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COVER PAGE AND DECLARATION

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Introduction:

Managerial accounting's fundamental goal is to increase profits while minimising losses. It is focused with the display of data in order to foresee financial discrepancies and assist managers in making critical choices. Its scope is fairly broad, and it encompasses a variety of corporate functions. Management accounting processes are important because they assist in the collection, recording, analysis, and interpretation of internal accounting data that helps business managers make important decisions regarding the company's future growth and advancement. In this context, the purpose of this report is to offer a sufficient understanding of management accounting processes in order to examine the company's internal business operations and establish a future strategic business plan. The report successfully demonstrates how the organisation prepares internal accounting data using various accounting techniques.

Management accounting is a part of the responsibility accounting system that gives managers and decision-makers data to help them make decisions that aren't reliant on reporting obligations. Instead, it incorporates concepts from a variety of industries to meet management's needs.

Managerial accounting plays a crucial part in a company's strategic management, since it is created specifically for managers to help them make better decisions about operational operations. The cost calculation, which is used to measure inventory costs as well as the expenses and profitability of goods and services, is one of the goals of management accounting. In terms of which costs are attributed to cost objects, cost calculation methods differ. The costing theory uses two major calculation systems: full cost accounting, which includes all costs of production as product costs, and partial cost accounting, which only includes costs that fluctuate with output.

Management accounting covers budgeting and forecasting, performance evaluation, financial analysis, product costing and pricing, analysing business decisions, governance, corporate finance, and other issues. Although the management accountant depends on accounting information supplied by the organization's management accountants to discover, analyse, measure, and categorise accounting information for a company's development and output decisions, Accounting for management is the activity of efficiently and effectively managing a company's financial affairs. For the objectives of this research, we will depend on the business's management accounting tools and procedures. With management accounting software, the organization's executives can fulfil their pre-determined goals on time. To improve the business's working procedures, these tools can only be utilised by experienced professionals.

This report will demonstrate how management accounting may help Swipes 50 Ltd enhance their accounting daily processes, as well as why managerial accounting roles are crucial in manufacturing firms.

Managerial Accounting Assignment Submission

A. Profit Statements for Swipes 50 Limited for the months of February and March:

Profit Statements using Absorption Costing for February and March

Profit Statement (using Absorption Costing)					
Swipe 50 Limited					
				February	
Sales (11,500 Units @ Euro 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 Euro 6.36ea)				€ 6,360	€ 73,140
Gross Profit					€ 179,860
Less Selling & Administration Expenses					
Fixed Selling & Administrative Expenses				€ 36,225	
Variable Selling & Administrative 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 @ Euro 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 & Administration Expenses					
Fixed Selling & Administrative Expenses				€ 48,825	
Variable Selling & Administrative Expenses				€ 8,275	€ 57,100
Net Profit for March (Using Absorption Costing)					€ 190,190

Profit Statements using Variable Costing for February and March

Profit Statement (using Variable Costing)				
Swipe 50 Limited				
			February	
Sales (11,500 Units @ Euro 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 Euro 4.072ea)			€ 4,072	€ 46,828
Variable Manufacturing Margin				€ 206,172
Less Variable Selling & Administration Expenses				€ 36,225
Contribution Margin				€ 169,947
Less Fixed Expenses				
Fixed Selling & Administrative 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 @ Euro 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 & Administration Expenses			€ 48,825
Contribution Margin			€ 229,353
Less Fixed Expenses			
Fixed Selling & Administrative Expenses		€ 8,275	
Fixed Production Overheads		€ 28,600	€ 36,875
Net Profit for March (Using Variable Costing)			€ 192,478

**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

3- Explaining how each method differs from the other method and also explain the importance of the Each method.

Differences between absorption and varying costs First and foremost, we need to know what management accounting is all about.

The term "management accounting" refers to a variety of different types of financial reporting.

It doesn't matter what you name it; it's a tool for monitoring company and operational costs and for generating internal reports. the support manager and the high board to make a business strategy choice, the firm accomplishes its aims and targets

Internal managers and decision-makers are the ones who will benefit from this information. As a result, this information may be disseminated outside of the company.

As seen by this financial and economic data, the company's current management team is capable and efficient at making the correct judgments most of the time.

We should be aware that management accounting is a powerful instrument for both short and long-term planning and forecasting.

In addition, management accounting is used in the preparation of corporate budgets.

Managerial accounting is a crucial instrument for managers and the board of directors to make financial decisions in both the short and long term. Management accounting uses two primary methods: variable and absorption costing. Both have benefits and downsides. When preparing financial statements for external reporting, you may only use Absorption Costing since it is compliant with Generally Accepted Accounting Principles (GAAP). Absorption costing and variable costing are both acceptable methods for creating internal financial statements.

the management accountant relies on accounting information provided by the organization's management accountants to identify, analyses, quantify, and categories the accounting information. Accounting for management is the practice of managing a company's financial affairs in an efficient and effective manner. For the purposes of this study, we will rely on the management accounting tools and methods of the business.

To begin, let's define what we mean by "fixed-overhead expenditures.". Then you'll get the gist of it.

Variable costing vs absorption costing:

The consideration of fixed production overhead is the sole distinction between absorption costing and variable costing. Fixed manufacturing overhead is recorded as a product cost using

absorption costing. Fixed manufacturing overhead is represented as a period expense using variable costing. And there are three guidelines to follow when comparing profit statements:

- 1- When the number of units produced matches the number of units sold, the profit will be the same in both approaches.
- 2- When the number of units produced exceeds the number of units sold, absorption costing produces the maximum profit.
- 3- Variable costing produces the best profit when the number of units produced is smaller than the number of units sold.

Absorption Costing		Variable Costing	
Direct materials	} Product costs	Direct materials	} Product costs
Direct labor		Direct labor	
Variable manufacturing overhead		Variable manufacturing overhead	
Fixed manufacturing overhead			
Selling and administrative	} Period costs	Fixed manufacturing overhead	} Period costs
		Selling and administrative	

(Saylor.org / Page 351)

- **The importance of the absorption costing:** for use in external reporting Because all production overhead expenses (both fixed and variable) are absorbed into inventory until the items are sold, the absorption cost is also known as full costing (cost of materials, labor, and fixed and variable manufacturing overhead), The fundamental benefit of absorption costing is that it adheres to the Internal Revenue Service's generally recognised accounting rules (GAAP) (IRS). Furthermore, it takes into account all production costs (including fixed costs), not just direct expenses, and monitors profit more precisely over time.
- But Because all fixed costs are not subtracted from revenues until all of the company's produced items are sold, absorption costing has the potential to overstate a company's profitability within a particular accounting period. Furthermore, it is ineffective for analyses aimed at improving operational and financial efficiency, as well as for comparing product lines..
- **The importance of the Variable costing:** This is because variable costing necessitates the inclusion of all variable production costs (inventory) in inventory and the reporting

of all fixed costs (fixed manufacturing overhead) as period costs. This means that all fixed manufacturing expenses are accounted for on a per-item basis.

- A CVP analysis may be improved by using variable costing since it gives the information needed to produce a contribution margin income statement. Managers may establish contribution margin ratios, break-even thresholds, and goal profit points by segregating variable and fixed expenses..

It is, on the other hand, ineffective for internal decision-making.

Managers can't increase output only for the sake of boosting profits when they use variable costs in the workplace.

Using variable costs in management decision-making is a must. Fixed expenses are more important since they have already been incurred and cannot be reversed. As a result, it makes it easier to compare the profitability of various business units since it focuses on variable expenses and helps to overcome difficulties in allocating fixed costs.

Variable Costing's advantages It helps to concentrate on just those expenses that are directly influenced by the amount of production and may be reduced.

By evaluating the Contribution margin, a company may find lucrative items and effectively allocate resources for cost-volume-profit analysis..

- It eliminates the onerous and subjective task of apportioning fixed costs.
- It aids in the company's ability to better organise its operations and accept orders that exceed the Contribution margin.
- Using it, company managers may do a Break-Even analysis.
- Variable costing, on the other hand, has the disadvantage of leading management to believe that the firm can run successfully even with a small contribution margin, since it fails to take into account fixed costs, which have an influence on profitability as well.
- The use of Variable Costing is exclusively for internal reporting reasons, and the organisation must do its own financial reporting.
- The amount of fixed manufacturing overhead that is delayed in or released from inventories throughout the period under absorption costing is fully responsible for the difference between net operating income under direct costing and absorption costing. Net operating income is larger under absorption costs when the number of units produced exceeds the number of units sold. As long as the cost structure remains consistent, changes in inventory will only effect absorption costs but not direct costs.

- Some costs can't be broken down into fixed and variable categories since they're difficult to categorise and are semi-variable. This is a problem with variable costing.
- •
- Another drawback of Variable costing is that it does not provide any economies of size. However, Variable costing does not reflect the same rise in production volume as does the variable cost per unit based on Variable costing components..
- **Comparison between Variable Costing and Absorption Costing**

Basis	Variable Costing	Absorption Costing
Definition	It entails product pricing with solely variable costs..	It encompasses both fixed and variable cost product costing.
Components of cost	Expenses in this area include: direct materials, direct labour, variable overhead, and other direct expenses.	Direct Material, Direct Labor, Fixed and Variable Overhead, and Other Direct Expenses are all included in this category.
External Internal Reporting	Internal reporting necessitates it.	External reporting necessitates it.
Estimation of the total cost	Because it solely incorporates variable costs, it may result in an underestimation of overall costs.	It also offers a comprehensive estimate of the whole cost.

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

An accounting system is a technology that allows a business to keep track of and understand its financial data. An electronic accounting system or a manually managed accounting system are both viable options. The accounting system is used to maintain track of the company's revenue, spending, and other business processes. Accounting systems that are effective or efficient keep a watch on any data that might have a negative or positive impact on the company's finances. 2018 (LIU & PAN).

Swipes 50 Ltd. may enhance its accounting processes by introducing new software such as tally, ERP, and quickbooks. This will allow the company to keep track of all accounting data and achieve the following goals.:

a. Dedicate the Business Accounts

Swipes 50 Ltd.'s bank accounts and credit cards should be kept separate from the owners' personal accounts to make it easier to manage spending and revenue, as it is useful for the company itself and the business owners as well, to know and manage also to track the profits or losses away from the owners funds.

b. Expense Management

Swipes 50 Ltd. must have a system in place for tracking employee costs and reimbursing them. Swipes 50 Ltd. should have procedures in place for documenting expenses (receipt tracking), identifying the reason of the spending, and recording reimbursements. If workers do not have access to company credit or debit cards, a uniform mechanism for cost reporting and reimbursement will need to be developed.

The more the company will monitor the expenses and control it, keeping it in official records will help them to track the cost/expenses and reduce the non-useful expenses in the future.

Swipes 50 Ltd. should classify costs for management reporting and tax filing reasons in addition to monitoring employee reimbursement for expenses. To do so, you'll need to create two different charts of accounts: one for taxes and one for management accounting..

c. Accounts Payable Management

Swipes 50 Ltd. risks its business's image and incurs extra costs in late fees and interest if it does not have a comprehensive system for handling accounts payable. When a discount is provided for prompt payment, pay all of your invoices on time or early which will help Swipes 50 Ltd. To maintain its reputation in the market among all the vendors & suppliers.

d. Accounts Receivable Management

Swipes 50 Ltd. must set up systems, policies, and procedures for evaluating customer credit, educating customers on payment expectations and processes, generating invoices, accurately and timely invoicing customers, tracking received payments, and following up on past due accounts when managing accounts receivable, that also will help the collection departments while tracking and communicating with the defaulter (if any), keeping the records of the accounts receivables it is like keeping the company capital safe.

e. Income (Profit and Loss) Statements, Balance Sheets and Annual Financial Reports

These crucial financial reports should be a snap to prepare if Swipes 50 Ltd.'s bookkeeping and accounting staff maintains up with documenting costs and income. Swipes 50 Ltd. should analyse its income statements and balance sheets on a regular (monthly or quarterly) basis, and yearly reports should always look at the business's whole financial year.

Implement mechanisms to guarantee that all financial reports are generated accurately and on time, allowing Swipes 50 Ltd. to monitor and track key financial parameters.

A well-functioning accounting system will provide a number of integrated reports that the company can use to make decisions, analyse data, and assess performance.

(2019, Labro)

f. Cash Flow Forecasting

Swipes 50 Ltd. should also retain a current cash flow statement to aid in the cash flow forecasting process. Unexpected cash flow problems may put a company in a position, prompting owners to make rash financial choices to stay afloat, such as taking out high-interest loans or selling shares. Swipes 50 Ltd. may use cash flow forecasting to identify when cash flow problems will emerge and make solid financial plans to avert them before they happen. .

g. Internal Risk Mitigation

Swipes 50 Ltd.'s bookkeeping and accounting department must have a mechanism in place to protect the company against internal fraud.

To restrict any one person's access to accounts and information, divide responsibilities, enforce checks and balances, and create dual control..

h. Bank Account Reconciliation

It's vital to reconcile bank accounts as soon as possible. Swipes 50 Ltd. will be able to identify any accounting irregularities in a timely manner, as well as any indicators of possible fraud.

i. Data Back-Up

Make a copy of the data. Although cloud accounting offers some safety, Swipes 50 Ltd. should have contingency measures in place in case of an interruption. Swipes 50 Ltd. should also scan paper records so that they have digital backups in case of an office emergency.

After natural catastrophes, encrypted software is often lost or corrupted, and backup servers are never recovered. (2019, Kieso, Weygandt, & Warfield)

Swipes 50 Ltd. will keep the company's financial records and other essential information secure by using cloud accounting solutions. The cloud's distributed storage servers, which are placed in two or three separate geographic areas, allow data to be accessed from several places.

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

Internal users, executives, product managers, sales managers, and other employees who utilise accounting data to make crucial choices are the emphasis of managerial accounting, while financial accounting offers historical financial data to external users.

Managerial accounting delivers extensive financial and non-financial information to internal users for decision-making, planning, and control.

For internal decision-making reasons, it could make more sense to include nonproduction expenses that are directly related to the product, such as sales and administrative costs, when generating an inventory cost for one or more units of Swipes 50 Ltd. goods.

Managerial accounting is often concerned with developing future estimates for corporate divisions. If Swipes 50 Ltd. is contemplating launching a new product line, management will undoubtedly want thorough financial predictions for sales, expenses, and profits (or losses). Although financial accounting data from previous product lines would be relevant, creating predictions for the new product line would be a management accounting function.

The great amount of information in management accounting data is another feature. The financial information in the annual report gives a basic picture of the company's financial performance, but it doesn't go into depth about each product. The management accounting function would provide information such as product profitability..

Comparison of Financial and Managerial Accounting:

	Managerial Accounting	Financial Accounting
Users	Inside the organization	Outside the organization
Accounting rules	None	U.S. Generally Accepted Accounting Principles (U.S. GAAP)
Time horizon	Future projections (sometimes historical if in detail)	Historical information
Level of detail	Often presents segments of an organization (e.g., products, divisions, departments)	Presents overall company information in accordance with U.S. GAAP
Performance measures	Financial and nonfinancial	Primarily financial

(Saylor.org Page 7)

Summarization:

- Managerial accounting data is used to make future forecasts and includes several parts of the firm. Managerial accounting nonfinancial detailed measure of defective products
- Managerial accounting provides precise information on a monthly basis.

Financial accounting is the preparation of historical data in line with US GAAP.

Finally, management accounting data is often presented in the form of nonfinancial measures; this kind of nonfinancial data is derived from the managerial accounting stance.

Conclusion:

The corporation acquires the accounting information required by the managerial accountant for the decision-making process by the senior management of a manufacturing operation using various management accounting tools and technologies, according to the study.

While the management uses Variable Costing as an integral aspect of product costing data and as part of the business's internal reporting system. In circumstances when assigning fixed costs is not feasible or practical, or if management is more interested in understanding the extra costs to be spent in production without considering fixed costs at all, variable costing is a helpful metric of identifying costs connected with the product. Because all fixed costs are not subtracted from revenues until all of the company's produced items are sold, absorption costing has the potential to overstate a company's profitability within a particular accounting period. Furthermore, it is ineffective for analyses aimed at improving operational and financial efficiency, as well as for comparing product lines..

Using the margin and absorption expenditures, the corporation creates a cost-effective structure for its items. Gross profit exceeds the marginal cost of absorption in the absorption cost, indicating that the firm profits from absorption expenses..

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