply it to the decision-making process.

A modification to the Just-in-time (JIT) business procedure Philosophies.

- Manufacturing with computers integrated (CIM).
- Total quality control, or report:

*Relevant information

Any information that could influence the choice is considered relevant. Relevant data may be nonfinancial or take the shape of expenses or revenues. This entails figuring out which expenditures may be avoided and which cannot be avoided when it comes to cost information.

Information should be based on reliable and pertinent data while making decisions.

Concept of pricing

One type of competition in pricing is elastic or responsive pricing, which is seen in luxury goods like watches and perfumes. and if prices rise, fewer people would want to purchase it.

-Perfect competition, where price increases are not possible for identical, homogenous products.

-Insensitive or unelasticity occurs in the case of necessary products; as a result, requests may decline when prices rise, but not as sharply as they would if demand were higher.

-Positive or imperfect (one seller controls the market): price adjustments are anticipated here, with the largest market sale.



There is a relation between price and quantity demand as in case the price of a product decreases the request will increase the to substitution effect, income effect

Pricing decision forms

1. determining the cost of newly refined goods.
2. determining the cost of the item marketed under a private label.
3. Reacting to a rival's price increase.
- 4-setting bid prices for both sealed and open tenders.

The desired selling price

* As a proportion of full costs. * As a percentage of total manufacturing cost. * As a percentage of variable manufacturing cost. * As a percentage of total variable cost.

The margin in cost-plus pricing is known as the markup.

The markup varies according to the price.

The target margin is determined by either cost or price.

Type of pricing decision:

1-absorption method.

This technique can be applied on a quarterly or annual basis, and it is employed while making long-term decisions.

2. the mode of contribution.

This approach should be considered when making decisions on short-term or special orders because it does not: * impact fixed costs; * do not affect variable selling and administrative costs.

*Antitrust. *Needs to be able to produce.

If a special offer is made, it should only be compared using variable-cost manufacturing.

Case Scenario:

	DATA	FEBRUARY	MARCH
1	Production (units)	12500	14500
2	Sales (units)	11500	15500
3	Direct Materials	29000	33250
4	Direct Labour	19000	22000
5	Variable Production Overhead	7300	8500

6	Total Selling and Administrative Expenses	44500	57100

1. Swipes 50 Ltd. production capacity of 20,000 units per month.
2. Fixed production overheads are 28,600 per month.
3. Swipe 50 sales Plus Swipes at 22 each.
4. On 31st January, the company's warehouse has no plus Swipes in inventory.
5. Fixed and variable elements(a variable portion is incurred based on units sold) are included in the total administration expenses.

Profit statement for Swipe50 Limited for February and March using:

A) Absorption costing

FEBRUARY

Manufacturing cost = Variable manuf. Cost + fixed manuf. Cost. =

Variable manufacture cost /unit =

$$29000 + 19000 + 7300 = 55300 / 12500 = 4.424 \text{ €}$$

Fixed manufacture cost/unit =

$$28600 / 20000 = 1.43 \text{ €}$$

$$\text{Manufacture cost} = 4.424 + 1.43 = 5.854$$

$$\text{Sales revenue} = 11500 * 22 = 253000 \text{ €}$$

Production: cost per unit (variable cost/unit + fixed cost/unit) = total cost/unit * goods production

$$(4.42 + 1.43) * 12500 = 73125 \text{ €}$$

$$\text{Variance in production} = 20000 - 12500 = 7500 \text{ unit} * \text{fixed cost/unit}$$

$$7500 * 1.43 = 10725 \text{ €}$$

*COGS

$$\text{Beginning inventory} + \text{production} - \text{ending inventory} + \text{variance in production}$$

$$0 + (12500 \times 5.85) - (1000 \times 5.85) + (7500 \times 1.43) =$$

$$0 + 73125 - 5850 + 10725 = 78000 \text{ €}$$

Sales revenue – COGS + variance = margin profit

$$253000 - 78000 + 10725 = 185725 \text{ €}$$

Operation income

= gross profit - selling and marketing (indirect)

$$185725 - 44500 = 141225 \text{ €}$$

A) Absorption costing

MARCH

Variable manufacture cost / unit

$$33250 + 22000 + 8500 = 63750 / 14500 = 4.4 \text{ €}$$

$$\text{Fixed manufacture cost / unit} = 28600 / 20000 = 1.43 \text{ €}$$

$$\text{Manufacture cost / unit} = 4.4 + 1.43 = 5.83 \text{ €}$$

$$\text{Sales revenue} = 15500 \times 22 = 341000 \text{ €}$$

$$\text{Variance} = 20000 - 14500 = 5500 \times 1.43 = 7865$$

- COGS

Beginning inventory + production – ending inventory + variance

$$(5.83 \times 1000) + (14500 \times 5.83) - 0 + 7865 =$$

$$5850 + 84535 - 0 + 7865$$

$$98250 \text{ €}$$

Sales revenue – COGS + variance = margin profit

$$341000 - 98250 + 7865 = 250615 \text{ €}$$

Operation income = profit - selling administration

$$250615 - 57100 = 193515 \text{ €}$$

B) Variable costing

FEBRUARY

Difference of selling administration

$$57100 - 44500 = 12600$$

Difference in sales /unit

$$15500-11500=4000$$

Variance cost

$$12600/4000=3.15$$

$$\text{Sales} = 11500 \times 22 = 253000 \text{ €}$$

- COGS

(Beginning inventory + production – ending inventory)

$$\text{**Ending inventory} = 12500 - 11500 = 1000 \text{ €}$$

$$\text{** Total variable manufacture cost} = 29000 + 19000 + 7300 = 55300 \text{ €}$$

$$\text{** Variable manufacture cost / unit} = 55300 / 12500 = 4.42 \text{ unit}$$

$$\text{** Fixed manufacture cost / unit} = 28600 / 20000 = 1.43 \text{ unit}$$

$$\text{** Total manufacture cost / unit} = 4.42 + 1.43 = 5.85 \text{ unit}$$

$$0 + (12500 \times 4.42) - (1000 \times 4.42) =$$

$$0 + 55250 - 4420 =$$

$$50830 \text{ €}$$

$$\text{Margin} = \text{sales} - \text{COGS} = 253000 - 50830 = 202170 \text{ €}$$

-selling and administrative / unit

$$\text{** variable selling and administrative} =$$

$$57100 - 44500 = 12600 \text{ €}$$

$$15500 - 11500 = 4000 \text{ €}$$

$$12600 / 4000 = 3.15 \text{ unit}$$

$$11500 \times 3.15 = 36225 \text{ €}$$

$$\text{**fixed selling and administrative} = 36225 - 12600 = 23625 \text{ €}$$

Operation income =

=gross profit -selling and marketing(indirect)

$$202170 - 36225 - 23625 = 142320 \text{ €}$$

MARCH

$$\text{Sales} = 15500 \times 22 = 341000 \text{ €}$$

- COGS

(Beginning inventory +production – ending inventory)

**Ending inventory =1000+ 14500 -15500 = 0 €

** Total variable manufacture cost = 33250 + 22000+ 8500=63750 €

** Variable manufacture cost / unit = 63750/15500 = 4.11 unit

** Fixed manufacture cost / unit = 28600/20000 = 1.43 unit

** Total manufacture cost / unit =4.11 + 1.43 = 5.54unit

1000 +(14500*4.11)- 0=

1000+ 59595 - 0 =

60595€

Margin = sales – COGS = 341000 – 60595 = 280405€

-selling and administrative / unit

** variable selling and administrative =

57100 – 44500 = 12600€

15500-11500 = 4000 €

12600/4000 = 3.15 unit

15500*3.15 = 48825 €

**fixed selling and administrative =48825-12600 = 36225 €

Operation income =

=gross profit -selling and marketing(indirect)

280405 –48825- 36225 = 195355 €

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

February

Operating income in Feb. under absorption – operating income Feb under variable

=Fixed manufacture cost ending inventory /unit under absorption – fixed
manufacture cost beginning inventory under absorption

141225-142320=1095

(1000*1.43)-(0)=1340

March

Operating income in Mar. under absorption – operating income Mar. under variable
= Fixed manufacture cost ending inventory /unit under absorption – fixed
manufacture cost beginning inventory under absorption

$$193515 - 195355 = 1840$$

$$(0) - (1000 * 1.43) = 1340$$

Difference between absorption and contribution method

- All of the direct expenses related to producing a product are included in the absorption costing process.

Certain direct fixed costs may not be included in variable costing.

Assigning fixed overhead expenses to each unit produced during an accounting period is the process of absorption costing.

- Direct fixed overhead costs are not included in variable costing; all variable direct costs in COGS are.

Because variable costing does not include fixed overhead costs, it can give a more accurate view of inventory value and per-unit costs.

- In the short term, we employ the contribution (variable) technique to make decisions in the event of getting attractive offers. This method does not affect fixed costs.
- Over time, we employ absorption techniques (regularly).

Three ways to improve its accounting systems

Gradually, it will become much simpler to reconcile the accounts payable and receivable at the end of each month to the balance sheet and statement of financial condition.

* Establish and carefully adhere to deadlines for submitting invoices and receiving reimbursement. The accounting process is guided by corporate standards, which must be followed. * Research is crucial

While it may be difficult to justify spending an hour or two reading while at work, best

practices are continuously being refined, laws and tax forms change, and it is an essential task.

*Effective communication.

As crucial as it is to compile information and apply one's abilities and knowledge to acquire understanding

*pay your taxes

Taxes must be paid on time, early, or according to the specified timetable to prevent additional costs, fines, and the possible hassle of a botched audit.

* Seize opportunity

The majority of an accounting department's work is cyclical, recurring, or at the very least, predictable. This forms the mindset of working on an existing path without ever challenging it, leading to a missed opportunity for improvement and cost reduction in the department

*Must have commercial awareness

Most tasks performed by an accounting department are repetitive, cyclical, or at the very least, predictable. This creates an attitude of working on the status quo without ever trying something new, which results in a departmental loss of opportunity for advancement and cost savings.

* Align reporting within the accounting

Reports must be generated not only for your department and record-keeping needs, but also for executives, specific departments, filing needs, and tax preparation. To prevent work from being duplicated as a result of formatting requirements or software issues, a uniform system for reporting and data management becomes essential.

* This offers executives, your department, and other disjointed databases that might rely on manual entry and duplication access to a centralized hub of data as well as information access from anywhere. Do accounting in the cloud.

* Don't treat accounting like it's just compliance

Financial and accounting data can directly influence strategic goals and yield corporate insights, such as choosing a marketing plan that maximizes profits.

* Don't allow clients to get away with not paying their balances

It's good to see a large amount in the receivables column. Refuse to accept any more services until previous orders have been settled.

* Calculate a minimum monthly profit

It might be challenging to determine how well your business is doing without goals and solid measurements to foretell what is JUST about to happen. Annual budgets are expected, and a current statement is usually accessible. It can be useful in the accounting division to

Importance of Managing Accounting Jobs in a Manufacturing Company

Personnel responsible for the implementation, support, and management of an accounting system, such as "1C: Accounting," at a manufacturing company or corporate group must redeem themselves by using analytical and managerial abilities to their given tasks. A manufacturing firm is a sort of corporate entity that converts raw materials into means of production, provides facilities for executing labor, or manufactures accessories to complete a certain task. A manufacturing company generates cash from the sale of manufactured goods, which is then transmitted to trade organizations. In turn, a manufacturing firm is divided into corporate corporations, which are distinct business organizations made up of eleven or more companies linked by mutual contracts and/or individuals who share a common interest in

running these businesses. Corporate corporations can accomplish a number of economic, management, or social purposes, generating complex systems that frequently necessitate intricate involvement in accounting of the company's activity by specialists educated in the relevant area. Overall, an accounting system is a software program that determines whether a corporation earns or loses money. This is accomplished by comparing the proceeds from product sales to the costs incurred throughout the manufacturing process. Profit, costs, and any additional taxes incurred are then split between the company and the government. Every money entry and withdrawal is recorded, which serves as the foundation for evaluating the data. An accounting system may be backed by one or more specialists, such as an accountant, bookkeeper, or cashier.

The proper functioning of the accounting system necessitates the appointment of a supervisor (head of accounting, chief economist, or financial director) to oversee all impacted procedures. As a result, accounting occupations necessitate efforts and endeavors to preserve compliance with the accounting system's protocols, to treat all information as important and practical, and to group all organizations producing identical products, among other things. Thus, we might describe two sets of concerns regarding the scope of measures targeted at resolving those difficulties, which were picked as such due to their enormous importance and complexity: a) Increased revenue; b) Controlled and reduced costs.

Their responsibilities include compiling internal financial reports, records, and accounts to assist management in making decisions that will help the company reach its short- and long-term goals. In other words, they transform complex financial data into valuable insights for cost evaluation.

- Create or purchase assessments.

Forecasting and budgeting; regulating; planning; taxing; reporting; and making crucial judgments.

- Achieving goals

Conclusion

Accuracy and precision of data are essential to any company's success. Planning future company movements and assessing the current state of affairs is nearly impossible without insightful and useful information. Under these conditions, management accounting becomes a vital component of contemporary companies.

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