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COVER PAGE AND DECLARATION

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The introduction

The management accounting procedures of a corporation are crucial because they aid in the gathering, recording, analysis, and interpretation of internal accounting data that enables business managers to make quick choices about the firm's future development and growth. This report was created with the goal of giving readers a thorough grasp of management accounting procedures so they may evaluate the internal business operations of the organization and create a long-term strategic business strategy. The report provides an appropriate explanation of the various accounting techniques used by the organization to compile internal accounting information. The component of the responsibility accounting system known as management accounting provides managers and decision-makers with reports for making choices that are not center on adhering to reporting criteria. Instead, it adapts business concepts from other fields to suit management's demands.

Budgeting and forecasting, performance assessment, financial analysis, product costing and pricing, assessing company choices, governance, corporate finance, and other topics are all included in management accounting.

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 @ 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
			€ 135,360
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
			€ 190,190
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 @ 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		

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

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

Definition of the distinctions between variable costing and absorption, we should first comprehend what managerial accounting entails.

Which go by a variety of names, such as cost accounting and management accounting

Regardless of the name, it is a tool for analyzing company and running costs before obtaining internal reports. The high board's support for the manager's decision-making in business strategy results in the accomplishment of organizational objectives.

The prior section is crucial, and by "internal" I mean that this report is for internal managers and decision-makers. So, you can distribute this reporting outside of the company.

This management is competent and effective at making judgments that are not just the right ones most of the time but also financially and economically sound.

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

Additionally, managerial accounting is used in business to create budgets.

In conclusion, managerial accounting is a crucial instrument for managers and the high board to use when making short- and long-term financial decisions based on forecasting and planning. The two primary methodologies in managerial accounting are variable and absorption costing, although each has benefits and drawbacks. We should point out that the majority of businesses, if not all of them, adhere to generally accepted accounting principles (GAAP), which means that the preparation of external financial statement reporting can only be done using absorption costing. However, when preparing internal financial statement reports, you are free to use either absorption costing or variable costing.

First, it's important to clarify what fixed overhead costs are. Then comprehend the

Variable costs versus absorption differences

According to the most often used definition, fixed overhead costs are expenses that are unaffected by production capacity.

Rent, insurance, salary, and equipment leasing fees are examples of fixed expenditures.

This implies that you will be responsible for these costs regardless of the volume of production or sales. To illustrate, let's start with:

The assimilation fee will be considered, and this will be done after looking at the variable fee:

Smiling metabolism introduces full cost absorption, and the name of the approach is more straightforward. He is fully applying a portion of the general expenditures that are continuously created on the cost of industrialization.

The account creates the foundation of the cost for each individual and makes it simple to divide the total expenses based on the quantity of manufactured units sold during the reporting period. For every unity created and sold in the verb, the outcome costs one. The sole definition of the expenses fixed across all units produced during the accounting period is included in the method estimate of the cost of assimilation. Introduces the kind from the cost raved smiling metabolism the cost total and treatment of costs, which includes all industrialization-related direct identically the substances and the direct employment and the expenses is the common people changeable and the expenses is the common people fixed in costs produced acceptable principles of the accounting reconciled for generally (GAAP).

The method estimate of the cost clarifies this in the general specification of the costs fixed across all industrialized nations, and as a result, the one is aided by the cost specification. Performs generally in accordance with the requirements of factions from the fixed general expenses, where the cost of the goods comprises sales and charges. Utilizing the method of cost of assimilation in that she the businesses from development managed appropriate politics of pricing is of utmost importance.

Both fixed and variable processing expenses are included.

Accordingly, the price setting takes into account all expenses incurred during production. The increasing costs that the chapter of the costs to constant avoids and changeable the rising do not be feasible in him in simple method and minute. Additionally, the accounting method aids in the inaccurate specification of profitability by registering all expenses along with sales and marketing in a single period. However, the main issue with this approach is that some of the costs are for the future, not all ties are fun and futuristic, and so their production and storage are not required to be included in the cost.

The abundant method estimate of the cost of the item is distinctive when formation finished from the

inventory in the stock within the report's included period, and it is not fully sold there, which is another good. The quantity of each unit that is specialized for the expenditures established is what I looked for in every producer in the stock, and therefore every item in the stock that is designated for him comprises a portion of the expenses fixed for all units.

As a result, the corroded sale has been fully generated, and the producer has been informed that his blessing has been stored even though the expenditure has not been fully corroded.

Some businesses have praised the ability to increase profits for a designated period of time; however, this approach does have some drawbacks, including the potential for artificially inflating profits during the report's designated period of time if expenses are not deducted in full, regardless of whether the company sold all of its products industrially or only some of them. Already, elusive, obstinate analysis of profitability for the reported period has been lauded.

Variable cost accounting treats fixed overheads as a one-time expense rather than a cost per unit, in contrast to absorption costing. Additionally, all variable prices under this method of costing comprise Raw materials, packing, and shipping are examples of production tools. The report includes the total fixed cost of the linked costs for the period. In particular, these costs are deducted from the amount of income as a total cost rather than being added on a per-unit basis based on their sale. (2017) Norine et al. consists of variable cost

Excluding all expenses other than those that are spent during manufacturing. This type of costing methodology primarily emphasizes variable production costs for determining product costs and stock value. Unlike absorption costing, which consolidates all fixed overhead expenses into one account, this method of costing reports all fixed overhead costs as a single line item on the balance sheet. The key benefit of employing variable costing over absorption costing is that it makes it possible to pinpoint just the major expenses required in creating a good or service. Additionally, this kind of costing support enhances income statements by utilizing Contribution margin, which results in better data for CVP analysis. Analysis of CVP does not benefit from absorption cost.

As a result, the variable cost won't display any profits until all costs incurred during the reporting period have been covered. Therefore, the company must account for all production costs even if there is no return on sales of manufactured goods during the reporting period. Of course, the company will only record money when the generated items are finally sold off, with no matching costs.

We display a complete payment of all fixed overheads within the covered period in which the report happens because it is a drawback of variable costs. Even if none of the produced goods are sold, the

whole cost of fixed overhead must be deducted.

Alternatively, it means that the report might indicate lower profits for the reporting period because

Even if you simply have few or no items, you must nevertheless display your whole overhead. Due to unsold items, the report will show decreased income but still full costs.

The regulations require that all associated revenue and costs be reported in the same reporting/accounting period, therefore even if variable costing appears to cover more expenses, it can't be considered a GAAP technique. Additionally, allocating fixed manufacturing expenses is not included in variable costs; as a result, these costs cannot be used for external reporting.

As a result, the use of variable cost estimating is typically restricted to usage as a tool for making decisions that will increase the operational performance of the company.

2019 (Patankar). However, to perform a break-even analysis, calculate contribution margin, and improve decision-making in the context of enhancing operational efficiency, business managers continue to largely rely on the use of variable costing. Maybe

Based on an examination of the crucial elements of each costing technique that companies heavily reliant on variable costs must implement

Creation of several production lines. This is due to the fact that it greatly aids in accurately calculating the revenues made from all product lines. On the other hand, businesses that take part in the creation of a single product line might utilize absorption costing as a tool to help establish the precise price level per unit of the manufactured goods. This is due to the fact that the absorption costing method's manufactured goods absorb all expenses. But according to accounting standards, businesses can only use absorption costing when variable costing appears to go against the matching principle.

Which mandates the recognition of all related income and expenses during the same accounting period.

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C. Three ways the Swipes 50 Limited can improve its Accounting Systems

Business management can make important economic decisions in the areas of forecast and planning thanks to management accounting, which provides them with useful data on production performance. The control method now in use for any discrepancy between real outcomes and monetary results is managerial accounting. Therefore, when used to plan on longer-term planning, managerial accounting becomes a very important resource-planning tool. Its capacity to plan based on current outcomes also makes it a highly powerful tool for resource management. 2019 (Warrin, et al.) Therefore, management accounting can be compared to a performance measurement method as a valuable tool that ensures the success and profitability of industrialization. Introduce a strict management accounting cycle as soon as feasible to make sure that all money and costs are adequately accounted for and regulated, especially in industrialization. 2019 (Partaker) It is true that Swipes 50 Limited has terminated at least the fundamentals of a rather straightforward managerial accounting system. However, in order for that data's information to be more significant for it is crucial to gather more specific information in order to enhance the accounting system so that management may utilize it to make the best vital and strategic decisions. In addition, I believe there are three crucial and required steps that may be taken. The following are ways that 50 Limited may improve its managerial accounting system.

1. Budget Reporting –comparing Actual vs. Forecasted Results

The Managerial Accounting System is a long-term endeavor, not a one-time event. Additionally, it is crucial to anticipate, budget for, and plan ahead. The importance of the control process in managerial accounting cannot be ignored or downplayed in any manner. Expect and/or budgeting are sort of giving the

Business success serves as a benchmark against which everything else is assessed and evaluated. This baseline is regarded by managerial accounting as an essential component of its generally applicable framework. Enhance plans Analyze the effectiveness of the part. Aid in eradicating distinctions. Reduce benefit ambiguity and help generate more controlled future planning funds or expectations are crucial components of successful management accounting and essential to achieving an organization's goals and objectives. By focusing on quality and limiting additional expenditures and possible expenses

during the budget year, it may be used to achieve profits. Budgeting makes sure that costs are allotted to this activity that helps the organization achieve its strategic goals, and it may be a crucial step in creating key performance indicators (KPIs) for specific tasks, managers, and divisions as a whole. (2016) Noren, et al. Every section has the opportunity to offer comments and contribute to the company plan throughout the cost-drafting process, but the cost must be well planned and clearly outline each member's duties. Funds will ultimately significantly boost the Managerial Accounting Framework since it is one of the most important aspects of the firm overall and may be used to Evaluation of any variations from actual performance is done by comparing the budgeted score to the actual outcomes. Effective funding and expected will greatly enhance beneficial input to management, eliminate or at least reduce any deviation, and ultimately assist to improve the operation and profitability of the company. 2019 (Warren, et al.)

2. The use of more Managerial Accounting techniques

In addition to variable and absorption costing, management accounting techniques like cost volume profit, basic cost, marginal costing, and cash flow management can be used to support coordination of the administration execution with the financial performance of a company or business. These techniques will help Swipes 50 Limited assess various aspects of their cost details and then be able to combine the resulting data with the financial performance. For instance, a funds volume benefit analysis would provide valuable information on the industry unit's break-even point or serve as a warning regarding the amount of units that must be sold in order to achieve the desired benefit. 2019 (Waren, et al.)

3. Introduction of activity-based costing:

According to the Swipes 50 Limited given details outline, the company only sells one product, so all overhead costs must be directly related to the production of that one item. Nevertheless, this also means that there may be some overhead costs that are unrelated to the products and/or are occurring for no reason. With the application of an activity-based costing system, each section's costs will be broken out, with just the overhead costs pertinent to that item being included. This will enable the separation of value-added and non-value-added expenses from overall overhead expenses. In addition, these activity-based funds will provide information that can be used to calculate the precise benefit of each unused item produced by a company like Swipes 50 Limited. This style will help eliminate or minimize non-value-added activities and so help to advance the general benefit of the business or company. Compared to absorption costing, which divides the whole amount of generating overhead among the total manufacturing costs of all products, activity-based costing may be a far more reliable and precise method of cost allocation. At that moment, it is clear that some items have been used since they made up a smaller fraction of the overhead expenses than another product. The use of an activity-based reserves framework may therefore quickly, precisely, and successfully resolve this issue. When compared to the Assimilation Costing method, activity-based costing may be more common because it assigns overhead costs to the fixed product. 2019 (Partaker) 2019 (Waren, et al.)

D. Why the managerial accountant's job is important within a manufacturing

Company

The management accountant's role is crucial since it encompasses every aspect of an organization. 2018 (Kulkarny, et al.) The job of a management accountant includes gathering, documenting, and disclosing financial data from, maybe, a few business divisions within the organization. The task also entailed taking note of and analyzing financial plans and projections, as well as realizing them and making financing recommendations. The cost of labor, raw materials, production, sales, marketing, sales, advertisements, and internal operating costs are all estimated in this last section. In order to conduct a comprehensive review of the organization's working capital and funding availability and to provide all of this information to senior management and the Board of Managers, the management accountant must also cooperate with all connected business divisions. As a result, the management accountant is the primary information source that managers and CEOs rely on to guide their choices. The management accountant's job is to track all expenses associated with every company activity and use that information to help the organization make choices regarding operations, investments, and production. For businesses to be able to determine the effectiveness of their resources, the cost of their operations, and then specify budgets in production, sales, and investment, they require management accounting and management accountants.

(2016) Noren ET al. Thus, a management accountant's role is crucial to the success of any corporation. Because of how important they are, even a single management accountant mistake might put the company and organization at risk. To maintain ongoing compliance, the management accountant enforces both the internal costing procedure and recognized accounting standards. Making strategies for the operation of a corporation requires careful consideration of timing X. A management accountant must establish exceptions, raise money, and provide reports within a certain time frame so that they may be executed quickly and without delay as necessary. A timely anticipation is especially necessary to account for market uncertainties. A certain degree of precision is crucial since the funds must be allocated in accordance with the available working capital and shown in relation to market risks. To help with the best decision-making, the

management accountant must verify the correctness of all information before reporting. Last but not least, a management accountant must be knowledgeable about everything, including political circumstances that may have an impact on the market, inflation, other market exposures, competition, labor costs, raw material costs, all operations, coordination between various corporate departments, as well as its interactions with other business sectors, in order to show to company management in advance so that they can make financial decisions while taking into account available budgets. 2018 (Kulkarny, et al.)The function of the management accountant is therefore significantly more crucial, or at least equally vital as it is in the majority of enterprises, because of the unique complexity of an industrialization organization.

Conclusion

According to the report, the company uses a variety of management accounting tools and technologies to gather the accounting data the management accountant needs for the commercial operation's decision-making process. Swipes 50 Limited faces fierce competition in the manufacturing market from other businesses that are utilizing cutting-edge sustainability and growth technologies. The company uses the margin and absorption costs to create a cost-effective framework for its products. Gross profit exceeds the marginal cost of absorption in the absorption cost, indicating that the firm benefits from absorption expenses.

Management may use the data in the various accounts to further its strategic objectives and plans for the company's growth and development. The ability of a firm to direct and supervise its management towards profitability depends heavily on management accountants. Establishing financial accounts is required by the accounting framework used to assess a company's financial plans and planning performance.

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