



**EUROPEAN
INTERNATIONAL
UNIVERSITY**



COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialisation:	
Affiliated Center:	
Module Code & Module Title:	
Student's Full Name:	
Student ID:	
Word Count:	
Date of Submission:	

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE:

DATE:

EIU Paris City Campus

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

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 |
Mobile/WhatsApp: +33607591197 | **Email:** info@eiu.ac

Table of contents

Introduction	2
1. Prepare a profit statement for Swipe 50 Limited for the month of February and March using	5
a. Absorption costing	5
b. Variable costing	5
B. Variable costing	9
2. Reconcile the profit calculated using absorption costing that using variable costing.	10
3. Explain how each method differs from the other method and also explain the importance of each method.	11
1. Margin analysis	11
2. Constraint analysis	11
3. Capital budgeting	12
4. Inventory valuation and product costing	12
5. Trend analysis and forecasting	12
4. Explain three ways that Swipe 50 Ltd. can improve its accounting systems.	12
1. Be timely with reconciliation.	13
2. Put cutoff policies in place and stick to them.	13
3. Research is not a waste of time, ever.	13
5. State why managing accounting jobs is important in a manufacturing company.	14
1. Relevant Costs Analysis	14
2. Audience Targeting	15
3. Make or Buy Evaluations	15
4. Define Budgets	16
5. Controlling	16
6. Planning	16
Conclusion	17
References	19
1-Managerial Accounting	19
2. Reconcile the profit calculated using absorption costing that using variable costing.	19
3. Explain how each method differs from the other method and also explain the importance of each method.	19
5. State why managing accounting jobs is important in a manufacturing company.	19

Introduction

‘CASH IS THE KING’

Managerial accounting is the process of identifying, analyzing, measuring, and conveying all information to firm managers in order to assist them in making effective decisions and developing strategies for attaining the organization's long and short-term goals and objectives. Management accounting is used for internal purposes such as evaluating product costs and developing budgets. The current study is based on Unicorn, a small business that sells retail products and services to clients. Management accounting concepts, kinds, and methods utilized to generate management accounting reports will be included in the report. It also offers cost-analysis methodologies that are useful for preparing the company's marginal and absorption costing. Budgetary control tools and their benefits and drawbacks also include the usage of a management accounting system to solve a company's financial challenges.

How Managerial Accounting Works

Managerial accounting encompasses many facets of accounting geared toward improving the first-class of statistics delivered to control commercial enterprise operation metrics. Managerial accountants use records regarding the value and income revenue of goods and services generated by using the enterprise. cost accounting is a large subset of managerial accounting that particularly makes a specialty of taking pictures an agency's overall charges of manufacturing by way of assessing the variable costs of each step of production, as well as fixed expenses. It allows businesses to perceive and decrease pointless spending and maximize earnings.

Managerial Accounting vs. Financial Accounting

the important thing difference between managerial accounting and economic accounting pertains to the meant users of the information. Managerial accounting information is geared toward helping managers inside the enterprise make properly-informed enterprise selections, even as

monetary accounting is geared toward presenting monetary information to events outside the employer.

monetary accounting has to comply with certain standards, consisting of commonly popular accounting ideas (GAAP). All publicly held businesses are required to finish their financial statements according to GAAP as a needful for preserving their publicly traded fame.¹ maximum different companies within the U.S. comply with GAAP as a way to meet debt covenants frequently required by monetary institutions offering lines of credit score.

due to the fact, that managerial accounting isn't for outside customers, it is able to be modified to satisfy the desires of its intended users. this could vary substantially by using an organization or even through departments within an organization. as an instance, managers in the production branch may additionally want to peer their financial statistics displayed as a percentage of units produced within the duration. The HR department manager may be interested in seeing a graph of salaries by using workers over a time frame. Managerial accounting is able to meet the desires of both departments by means of providing statistics in whatever layout is most beneficial to that unique want.

Types of Managerial Accounting Product Costing and Valuation

Product costing deals with determining the whole prices involved in the manufacturing of a very good or provider. charges can be damaged down into subcategories, inclusive of variable, fixed, direct, or oblique charges. fee accounting is used to degree and perceive those expenses, further assigning overhead to every sort of product created with the aid of the business enterprise.

Managerial accountants calculate and allocate overhead prices to assess the whole cost related to the production of an amazing. The overhead costs may be allotted based on the number of goods produced or different interest drivers associated with production, such as the square pictures of the facility. together with overhead prices, managerial accountants use direct fees to correctly value the price of products bought and stock that can be in unique degrees of production.

Marginal costing (sometimes referred to as value-quantity-profit analysis) is the impact at the cost of a product by means of adding one extra unit into production. it's miles beneficial for

short-time period economic choices. The contribution margin of a selected product is its impact on the general income of the employer. Margin analysis flows into break-even evaluation, which entails calculating the contribution margin at the income mix to decide the unit quantity at which the business's gross income same as total expenses. wreck-even factor evaluation is useful for figuring out price factors for products and services.

Cash Flow Analysis

Managerial accountants carry out cash flow evaluations with a view to deciding the cash impact of enterprise selections. maximum groups file their financial statistics at the accrual foundation of accounting. despite the fact that accrual accounting presents an extra correct picture of a company's authentic economic position, it also makes it harder to look at the actual coin impact of an unmarried economic transaction. A managerial accountant may put into effect running capital management techniques as a way to optimize cash float and make sure the business enterprise has enough liquid belongings to cowl short-term duties.

while a managerial accountant plays coins waft evaluation, he will consider the coins influx or outflow generated due to a particular commercial enterprise choice. for example, if a branch manager is thinking about shopping for an organization's vehicle, he may have the choice to either purchase the car outright or get a mortgage. A managerial accountant can also run exclusive eventualities via the branch manager depicting the coins outlay required to buy outright prematurely as opposed to the coins outlay through the years with a loan at numerous interest prices.

1. Prepare a profit statement for Swipe 50 Limited for the month of February and March using

a. Absorption costing

b. Variable costing

Case Scenario

Swipe 50 limited manufactures specialized screen protectors for laptop computers. The plus swipe is a screen protector that prevents scratches on laptop screens. The company has been in operation for 3 years and now that company has refined its production process, the directors have decided to focus on the income and costs arising from the activities. Therefore, the CFO, Tamara J. Blooms, wants to focus on product costing. She wants to look into how both absorption and variable costing affect the company's profits. The following information is available for the month February and March:

	February	March
Production(units)	12,500	14,500
Sales(units)	11,500	15,500
Direct Materials	€29,000	€ 33,250

Direct Labour	€ 19,000	€ 22,000
Variable Production Overhead	€ 7,300	€ 8,500
Total Selling and Administrative Expenses	€ 44,500	€ 57,100

Additional Information

1. Swipes 50 Ltd. production capacity of 20,000 units per month.
2. Fixed production overheads are €28,600 per month.
3. Swipe 50 sells 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.

A. February:

Manufacturing cost = Variable manufacture. Cost + fixed
 manufacture. Cost. = €7300 + €29000 + €19000 + €28600 = €4.42

Fixed manufacturing cost per unite = €83900 / 12500 unite = €6.712 per unite

Income Statment -February (Absorption)

Sales: 11500 unit x €22		€ 253,000
Beg Inv		
+ Productions	€83875	

- End Inv	1000 unite*€6.712	€ 6710
Cogs		€ 175835
Gross Margin		€ 165110
- Operation cost :		
Variable market 11500*3.15	36225	
Fixed market	8275	
Operating Income		€120610

Bugged Capacity = $20,000 / 22 = €10725 / \text{unts}$

Used Capacity = $€ 6.7 \times 12500 = € 10725 + 175835$

Production Volume Variance = $440,000 - 312,000 = € 10725$
--

A -March

Sales: 15500 unit x €22		€ 341,000
Beg Inv		
+ Productions	€ 97342	

- End Inv	-1000 unite*€6.712	€ 6710
Cogs		€ 250386
Gross Margin		€ 165110
- Operation cost :		
Variable market 15500*3.15	48825	
Fixed market	8275	
Operating Income		€120610

Bugged Capacity = $20,000 / 22 = €440,000 / \text{unts}$

Used Capacity = $€ 6.7 \times 14500 = € 97,150$

Production Volume Variance = $440,000 - 293,000 = € 147,000$
--

B. Variable costing

	February		March	
Sales	11,500*€22	253000	15,500*€22	341000
(-) Cost of goods sold(v)			70,000 300,000	
Beg Inv.	0			
+ Production {20000*6.7}	50,000		(280,000)	
- End { 12500 x 6.7}	(150,000)			
Cogs		3,50,000		6,20,000
Variable Marketing	11500*22	253000	5500*22	341000
Contributing Margin		28700		343600
Fixed Mau Fact		984000		877000
Fixed Marketing		(430000)		556000
Operating Income		783500		98650

2. Reconcile the profit calculated using absorption costing that using variable costing.

Absorption costing is a costing machine this is used in valuing stock. It now not only consists of the price of materials and exertions but also both variable and glued manufacturing overhead charges. Absorption costing is also called full costing. This guide will show you what's blanketed, the way to calculate it, and the advantages or disadvantages of the use of this accounting approach.

Benefits of that

There are numerous benefits to the usage of complete costing. Its main benefit is that it's miles GAAP-compliant. it's far required in preparing reviews for economic statements and stock valuation functions.

similarly, absorption costing takes into account all prices of manufacturing, inclusive of fixed costs of operation, factory hire, and a fee of utilities inside the factory. It consists of direct charges which include direct materials or direct labor and indirect costs which include the plant manager's income or assets taxes. it is able to be beneficial in figuring out the best selling rate for products.

Hazards in view that absorption costing consists of allocating constant production overhead to the product price, it isn't useful for product choice-making. Absorption costing affords a poor valuation of the actual price of manufacturing a product. consequently, variable costing is used as a substitute to assist management make product choices.

Absorption costing can skew a corporation's income level due to the truth that all fixed expenses are not subtracted from sales unless the products are offered. By allocating constant fees to the cost of producing a product, the costs can be hidden from an enterprise's income statement in inventory. as a result, absorption costing may be used as an accounting trick to temporarily increase an agency's profitability by way of transferring constant production overhead expenses from the profits declaration to the stability sheet.

as an example, remember in the example above that the enterprise incurred fixed manufacturing overhead fees of \$three hundred,000. If a corporation produces a hundred,000 gadgets (allocating \$three in FMOH to each unit) and the handiest sells 10,000, a vast element of manufacturing overhead prices might be hidden in stock in the stability sheet. If the manufactured merchandise isn't all sold, the earnings statement would no longer show the whole expenses incurred in the course of the duration.

3. Explain how each method differs from the other method and also explain the importance of each method.

1. Margin analysis

Is on the whole concerned with the incremental blessings of optimizing production. Margin analysis is one of the most essential and critical strategies in managerial accounting. It consists of the calculation of the breakeven point that determines the top-rated sales blend for the organization's products.

2. Constraint analysis

The evaluation of the manufacturing strains of a business identifies primary bottlenecks, the inefficiencies created by means of those bottlenecks, and their effect at the employer's ability to generate revenues and earnings.

3. Capital budgeting

Has involved the evaluation of the information required to make the vital decisions associated with capital expenditures. In capital budgeting evaluation, managerial accountants calculate the net present fee (NPV) and the inner charge of go back (IRR) to help managers to decide on new capital budgeting selections.

4. Inventory valuation and product costing

inventory valuation entail the identification and analysis of the actual costs related to the enterprise's products and inventory. The method normally implies the calculation and allocation of overhead prices, in addition to the assessment of the direct fees related to the fee of goods sold (COGS).

5. Trend analysis and forecasting

fashion analysis and forecasting are often concerned with the identification of styles and traits of product charges, in addition to the recognition of unusual variances from the forecasted values and the reasons for such variances.

4. Explain three ways that Swipe 50 Ltd. can improve its accounting systems.

Whether or not we love it or now not, the accounting department, controller role, or even the CFO are all components of the business environment that won't be going anywhere each time soon.

that is superb information for the ones operating within the accounting field. but, many executives can occasionally be at odds with even the humans they have in my view hired for this position. after all, retaining the cash tracked and safeguarded can now and again sluggish down project essential purchases, and poorly designed accounting processes had been the dying of a couple of commercial enterprises.

because the accounting team and its functions are really here to live, we have determined to push out a list of recommendations to at least make the accounting department extra efficient, extra productive, and greater conducive to commercial enterprise-wide success.

1. Be timely with reconciliation.

No, you could not do it now, but reconciling accounts payable and bills receivable on your statements of economic function and your balance sheet will be tons easier a bit at a time, on the give up of each month. The alternative (reconciling at economic 12 months give up all at once) in reality sounds awful.

2. Put cutoff policies in place and stick to them.

We've referred to this tip before, but it's important to have a system of rules and cutoffs for filing invoices, reimbursements, and many others. and strictly put in force them. commercial enterprise policies drive the accounting approaches and have to be adhered to.

3. Research is not a waste of time, ever.

From time to time it is hard to justify sitting and analyzing for an hour or two on the task, however, it's far clearly necessary in accounting. legal guidelines and tax paperwork alternate, and best practices are constantly being improved on.

5.State why managing accounting jobs are important in a manufacturing company.

Manage the spun words as you want.

A control accounting department is one of the organization's critical devices, but maximum entrepreneurs don't comprehend it due to its "beneath the radar" fashion of labor. control accountants are insiders who create internal analyses to manual the overall business approach.

via definition, their task is to prepare internal monetary reviews, facts, and money owed to useful resource managers' selection-making procedure in attaining short and long-term business goals. In other phrases, their job is to simplify complex monetary statistics and turn them into actionable insights.

The definition itself is pretty a lot self-explanatory, however, there is a lot greater hiding in the back of this discipline of work. Our put-up will display you six motives that make control accounting so critical in selection-making. let's take a look!

1. Relevant Costs Analysis

The most vital task of the control accountant is to conduct an applicable cost analysis to decide the present costs and deliver guidelines for destiny activities. One question sticks out here: How should I spend my budget?

before an organization takes any movement, it wishes to discover all opportunities and parent out the excellent tactic to increase the income. this means control accountants ought to investigate one-of-a-kind income channels, products, offerings, and advertising activities for you to discover the maximum worthwhile business model.

once the management accounting group is achieved with relevant fee evaluation, you may make better and extra proof-based totally decisions.

2. Audience Targeting

entrepreneurs must pay unique attention to their purchasers. They represent an anchor of the enterprise, so each corporation has to create a consumer character with all the corresponding capabilities which

- Age and gender
- Location
- Income level
- Academic background
- Lifestyle
- Personal values

However even if you outline the average client, there are nevertheless a few works to do. consistent with experts on the accounting help online, management accountants have to analyze the value of every customer institution to stumble on the maximum rewarding units: “With this special form of target audience concentrated on, you may make investments overtime and sources in markets which can carry you more profit inside the lengthy-time period attitude.”

3. Make or Buy Evaluations

Product manufacturing is often the maximum high-priced segment of the commercial enterprise, so it's vital to make sure which option suits the desires of your company. typically, there are two answers – make products on your own or buy them from a third-celebration issuer. In this example, management accountants are folks that have to cut the knot and tell you what to do.

they could examine the actual value of every answer and decide whether or not it's greater suitable to supply items internally or buy them from the producer. this could seem like an easy decision, but it's extraordinarily sensitive and has the energy to make or ruin your enterprise.

4. Define Budgets

not anything is random with regards to budgeting. on the contrary, budget-associated decisions must observe your income records and advertising and marketing database. that is wherein management accountants step in to investigate former activities and outline investments for destiny actions. they create financial plans for every department, project, marketing campaign, new product, or any other challenge.

5. Controlling

Controlling is another vital component of management accounting. particularly, it evaluates the paintings of all organization devices and makes conclusions related to the financial overall performance. In that manner, you get to learn the motives for each loss and the profit generated by means of your departments. In such circumstances, it's miles tons less difficult for senior executives to reduce operational charges. as an example, they could reduce salaries in underperforming departments or lessen the wide variety of personnel. on the other hand, they also can invest in branches that prove to be distinctly profitable, therefore growing the full profitability of the commercial enterprise.

6. Planning

The closing advantage of control accounting comes from its capacity to come across monetary styles and expect destiny trends. It permits you to live updated with the modern-day enterprise trends, which means that you could react in a timely way and implement techniques that allow you to live head and shoulders above the competition.

With the making plan's power of control accounting, you could additionally create lengthy-term commercial enterprise regulations. By doing so, you make sure that the whole crew remains on the equal music and works uniformly toward attaining your enterprise goals.

Conclusion

Every organization contains multi-function and parts, one of the most important parts is the financial part and accounting part to control that part we need a managerial accounting department to clarify and report the result of accounting situations of organization we need the backup for our work shall that work succeed or no shall that as per our plan going or are that result with we are planned about our strategy for revenue done or not all that we are working for the result in the accounting department with managerial accounting has away to report it, here we now our goals are achievable or not achieve, so we will start in the principle of accounting and decision making to buy or manufacturing or submit our service as per the type of organization, after that here clearly has a record of assets and liability, financial position for all part and person inside the organization, owner equity position, stakeholder government, bank, and supplier, investor, measure management efficiency, Managerial accounting encompasses many facets of accounting geared toward improving the nice of records introduced to control about business operation metrics. Managerial accountants use statistics regarding the price and income revenue of products and offerings generated by way of the agency. price accounting is a big subset of managerial accounting that mainly specializes in capturing an organization's general charges of production by means of assessing the variable fees of each step of production, as well as constant charges. It allows businesses to identify and reduce unnecessary spending and maximize profits and stock Turnover evaluation

inventory turnover is a calculation of how many times an organization has bought and replaced inventory in a given term. Calculating inventory turnover can assist businesses to make higher selections on pricing, manufacturing, advertising and marketing, and shopping for new stock. A managerial accountant may also perceive the sporting cost of inventory, that is the amount of rate an employer incurs to keep unsold gadgets. If the organization is wearing too much inventory, there may be efficiency upgrades made to lessen storage prices and free up coins waft for other enterprise purposes and constraint evaluation managerial accounting additionally involves reviewing the constraints inside a production line or sales technique. Managerial accountants help decide where bottlenecks arise and calculate the impact of those constraints on revenue,

profit, and cash waft. Managers can then use this fact to implement changes and improve efficiencies in the manufacturing or sales technique, also economic Leverage Metrics monetary leverage refers to an employer's use of borrowed capital in order to collect property and boom its return on investments. through stability sheet analysis, managerial accountants can offer control with the tools they want to have a look at the business enterprise's debt and equity mix so that it will put leverage to its maximum most excellent use. performance measures together with return on equity, debt to equity, and return on invested capital assist management discover key records of approximately borrowed capital, previous to relaying these facts to outdoor sources. it's far essential for management to study ratios and information regularly with a view to appropriately answer questions from its board of directors, traders, and lenders.

References

1-Managerial Accounting

<https://www.investopedia.com/terms/m/managerialaccounting.asp>

2. Reconcile the profit calculated using absorption costing that using variable costing.

<https://corporatefinanceinstitute.com/resources/knowledge/accounting/absorption-costing-guide/>

3. Explain how each method differs from the other method and also explain the importance of each method.

<https://corporatefinanceinstitute.com/resources/knowledge/accounting/managerial-accounting/>

5. State why managing accounting jobs is important in a manufacturing company.

<https://www.dominionsystems.com/blog/6-reasons-why-management-accounting-is-important-for-decision-making>