COVER PAGE AND DECLARATION

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Introduction

Since the beginning of my research and my study of economic administrative sciences, my interest and attention to this rich scientific material is increasing, here in this topic (management accounting) I have seen and taken widely about accounting of all kinds of financial and administrative, through several references, sources and lessons also presented by Prof. Dr. Islam Abdel Hamid, who presented the subject of management accounting

And since the need of longing and factories and international and local companies for administrative and financial accounting I was keen to make this topic not only a material presented for a task, but I was keen to benefit and benefit those who read it or read it

We will address several topics in this topic, which are as follows

A question of how to calculate the direct and indirect variable and fixed cost, as well as about management accounting methods and systems, as well as about the importance of management accounting functions

I do not forget my sincere thanks and appreciation to Prof. Dr. Islam, as well as CEO Business School and the European International University, I hope that you like the proposal.

The concept of management accounting

Management accounting is the process of identifying, measuring, editing, analyzing, preparing, interpreting, and communicating information that helps management achieve organizational goals and helps management perform all functions, including planning, organizing, recruiting, supervising, and managing.

Accounting can also be defined from different angles mentioned by several authors of the book Principles of Accounting that accounting carries out four activities:

Identify economic events (called financial operations) that should be taken care of, processed and processed. In other words, determining the nature of the operation, whether it is financial or non-financial, and examples of financial operations include the sale of goods, the provision of services, the payment of wages and salaries, etc., while non-financial operations are examples of the decision to appoint an employee. After that, the measurement is in monetary units, meaning determining their value in riyals, for example, financial operations that are difficult to measure in monetary units should be ignored, and an example of this is the decisions to appoint employees as they cannot be measured financially, even if this is the decision to appoint the manager of the facility, despite the importance of this decision. Then comes the registration in the accounting books by following the proper methods, and the registration process in the books is considered a continuous historical documentation of the financial operations of any facility. Finally, communicate the results to those interested. Delivery to beneficiaries is carried out through the preparation of financial reports, the most important of which are the financial statements. After preparing the financial statements, the role of the accountant comes in analyzing and interpreting these statements for the beneficiaries to guide them in making decisions. It should be noted that bookkeeping is only part of accounting, which is the part of the bookkeeping process, whether manual or electronic. As for accounting, it includes much more than that, as we have already mentioned, it includes both the process of identification, measurement, recording and delivery of financial information to its beneficiaries. (Flempan, 2014)

Prof. Dr. Saleh Al-Saad and Prof. Dr. Abdullah Asiri also mentioned the difference between financial accounting and management accounting as follows:

The management accounting system focuses on evaluating the performance of the partial units of the facility in light of the objectives of each unit separately, and the extent to which the unit contributes to achieving the general objectives of the facility, and the evaluation of the performance of each unit is divided into evaluating the performance of each member of the facility. While the financial accounting system focuses on evaluating the performance of the entity as a whole during a certain period of time.

Management accounting is concerned with both historical and future data with a focus on the future, so it relies on forecasts and estimates, and therefore its data is not required to be accurate, unlike financial accounting, which uses historical data, that is, those related to events that occurred in the past, so its information is more accurate.

Management accounting has the flexibility to use accounting, mathematical and statistical methods and means to analyze data while financial accounting relies on the double-entry system and other specific and stable methods and means.

Management accounting prepares information as needed; including in financial accounting, financial statements are prepared frequently and periodically at the end of each accounting period. (Asiri, 2012)

Management Accounting Systems

Management accountant applies many financial systems and costing systems to help in management, management accounting is linked to accounting information useful in management, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, management accounting is linked to accounting information, Management accounting is related to accounting information, management accounting is related to accounting information, and management accounting:

Financial Planning

The business requires financing, and the financial plan includes setting long-term and short-term financing goals for the company, and each institution must determine the source of funding, and funds can be raised either by issuing capital or increasing the loan, and the type of capital, equity or preferred capital must be determined When deciding to raise funds through a loan, it is up to management to decide the amount of borrowing, long-term or short-term, and all these decisions are important for the financing plan.

Budget Management

There are a number of devices to help with control, and the most commonly used device for management control is the "budget", and budget control is designed like goods and services.

Calculation of marginal costs

Marginal costs are useful for measuring the profitability of different product lines, and help determine the nature of costs, such as marginal (variable) costs and fixed costs, and can be used to measure changes in production volumes.

Historical costs

Actual cost after occurrence is called historical cost, and historical cost is an accounting system that records all transactions with costs that occurred immediately after or on the date immediately after the occurrence.

Decision Accounting

One of the most important functions of senior management is decision-making, the decision includes choosing from several options, the decision is made after studying the alternative data in terms of costs, prices and profits provided by management accounting and exercising the best option after considering other non-financial factors, the goal is to use the best alternative methods to maximize profits. Management accounting also uses the marginal cost technique, balancing capital costs and segregating production costs for this purpose.

Standard cost

Standard cost is an important cost control tool and is one of the main objectives of accounting control.1 Standard cost technology compares the actual costs incurred during production execution with the standard costs of materials, labor, and associated costs of production, which are measured in terms of performance and cost.

Analysis of financial statements

Financial analysis includes comparative financial statements, ratios, money flow data, cash flow data, and management comparative financial data analysis tools for decision-making, and the financial statements reveal the company's past performance with respect to its ability to distribute dividends, the nature of debt service, its ability to earn profits, and its suitability status. Based on these past events, future business progress is expected.

Revaluation Accounting

This type is important in management accounting, revaluation or alternative accounting due to the preservation of large capital, and the term is used to refer to the methods used to overcome the problems associated with the exchange of fixed assets in the period of high prices, problems arise in relation to the exchange of fixed assets in terms of high prices and the fact that it ensures the preservation of the capital of the enterprise.

Management Accounting

It is not an independent accounting system, but consists of standard cost technology, budget control, management reports and disclosure, internal inspections, internal audits, and reports, with this type, management has a space to demonstrate ingenuity in analyzing, interpreting, and presenting information at all levels of management.

Information Management System

It is the provision of management and other processes of the organization as a preventive and constructive basis for management, where the management accountant provides for this purpose all these data and information related to the organization, and the development of electronic devices for recording and classifying data significantly improves reporting to management and allows the use of information feedback as a control technology. You can do it.

The importance of the function and work of management accounting

Management accounting is part of accounting and has evolved from the need to increase the use of accounting for making management decisions, and management accounting can perform several functions in the following ways:

We provide you with the data you need.

Management accounting serves as an important source of data for management planning, and accounts and documents are repositories of huge amounts of data about the company's past progress, which is a must for making future forecasts.

Change data

Management accounting changes the type of accounting data available to make it useful for management, modifying data into similar groups, thus making the data more useful, and correctly grouping and classifying the accounting data needed for management decisions. For example, you can categorize purchase numbers for different months to find the total purchases made in each period at the product, vendor, and regional levels.

Communications

Management accounting is an important means of communication, senior management needs simple information at relatively long intervals, middle management needs information regularly, lower management is interested in detailed information at short intervals, and management accounting establishes communication within the organization and with the outside world.

Data analysis and interpretation

Accounting data is purposefully analyzed for effective planning and decision-making, for this purpose, data are presented in comparative form, ratios are calculated, and possible trends are predicted.

We use qualitative information

Management accounting uses financially measurable information, not limited to financial statements, to help management make decisions. This information can be collected from special surveys, statistical classifications, and engineering records.

Planning Help

Management accounting can assist managers in planning and policy-making by making forecasts about the sale of production and cash inflows and outflows, as well as predicting the expected rate of return from where an alternative course of action may be required or, at the same time, identifying programmed activities to be performed.

FAO Support

By budgeting and reviewing specific cost centers, we provide resources to each department and delegate relevant responsibilities to ensure proper use which results in the expansion of the interrelationship between different parts of the organization.

Decision Making

Management accounting provides accounting data and statistics necessary for decision-making that significantly affects the survival and success of a business, while management accounting provides analytical information about different options and makes management options easier.

Shape

Management helps to coordinate the entire activity of the organization by first preparing the functional budget, then jointly coordinating the entire activity of the organization through the preparation of the functional budget, and then joint coordination of the entire activity by combining all functional budgets in the so-called "main budget". In this way, it helps management by coordinating different parts of the organization. Also, general adjustments are completely impossible without budget control.

Control

The work done can be practically compared to "standards" to enable management to effectively control performance, and the main objective of management accounting is to enable management to maximize profits or minimize losses.

Many enterprises competing for survival in the markets associated with the rapid change of technology are using modern methods to constantly improve quality control and reduce the cost of their products or goods, and many enterprises are changing their information systems and avoiding traditional systems and moving towards a long-term vision of management accounting, and employees are looking for higher wages and shareholders seek a larger share and competition is taking place to produce better products with better features and lower prices, as business success depends on How to manage all these factors and the use of modern technologies by establishments.

Management accounting tools have followed the increasing trend in recent years this process with the introduction of ABC, ABM, ABB, Target Targeting, Kaizen Costing, Back Flash Costing, JIT, TQM and recently started using tools such as ERP.

Increasing economic competition puts great pressure on managers to make business decisions in order to improve financial performance in this matter, with the use of cost management and continuous improvement of the organization, which are among the most important factors of success that make managers able to make the right decision. (Soft, 2020)

Management Accounting Methods

There is no agreed list of management accounting tools, and the continuous development of science is reflected in management accounting tools, but the most important tools on which management accounting depends are the following:

Planning budgets

The importance of the planned budget: The planned budget is a material, financial and detailed monetary budget that covers all aspects of the activity of the economic unit for a certain period of time to come, in order to achieve the purpose of planning, coordination and control of its activities. A planned budget is a tool used by senior management to separately express the goals and policies that have contributed to the development of the entire economic unit and its departments and divisions. Planning budgets are an important means of communication between multiple levels of management.

Through it, the goals and plans of senior management can be communicated to the lower levels of executive maps and economic units. Executive departments translate objectives and policies into sub-budgets, where they can prepare these budgets for actual implementation. The planned budget displays the expected revenue targets through the sales budget and the expected cost limits through the usage budget. The difference represents the net profit or surplus to be achieved. In addition, the budget expresses plan related to various detailed aspects, such as commodity inventory levels, capital additions, cash needs, sources of financing, production plans, purchase plans, labor needs, etc.

Break-even point (the relationship between cost, volume and profit).

It is that level of activity at which the revenue is equal to the total costs, the number of units sold multiplied by the unit price equals the fixed costs set with variable costs, and break-even revenue equals the number of breakeven units multiplied by the unit price. (Saud, 2014)

Standard cost

Estimated costs determined by an enterprise to produce goods and services or perform operations under normal conditions, which the enterprise derives from historical analysis of data or the study of time and movement. These predefined costs are used by the facility as target costs for comparison with actual costs.

Operational research tools.

These are those tools that will link goals and objectives to the actual reality of the organization to help in planning and managing operations such as cash flow from operational activities, financial performance evaluation, financial liquidity and financial flexibility.

Mathematical model

It is interested in making comparisons between multiple alternatives by means of mathematical equations to give you appropriate results that you can take to apply in practical life. For example, if there is an airline that owns several types of aircraft in terms of the number of passenger chairs, luggage load, fuel and crew (the team working in the plane) and makes flights to Frankfurt (Germany) and London (England), which is more useful for this company using a small plane for each flight or by collecting the passengers of the two flights in one plane to reduce the cost in terms of fuel and crew and to apply this model by linear programming, there are variables that must be taken into account the number of passengers in Germany and England and the amount of fuel per Airplane, the cost of the crew that commands the aircraft, the flight distance and the time, solving these equations can reach a meaningful result for the company using one aircraft or using two aircraft separately. (Hussein، 2022)

Statistical analysis

Statistical analysis is one of the sciences that are related to economic sciences and the language of numbers, which has developed significantly, through which the population census can be predicted for a period of time according to the data that is extracted from statistical analysis, and accountants and administrators use it in many of their work for the purpose of analyzing the data collected to reach results that can be used and applied.

Statistical analysis depends on data collection, data analysis and processing using appropriate statistical measures in order to interpret them and produce new results, and it is worth noting that statistical analysis has benefited greatly from current technological developments, through the emergence of several new statistical programs. (Saad, 2023)

Internal Control

Internal control can be defined as a set of organizational plans designed to maintain the assets of the enterprise and control their use, and to review the accuracy and documentation of accounting data. Increase and stimulate the operational efficiency of the facility, and all employees in the facility to follow and adhere to its policy, improve the organizational structure and work to achieve the objectives of the facility.

It can also be said to be a system to ensure that the objectives of the enterprise are achieved effectively and efficiently, reliable financial reporting, as well as defined, and compliance with laws, regulations and policies. Internal control is a broad concept, encompassing everything that controls the potential risks of an enterprise.

Internal control has two main elements: general control procedures, which include sound management practices, organizational control and physical security procedures. The second element is application control, which includes permit control, input control, operation control and output control. (and Economy, 2016)

Costs

There is almost unanimous definition of costs as the sacrifices or amounts incurred by an enterprise in order to obtain a commodity, service, or benefit, or achieve a specific goal. In order to make sense to define costs, they must be linked to what is known as the subject of cost. That is, what is the subject whose cost is to be found, whether it is the production of a commodity, the provision of a service, a section of the facility, or a specific manufacturing stage. The above is achieved through two stages, namely, determining costs and then aggregating them. (Nassar, 2020)

Financial and accounting analysis

It is the so-called analysis of financial statements, accounting analysis or financial analysis, which is an analysis that is performed and prepared using ratios that use data taken from financial statements and other reports. These reports are usually presented to senior management as one of the foundations on which this department relies in making business decisions and is fully concerned with the viability, stability, and profitability of a business, sub-business or project.

Responsible Accounting

It happened after World War II, because huge corporations and companies with billions of capitals and investment sprang up and had hundreds of thousands of employees. In addition, many companies are no longer regional, such as many international restaurants and hotels, these companies have opened factories and branches in many countries of the world. In addition, many companies seem to be engaged in different activities, there is a company that manufactures cars, food and toys. In addition to owning private hotels and hospitals under these conditions, senior management has become unable to control and control various activities within the facility, delegating most of its administrative authority to different departments, which has led to the emergence of responsible accounting and performance evaluation, and this is called decentralization.

Decentralization consists of the delegation of part of the special powers in decision-making by senior management to middle and lower management in the facility. The degree of decentralization varies from facility to enterprise. With a high level of centralization, most decision-making is in the hands of senior management, regardless of its level of importance. On the other hand, under extensive decentralization, senior management is widely delegated authority to various departments, including executive departments, so that the process of delegation in making business decisions related to day-to-day and executive operations reaches those who are directly involved in the implementation of these activities.

Quality Control

Also called quality control, it is one of the aspects of the quality assurance process and is defined as a system of technical activities and efforts made by all employees to achieve standard levels of quality, and to produce a commodity that meets the requirements and desires of the consumer and performs its function to the fullest, and before carrying out quality control activities, determine the techniques that need to be used, place and time of application.

It has basic elements of product quality control and conformity with specifications, so that the characteristics of product quality that meet the desires of the consumer are determined. Starting with the design, the required specifications are relied on in the design process, taking care not to waste time, effort and money in adding secondary improvement matters. Second, manufacturing, and the manufacturing stage is according to the specifications and designs prepared previously. And third, check the conformity of the product with specifications, and correct problems. Finally, the revision of specifications, i.e., to follow the evolution ofconsumer desires.(Sam,، 2016)

Management method (management information system, management by purpose, management by exception).

Exercise

Case Scenario

Swipe 50 limited manufactures a specialized screen protector for laptops computers. The plus swipe is a screens protector that prevent 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 cost 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 profits of the company. 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

C	B	A	
March	February	Unit Data	
1000	-	Beginning inventory	1
14500	12500	production	2
14500	11500	Sales	3
Variable costs			4
33250	29000	Direct Material Overhead	4.1
22000	19000	Direct Labour Overhead	4.2
8500	7300	Variable production Overhead	4.3
Fixed costs			5
28000	28000	Fixed production Overhead	5.1
57100	44500	Total Selling and Administrative Expenses	5.2

The sale price is 22€. And The level of absorption of the real production of the factory is 20,000 units per month. And Store or warehouse does not have units on January 31.

Here is a loss in production for each month out of absorbing the factory's production by 7500 not produced out of 20000 for the month of February.

And here is also a loss in production per month out of the absorption of the factory's production by 5500 not produced out of 20000 for the month of March, and this is taken into account when calculating the fixed cost for each month.

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

a. Absorption costing b. Variable costing

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

February

Production cost per unit for direct materials

$$29000/12500 = 2.32$$

Production cost per unit for direct employment

$$19000/12500 = 1.52$$

Varia

Production cost per unit for overhead

$$7300/12500 = 0.584$$

Production cost per unit Sale and administrative expenses

$$44500/12500 = 3.56$$

Fixed

Production cost per unit Fixed additional production

$$28600/12500 = 2.28$$

Cost of sales per unit $\underline{\mathbf{10.264} = 2.32 + 1.52 + 0.584 + 3.56 + 2.28}$

Total cost of units sold	11500×10.264	118036
Total Cost of Sales	11500×22	253000
Total cost of units produced	12500×10.264	128300
Total cost of units not produced because the absorption limit for plant operation has not been reached	7500×10.264	76980
Total Inventory Cost	There isn't any	

Second, calculate the fixed and variable cost for the month of February

Fixed cost

$$3.56 + 2.28 = 5.84$$

$$11500 \times 5.84 = 67160$$

Variable cost

$$2.32 + 1.52 + 0.584 = 4.424$$

$$11500 \times 4.424 = 50876$$

March

Production cost per unit for direct materials

$$33250/14500 = 2.29$$

Production cost per unit for direct labor

$$22000/14500 = 1.5$$

Production cost per unit for overhead

$$8500/14500 = 0.586$$

Varia

Production cost per unit for sale and administrative expenses

$$57100/14500 = 3.93$$

Production cost per unit Fixed additional production

$$28600/14500 = 1.97$$

Fixed

Cost of sales per unit $\mathbf{10.276} = 2.29 + 1.5 + 0.586 + 3.93 + 1.97$

Total cost of units sold	14500×10.276	149002
Total Cost of Sales	15500×22	341000
Total cost of units produced	14500×10.276	149002
Total cost of units not produced because the absorption limit for	5500×10.276	56518

plant operation has not been reached		
Total Inventory Cost	$\frac{1000 \times 10.264}{128300 - 118036}$	10264

Second, calculation of fixed and variable costs for the month of March

Fixed cost

$$3.93 + 1.97 = 5.9$$

$$15500 \times 5.9 = 91450$$

Variable cost

$$2.29 + 1.5 + 0.586 = 4.376$$

$$15500 \times 4.376 = 65640$$

Third, the discrepancy between February and March

Statement	February	March
Fixed cost	67160	91450
Variable cost	50876	65640
Total Sales	253000	341000
Total production cost	128300	149002
Net Income	124700	191998

Conclusion

This topic contains a required research study based on management accounting and its entrances with the most prominent things going on in accounting management in a way that is characterized by coverage of the requirements of the task and also characterized by simplification, summary and abbreviation without prejudice to the content and substance with accreditation and reference to Prof. Dr. Islam Abdel Hamid and some of the references and sources interested and specialized in management accounting

I have linked the issue in practice and theory, and in conclusion I hope that I have succeeded in grasping both the material and the task.

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