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<b>Student's Full Name:</b>	<b>ALI ALRABA NAYF ABURAMYAH</b>
<b>Student ID:</b>	<b>EIU2020952</b>
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E-SIGNATURE: ALI ALRABA

DATE: Nov 2022

#### **EIU Paris City Campus**

**Address:** 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33144857317 | **Mobile/WhatsApp:** +33607591197 | **Email:** [paris@eiu.c](mailto:paris@eiu.c)

#### **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](mailto:info@eiu.ac)

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## **Introduction**

Early packets of this reading content controlled usually with money linked accounting. Financial accounting is involved with describing to outside parties such as proprietors, investigators, and lenders. These external customers don't always have access to internal company data, and they don't always get to choose which data is published. Instep, they must depend on the common reports displayed by the firm. Therefore, the structure of announcements is well defined and regulated. The strategies of layout and the reports provided are represented by regulations of different standard-setting bodies. Besides, the outside clients by and large view as it were the summed or totaled information for a material.

In differentiate, supervisors of a certain commerce usually demand or seek distant more point by point data. This data must be custom-made to decision-making assignments of supervisors, and its structure grows to be more "free formed." Such administrative accounting data tends to be oriented on items, divisions, and exercises. The administration plan below is meant to serve as a general guide for marketing, finance, and other related fields. Essentially communicated: administrative accounting is nearly delivering information in favour of the inner organisation forms. Several companies have acknowledged their internal accounting departments as secretarial hubs. This title is more intelligent of their extensive span and breadth of tasks. As opposed to financial accounting, administrative accounting has several unique features. Outside detailing rules are substituted by inner specifics as to how information is to be collected and shown. These deliberations should be internally consistent enough to enable top-notch monetary decision making. Access to real-time data, for instance, can replace mandatory reporting intervals, allowing for more immediate action in response to shifting circumstances. In addition, predictions have become increasingly fundamental for planning functions. In addition, collected information needs to be disseminated in a fashion that allows boards of directors to focus on the trade data (or "fragments") within their area of control (and for which they may be held accountable).

**1. Prepare a profit statement for Swipe50 Limited for the month of February and March:**

**A. Absorption Costing Income statement**

The Revenue of Sales = The total sold units \* The cost of every unit.

The Manufactured Goods Cost = The Direct Materials add to The Direct Labor add to The Variable Production Overhead add to The Fixed production overheads then divided on The Total Production.

The Cost of Goods Sold (COGS) = The Beginning of inventory add to Manufacturing purchase divided on the production minus The Ending of inventory (production unit– sales).

<b>Absorption Costing February Profit Statement</b>		
The Revenue of Sales = 11,500 X 22 Euro		253000 Euro
The Beginning of Inventory	Zero	
Manufacturing purchase / production 12500 X 6.712	83900 Euro	
The Ending of inventory 12500 –11500 =1000 X 6.712	6712 Euro	
Less: The Cost of Goods Sold (COGS)		77188 Euro
<b>The Gross Margin</b>		<b>175812 Euro</b>
Less: The Total Selling and The Administrative Expenses	44500 Euro	
<b>The Operating Income</b>		<b>131312 Euro</b>

<b>Absorption Costing March Profit Statement</b>		
The Revenue of Sales 15500 X 22 Euro		341000 Euro
The Beginning of Inventory	6712 Euro	
Manufacturing purchase / production	92350 Euro	
The Inventory Ending	0	
Less: (COGS)Cost of Goods Sold		99,062 Euro
<b>The Gross Margin</b>		<b>241938 Euro</b>
Less: The Total Selling and The Administrative Expenses	57,100 Euro	
<b>The Operating Income</b>		<b>184838 Euro</b>

## B. Variable Costing Income Statement

<b>Variable Costing February Profit Statement</b>		
The Revenue of Sales 11500 X 22 Euro		253000 Euro
The Inventory Beginning	0	
Manufacturing purchase / production 12500 X 4.424	55300 Euro	
The Inventory Ending 12500 –11500 = 1000 X 4.424	4424 Euro	
Less: (COGS)Cost of Goods Sold		50876 Euro
Less: The Variable of Selling & The Administrative expenses		36225 Euro
<b>The Contribution Margin</b>		165899 Euro
Less: Fixed Production Overheads		28600 Euro
Less: The Fixed Selling and The Administrative Expenses		8275 Euro
<b>The Operating Income</b>		129024 Euro

<b>Variable Costing March Profit Statement</b>		
The Revenue of Sales 15500 X 22 Euro		341000 Euro
The Inventory Beginning	4424 Euro	
Manufacturing purchase / production 14500 X 4.396	63750 Euro	
-The Inventory Ending	Zero	
Less: (COGS)Cost of goods sold		68174 Euro
Less: The Variable of Selling & The Administrative expenses		48825 Euro
<b>The Contribution Margin</b>		224001 Euro
Less: Fixed Production of Overheads		28600 Euro
Less: The Fixed Selling and The Administrative Expenses		8275 Euro
<b>The Operating Income</b>		187126 Euro

## 2. Reconciliation Profit Statement calculated Absorption Costing & Variable Costing:

The Fixed Manufacturing Carried Foreword equal The Closing | The Inventory Beginning X (fixed overhead /production)

<b>Reconciliation Statement</b>		
<b>Subject</b>	<b>February</b>	<b>March</b>
Net Income by using the method of Absorption Costing	131312 <i>Euro</i>	184838 <i>Euro</i>
Less: Fixed Manufacturing Carried Foreword (Inv. Closing) 1000 x (28600/12500))	2288 <i>Euro</i>	
Add: Fixed Manufacturing Carried Foreword (Inv. Beginning) (1000 X (28600/12500))		2288 <i>Euro</i>
	<b>129024</b>	<b>187126</b>

## 3. Explanation of The Two Method Different and Its Value

While variable costing takes into account all of the variable costs that are directly brought about by continuing production, absorption costing takes into account all of the variable costs that are directly brought about by production but does not include any of the fixed costs. Absorption costing is the sole method of costing that is permitted by GAAP (the Financial Accounting Standards Board). Public firms are required to use absorption costing since it is a requirement of GAAP reporting, therefore they do not have a choice in the matter. Variable costing is also required. When a company includes their cost of goods sold (COGS) on their income statement, absorption and variable costs will become a statistic for that company.

- In contrast to variable costing, which may exclude some coordinated fixed costs, absorption costing accounts for every coordinated expense incurred in the production of a product.
- Absorption costing, often known as full costing, is a method of pricing goods and services that includes spreading fixed overhead costs over all output throughout a certain cost period.

- Variable costing integrates all the variable coordinate costs in COGS but precludes coordinate, settled overhead costs

A few times as of late looking at assimilation vs variable costing, it'll be vital to encourage it the differentiate between arrange and underhanded costs on the pay explanation. In most cases, coordinate costs are directly proportional to cost of goods sold, which has an effect on a company's bottom line and profit margin. The working advantage and working advantage edge of a firm will be strengthened by reducing the repercussions of the company's circuitous costs, which are linked to its working costs.

Direct costs comprise things like the item of the raw materials used to make the product, the item of the laborer's who really make the product, and the direct, overhead costs utilized with creating the product.

Indirect expenses are not directly linked to production. Examples of such things include:

- Research and development
- there was a decrease in value
- Amortization of intangible intangibles
- Selling expenses
- Expenses in Promotion
- Administrative expenses
- Spending on other expenses

Understanding the difference between direct and indirect costs on the income statement is a prerequisite to analyzing absorbed vs variable costs. The relationship between direct costs and COGS is a key factor in determining a business's gross profit and gross margin.

Indirect costs are connected to operating expenses and have a significant impact on a business's operating outcomes and operating profit margins.

Direct costs include things like the wages of the workers who construct the product, the cost of the materials needed to construct it, and any direct overhead expenses incurred.

Production-wise, indirect costs just aren't there. Those things may include:

- Development and Research
- some depreciation
- Amortization of intangible assets

- Retail cost-tag
- Promoting costs
- The Cost of Management
- costs more

### **The Absorption Costing**

It's possible to refer to absorption cost accounting as "full cost accounting" as well. The Absorption cost method is required for use by publicly traded companies for determining COGS. Absorption cost accounting is required for private companies by the GAAP organisation when creating an income statement.

Absorption costing is a method of calculating production expenses that focuses solely on the direct costs that affect COGS:

- The cost of basic materials
- Wage cost per Hour
- Industrial wages
- Electricity costs for a manufacturing plant that are variable to change throughout operation.

Included in this are all direct fixed costs, such as:

- Loan secured by a mortgage for a production facility
- Protection for a Production Setup
- Equipment obsolescence

Absorption costing financial statements may separate variable direct costs and fixed direct costs or present them as a single item, cost of goods sold (COGS), depending on the level of detail provided by the firm. Direct costs (both variable and fixed) are subtracted from sales to arrive at a net profit figure.

The absorption method of computation results in a higher cost of goods sold and a lower gross profit per unit of production. A higher breakeven price per unit of production is what this entails for the business. It also results in a little higher retail price for consumers.

Absorption costing may or may not have an impact on a business. For instance, whether or not a corporation manufactures 1,000 units each month, it still must make the monthly mortgage payment on its manufacturing premises. After reimbursing its contract or finishing a devaluation program at a fabricating office, the corporation may realize an increase in net



benefit. When employing the absorption cost technique, cost accountants need to give careful thought to these factors.

Most companies that rely on COGS also adhere to full costing as their norm. For GAAP purposes, this is essential. Most external auditors and financial players will also necessitate it for reporting purposes. Full costing may be required for filing Tax returns by companies with less than 500 employees or a medium-sized revenue stream, depending on the company's organizational structure.

### **The Variable Costing:**

Variable costing is an option for certain privately held companies. All direct costs that are variable to fluctuations are included into COGS under variable cost accounting. Instead of being included in the cost of costs sold, direct costs that are constant are allocated to the operating budget. The following categories of fixed direct costs are maintained throughout both absorption and variable costs:

- Finance for a production building
- Protection for a Production Setup
- Equipment obsolescence

For COGS-based units, reduced variable costs mean a lower breakeven point. As a result, it may become more challenging to make a fair price for a good or product. The gross profit and gross profit margin will both increase by a small amount when switching to the variable costing method from the full costing method.

One benefit of the cash method is that it allows companies to delay the recognition of some costs, such as variable costs, until later.

### **The Using of Each Method**

Whenever there is a cost of products sold, most companies will employ the absorption method of calculating profit. Managers at many companies will find that full cost accounting is required by generally accepted accounting principles (GAAP) and, as a result, will utilize this method exclusively. It may make sense for a corporation to adopt or at least compute variable costing methods, depending on its business strategy and reporting needs. In general, managers should remember that absorption costing and variable costing are both viable solutions when evaluating the COGS costing process at their firm.

A company's unit pricing may be significantly influenced by its direct fixed overheads. Businesses that use variable costs may be able to write off their high monthly direct fixed costs as operational expenses. Occasionally, this can lead in lower per-unit costs. Full costing is important for both short-term and long-term decision making, but it is a change that most companies will need to make at some point.

#### **4. The Three Ways of Swipes 50 Ltd:**

##### **The Using of The Suitable and Proper Software**

The highlights, strengths, and options provided by accounting software vary widely. Be sure to do your homework before putting your money down on anything. Your chosen method of accounting must conform to the standards of your trade. Take into consideration the essential highlights for your trade. Forms for reporting, gathering data, billing, and calculating value-added tax are just a few examples; there is a plethora of more to think about. It's essential to carefully assess your accounting software options. You don't want to be left in the dark.

##### **The Implementation of Automation**

Automation may be an excellent time saver. It allows you to reduce the amount of time wasted on accounting tasks, freeing up staff members to spend on other, equally important aspects of your trade. Furthermore, automation drastically lessens the information of error or inaccurate data. We are all fallible beings. The incorrect information may have real consequences for your financial statements. That's not even counting the load. Automation has no such chance. Protection against the snowball effect of little mistakes.

##### **Forecasting a Minimum Monthly Profit and Making a Plan.**

What are some of the things that you aim to achieve and objectives that you have for your organisation in terms of its financial commerce? There are accounting systems that may direct you in the right direction if you are unclear of what to do. If you use the right method for transferring accounting, you will be able to use the experiences and data you have gathered to utilize a valuable plan that will help your company improve. There is far too much riding on this to limit one's thinking to just valuable outcomes. You will have a much-improved capacity to assess and evaluate the activities you engage in. In most cases, companies will be unable to locate this particular object. Although annual budgets are typically anticipated, and a current explanation is typically offered, it may be difficult to

determine how well your company is actually performing without objectives and reliable metrics to predict what is almost certain to occur. Within the accounting department, it might be helpful to present this data as concluded from your information: "We required a minimum of \$ net edge for the last three months, and if we keep up we'll require the same." One of the most important jobs of an accounting office head is to ensure that authorities are on the same page about the veracity of the objectives they are establishing.

## **5. The Importance of The Managing Accounting Jobs**

As a result of operating "under the radar," most entrepreneurs are unaware that the company has a dedicated administrative accounting administration. Accounting professionals are experts who make internal audits to direct the overarching commerce strategy.

Their job description is for them to organize internal financial data, records, and accounts to aid managers in making informed decisions that would help the business meet both its short-term and long-term goals. Essentially, their job is to take seemingly incomprehensible fiscal data and transform it into useful information. The term is fairly self-explanatory, but there's actually quite a bit more that's being hidden in the background of this industry. Some of the factors that make administration accounting so important for choice-making will be discussed below. Managerial accountants can be found in a wide variety of settings, including public companies, private businesses, and governmental agencies. Taken-a-toll accountants, Managerial accountants, mechanical accountants, private accountants, and corporate accountants are various names for the same type of professionals. One of the key highlights that differentiates a managerial accountant from, say, a public accountant is the former's utilize on the accounting and use of information inside an accounting.

You'll be keeping records and performing calculations for internal budget, which will help businesses with their budgets and overall efficiency. You'll be working with other supervisors to help the organisation pick and manage its various operations. Chance supervisors, budgeters, organizers, strategists, and decision-makers: that's what managerial accountants do. Their efforts make the decisions made by the company's owner, manager, or board of executives.

Managerial accountants oversee lower-level accountants on a regular basis, who record accounting and costs and analyze liabilities. Using this data, we may plan for cash flow explanations, adjusting sheets, and salary statements to be utilized. As a general rule, you will have to take on these responsibilities on your own in more modest organizations. To aid in

operational decision making, a managerial accountant conducts research to estimate, budget, and degree execution and plans, which are then presented to senior managerial.

The managerial accountant's primary responsibility is to do a comprehensive far-reaching analysis of current costs and make recommendations for future exercises based on the findings. The most notable of these addresses is: If you could give me some advice on how to spend my budget, what would it be?

Each method employed by a business needs to be weighed against every other variable to find the most effective method of profiting from it. Thus, trade accountants need to investigate several sales channels, products, services, and marketing strategies to find which one would yield the best results.

After the managerial accounting team has finished their study into the relevant took a toll, you will be able to make much better and more evidence-based judgments.

Businesses should treat their clients with unusual care. Because they represent a consistent segment of the commerce, businesses must make buyer personas that include relevant differentiation highlights such as:

Experts at an online accounting service say that in order to determine the most profitable units, managerial accountants should do an analysis of the value of each customer group. To paraphrase, "with this unusual kind of group concentrating, you'll put in more time and resources in markets that can offer you more profit over the long haul.

The creation of goods is frequently the most expensive part of a commerce, therefore it's important to pick a generation item that most serves your needs. You can either make the goods on your claim or acquire them from a third-party vendor. Managerial accountants are the ones who should be the ones to cut the tie here and advise you what to do.

They may evaluate the actual cost of both options and decide if it is better to furnish items themselves or to acquire them from the manufacturer. The outcome of your business depends on what may seem like a simple decision, but in reality, is quite nuanced.

When it comes to the budget, nothing seems out of the ordinary. In contrast, financial decisions should be consistent with your sales record and marketing database. This is when managerial accountants are called in to assess the outcomes of past efforts and provide context for forecasts of future exercises. They make financial plans for every department, expansion, advertising campaign, unused item, and other endeavor.

Managerial accounting also considers controlling to be an important aspect. In particular, it evaluates the performance of all departments within the organisation and draws opinions about the monetary implementation. That way, you may commit both the causes of the

accident and the benefits provided by your workplaces to memory. For top-level managers, it becomes much easier in such a setting to cut costs elsewhere.

They can, for number, lower wages or cut off workers at unproductive businesses. However, they can also add to very fruitful offshoots, so increasing the trade's overall productivity.

Financial planning differentiation and improvement forecasting is the last advantage of managerial accounting. By keeping abreast of developments in your field, you'll be better able to move swiftly and implement strategies that give you a leg up on the competition.

Managerial accounting gives you the tools to plan ahead, so you can make lucrative long-term trade deals. By doing this, you ensure that everyone is on the same page and working toward the same business goals.

The Earth's limited resources are put to constant use by humanity. There are less and fewer resources for us to use, therefore we need to be more economical. In the commerce world, we spend investments money in order to pay for the labor of professionals and the resources necessary to keep our clock running. Accounting for managerial might spend us cut resources in order to keep production rolling without sacrificing generation quality or sales potential.

It is possible to assess how much we can accomplish with less by analyzing the costs of labor, materials, and other factors. For instance, you can decide if you need to cut the number of employees in a certain office or reassign some of them to a different department with a higher workload. If you completely rethink an item, you may be able to lead the amount of material used in its generation without compromising on the item's function or quality.

## **Conclusion**

There are a variety of resources available to management that may be utilized for increased output and continued operation performance. Managerial accounting serves an important business and should be respected. It plays a crucial role in the business by directing the strategies that ensure the company stays on track. For this reason, no matter how important it may be to act unethically in the face of all the ethical dilemmas facing your business, you must always maintain a firm commitment to doing what's right. The objectives and vision of the organisation may be better defined with the help of administrative accounting strategies. Methods of cost management and cost accounting can be used to zero in on the most precise and thorough approach to ensuring that all funds are being spent where they are most effectively directed. In order to keep the business on track and growing in a lucrative manner, it is essential to maintain strict budgetary and quality control standards. Making decisions is often disregarded.

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