COVER PAGE AND DECLARATION

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Introduction

The aim of The Purpose and Context This assignment will help you develop your understanding of te managerial accounting processes and you will earn how different accounting methods create different pictures for company given the same data To wards the end of the report is recordding and report their internal financial information. While financial accounting is concerned with preparing financial reports and releasing information to the general public, management accounting focuses on preparing financial information for internal review and decision making by business owners, directors and managers. Management accounting offers several important tools for measuring the company's operational performance .

1-1 a - Profit statement for swipe 50 limited for the month of February .

a. Absorption costing

Direct material = 29,000

Direct Laboure = 19,000

Variable production overhead= 7,300

12,500/ 55,300 = 7,300 + 19,000 + 29,000production units) = 4.424 x 11,500 (sales) unites

28,600 +50,876 =variable production overhead) =79,476

For calculate the fixed selling and administrative expenses:

44,500total selling and administrative expenses for Feb.) – 57,100 (total selling and administrative expenses for March) = 12,600

) 14,500production unites of Feb.) – 12,500 (production unites of March) = 2,000 units 6,300 = 2000/12,600this is the variable selling and administrative expenses

Fixed selling and administrative expenses = 44,500 – 6,300 = 37,700

Total cost = 79,476 + 37,700 = 117, 176

Sales revenue = 22 (Sell price for each unit) x 11,500 (sales units) = 253,000 this

Net profit = 253,000 (sales revenue) - 117,176 (total cost) = 135,824 Euro a Profit statement for swipe 50 limited for the month of March1-2

a. Absorption costing

Opening inventory valued cost: 1000 unites = 4.420 x 1000 = 4,420 Cost of production Direct material 33,250 + direct labour 22,000 + variable production overhead 8,500

74,474 = 6,300 + 4,420 +Euro

Fixed cost + fixed selling administrative expenses 28,600 + 50,800= 79,400

Total cost = 153,874

Sales revenue = 15,500 x 22 = 341,000

Net profit = 187,126

-b. Profit statement for swipe 50 limited for the month of February1-1.

b. Variable costing

Sales revenue 253,000

Direct material 29,000

Direct labour 19,000

Variable production overhead 7,300 55,300/12.500 x11.500 50,876

Variable sales and expenses 6,300 57,176

Contribution 201,824

Fixed production overheads 28,600

Selling and administrative expenses 37,700 66,300

Net profit 135,524

-b Profit statement for swipe 50 limited for the month of March1-2.

b. Variable costing

Sales revenue 341,000

Opening inventory valued cost 4,424

Direct material 33.250

Direct labour 22,000

Variable production overheads 8,500

Variables sales and admin. Expenses 6,300 74,474

Contribution 266,526

Fixed production overheads. 28,600

Selling and administrative expenses. 50,800 79,400

net profit   187,126

2- reconcile the profit calculated using asorption costing to that using variable costingAn income statement using absorption costing can split out variable direct costs and fixed direct costs into two line items or combine them to report a comprehensive COGS, depending on a company's level of transparency. In any event, direct and fixed costs variable The gross profit is determined by subtracting costs from sales.

If you use the absorption costing process, your COGS will rise, and your gross profit per unit generated will fall. Companies would have a higher breakeven price on output per unit as a result of this. Customers will also pay a marginally higher selling price as a result. Furthermore, it suggests that corporations' gross profit margins would most likely be smallerThe effect of absorption costing can vary according to the industry. For example, if a company generates 1,000 goods or none at all, it must pay its manufacturing property mortgage payments every month. After paying off a mortgage or completing the depreciation schedule on a piece of manufacturing equipment, a company's gross profit may increase.When using absorption costing, cost accountants must keep these variables in mindFor most businesses with COGS, the absorption costing approach is the norm. It is required for GAAP enforcement. For external reporting, most auditors and financial stakeholders would demand it. Small companies may be forced to use absorption costing for tax reporting, depending on the type of business structure

3-How each method differs from other method and explanation the importance of each method Management Accounting3-1 .Is the division of accounting charged with presenting and delivering accounting information to management in a structured manner so that it can effectively and efficiently conduct its management functions of planning, managing, and decision-making Feature Allocating expenses to products or services, cash management or budgeting, and financial forecasts are the three primary business concerns that management accounting focuses on. Cost allocation strategies are used by management accountants to assign different business costs for each item generated by the company . Cash management and budgeting sets out all possible costs to ensure that company activities produce enough cash to meet expenses.

Types of people Job costing, process costing, and activity-based costing are examples of traditional cost allocation approaches and management accounting. Job costing helps company owners to delegate expenses to particular tasks.unique occupations Construction firms are the most likely to use this tool. Attributes to process costing When goods pass through each stage of the manufacturing process, costs are applied to them Activity-based learning. Business costs are applied to the amount of activities necessary to manufacture a product in costing

Aim •

Accounting for management enables business owners to keep their finger on the pulse of their organization the processes Despite the fact that many small business owners are afraid of accounting, management accounting is importan less focus on correctly planning internal awareness Internal financial data will help business owners concentrate on enhancing their operations. Outside of budgetary restrictions, company procedures or correcting processes are carried out . Management accounting may also be used by company owners to recognize lost capital due to inadequate production operations

•Points to Think About

Owners of small businesses should think about integrating an electronic management accounting information system into their operations. Creating financial spreadsheets for inputting data and measuring basic profitability can be an easy part of this information system. More official management accounting systems will be required as small companies continue to develop and expand their operations.

•Benifites

Small companies may use management accounting to gain a comparative edge in the marketplace Many company owners concentrate on producing low-cost consumer products. and the most high-quality commodity on the market. The opportunity to examine and evaluate financial dat Obtaining information through management accounting is a crucial step in developing a financial plan. advantage in the marketplace By paying attention to detail, small business owners can be able to manufacture higher-quality products Consistently managing market development activities

3-2Accounting methods :

refers to the various principles that different businesses adopt for the purpose of tracking and reporting the company's sales and expenditures over an accounting period, with the two main approaches being the cash method and the accrual method the field of accounting

1-2-3Absorption costing :

This is what you're used to under Commonly Accepted Accounting, also known as complete costing. The fundamentals. Companies use absorption costing to treat all production costs, including both direct and indirect costs Manufacturing costs, both fixed and variable, as well as commodity costs Bear in mind that overall variable costs fluctuate Fixed costs do not change proportionately with increases in overall activity, whereas variable costs do.

2-2-3Variable costing:

All fixed production costs are viewed as time costs to be paid to variable costing, also known as direct costing. Expenses incurred during the time span during which payment was made. Companies that use variable costing only consider variable costs. Costs of production are the same as the costs of the finished product. The rationale for this fixed manufacturing expensing is as follows : If a plant was in service or not, the company would incur these costs. As a result, these fixed costs have little to do with product manufacturing. A Variable costing principles are discussed in the video below. As a general rule, the difference in net income between absorption and variable costing should be related. as a consequence of inventory changes Assuming that there is a connection between the two, Input surpassed revenue for the year, and estimated profits before federal income taxes is lower under variable costs than absorption costing. If inventories fall below zero, profits outweigh demand, and revenue before taxes is higher under variable costing than under absorption costing.

3-3Obsorption vs. Variable Costing :

Direct Materials, Direct Labour, and Overhead are all included in the product bill. Selling, general , and operating expenses are all part of the period costs. Sales – Variable Costs equals Contribution Margin.

3-3-1-Absorption Costing (or full costing :

Absorption Costing (also known as absolute costing) is a method of estimating the total cost of a project .It's most commonly used in financial statements (GAAP).

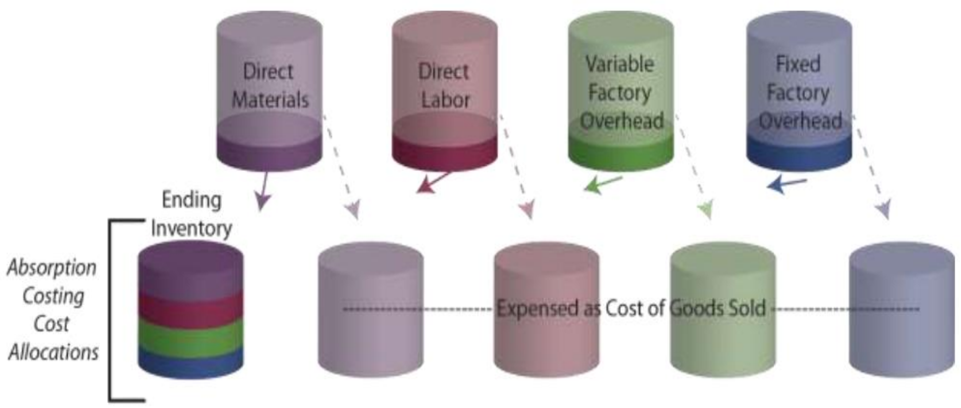
-ALL production costs (direct supplies, direct labour, fixed and variable overhead) are included in the price.

-May be deceptive since certain prices are unaffected by goods.

-Fixed production operating costs are added to PRODUCED units, not just sold units.

-Per unit fixed manufacturing overhead is determined by dividing fixed manufacturing costs by the number of units produced .

-Cost of goods sold = units sold x absorption cost per unit (including direct materials, directlabor ,fixed and variable overhead(



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3-3-2- Variable Costing :

-Still includes commodity variable costs (DM, DL, and Variable OH), which escalate with volume.

-Does not contain FIXED costs because production volumes have little effect on them (fixed costs are viewed as time costs rather than commodity costs).

-Policy makers would provide more reliable statistics because prices are more related to output volumes.

-It should be used to reduce ALL costs, not just commodity costs.

-Formats for Income Statements:

Absorption Costing is a regular income statement that shows sales. – Operating Expenses = Net

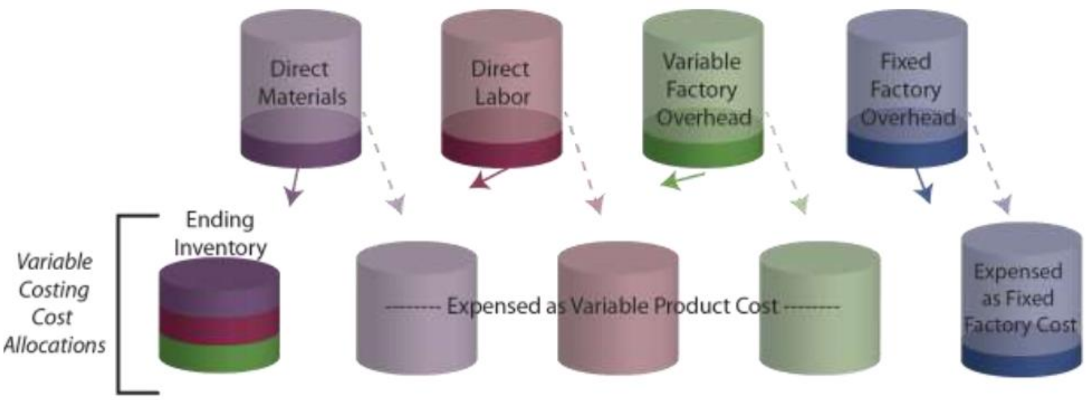
Income, and cost of products sold is determined by the number of units SOLD multiplied by the absorption cost per product.

This is a Contribution Margin Income Statement indicating Sales with Variable Costing. VARIABLE

EXPENSES = Contribution Margin – Fixed Expenses = Net Income, with variable expenses determined by the amount of units sold multiplied by the variable cost per unit .

-If the number of units generated does not match the number of units sold, the net profits on the two

reports may vary.



3-3-3- Importance of Absorption Costing :

Absorption costing has many key benefits, including compliance with commonly agreed accounting standards (GAAP), recognition of all manufacturing costs (including fixed costs), and more precise tracking of earnings over time.

•GAAP Adherence

One of the key benefits of using absorption costing is that it is GAAP compliant and necessary for Internal Revenue Service reporting (IRS.(

•Accounting for All Production Costs In contrast to variable costing, absorption costing considers all of the costs of manufacturing, not just the direct costs. Fixed operating expenses, such as wages, building leasing, and electricity bills, are used in absorption pricing. Having a clearer view of the cost per unit. can assist company managers in determining sales costs and evaluating viability for a product line.

•Benefit Tracking

Absorption costing also gives a business a more clear view of profitability than variable costing ,particularly if all of its goods aren't sold at the same time. This is essential if an organization ramps up production in anticipation of a seasonal revenue boost.

•Thus, absorption costing creates a one-of-a-kind scenario in which merely producing additional goods that go unsold at the end of the cycle increases net profits.The unit fixed cost will decrease as more goods are made and fixed costs are shared over all units assembled. As a result, as demand grows, net profits rises automatically as the fixed cost part of the cost of products produced falls.

3-3-4- Importance of variable costing :

•Planning and Control:

Financial forecasting necessitates managers estimating potential profits, output volumes, and expenses, among other things. Production schedules, in essence, decide the amount of investments ,which are determined by sales projections. raw materials, direct labor, and variable manufacturing overhead are all needed. To be able todetermine the level of spending at various output stages, cost behavior information, and It's crucial to know the difference between fixed and variable costs when estimating costs. the various stages of manufacturing and distribution Internally, variable costing income statements are more useful than absorption costing income statements for short-term forecasting, controlling, and decision making. Managers need to be able to carry out their responsibilities.

Understanding and being able to predict how various costs will adjust in response to increases in activity levels is needed. The information is provided by variable costing, which focuses on expense behaviors .

•Managerial Decision- Making:

Variable costing, rather than absorption costing, facilitates and emphasizes the projection of potential expenses and profits at various operation levels, as well as the use of appropriate expense decision-making strategies. The utility of variable costing stems from the fact that, as production levels adjust within a small volume range, fixed costs appear to remain stable in total .Under those circumstances, only variable costs are important in determining costs of additional manufacturing and revenue, as well as other short-term decisions.Another advantage of variable costing is that the favorable margin between retail rates and variable costs can serve as a daily reminder of the revenue lost due to low market volume. A higher output volume is justified by a favorable margin

•Product Pricing Decisions:

•Cost Control:

Inventory Changes do not Affect Profit:

.Avoiding the Impact of Fixed Costs:

Another benefit of variable costing is that production managers cannot manipulate income by producing more or fewer products than needed during a period. Under absorption costing, however, a production manager could increase income simply by producing more units than are currently needed for sales.

Inventory Changes do not Affect Profit:

Avoiding the Impact of Fixed Costs:

Another advantage of variable costs is that manufacturing managers are unable to control revenue by generating more or less goods than are needed at any given time. However, under absorption costing ,a production manager may boost profits simply by generating more units than are needed for sales.

Performance Evaluation of Managers :

Segmental Reporting:

Customer Profitability Analysis How to improve management accounting skills-

While the competencies and traits needed for management accounting differ by sector or organization, the following are some of the traits that should be addressed in order to develop one's management accounting skills:

•Be a team player.The approach to truly strengthening your management accounting expertise is collaboration. If the team is cross-functional or inside the same organization, you must be able to show your abilities to serve as a successful team player.Individuals with this characteristic gain the confidence and respect of their peers and have access to a variety of viewpoints.

•Must have commercial awarenessAccounting information alone is insufficient. To improve your management accounting expertise ,you'll need to learn general business skills as well as experience and understanding of the organization and the market in which it exists Anyone who wants to develop their management accounting skills should understand how a company is managed and how it is affected by the external world.

•Effective communication

As critical as gathering data and applying one's expertise and experience to obtain insights is, it's all for naught if the information isn't successfully communicated to the intended audience. To effectively provide information, the main details must be clearly summarized.

1 -5REASONS WHY MANAGEMENT ACCOUNTING IS IMPORTANT FOR DECISION

MAKING:

1- Relevant costs analysis
2- Audience targeting

3- Make or buy evaluations
4- Define Budgets
5- Controlling
6- Planning

A management accounting department is an important part of any company, but most entrepreneurs are unaware of it because of its "under the radar" nature. Insiders who produce internal reports to inform the overall corporate plan are known as management accountants.Their job description is to compile internal financial reports, documents, and accounts to assist management in reaching short and long-term company objectives. To put it another way, their task is to take nuanced financial details and make it into useful information.Consider the case of an internet corporation that has signed up for cloud computing services.The cost of renting cloud storage space has gone up on a monthly basis. Managers at the internet corporation will use budgets to see if the price changes are too expensive and decide to save costs and improve operating efficiencies.

1- Relevant Costs Analysis
2- Audience Targeting
3- Make or Buy Evaluations
4- Define Budgets
5- Controllin
6- Planning

Accountants under management are in charge of a company's finances. They provide guidance to management on the financial consequences of business decisions in order to help them evolve and prosper.

Responsibilities of the job include:

•writing analyses, budgets, commentaries, and income records

•doing financial administration and internal assessments

•liaising with management and other associates

•supervising a team of accounting technicians

•monitoring and predicting revenue and expenditurecreating market plans to produce shareholder capital •

securing and receiving financing for new ventures.

-Planning and policymaking

-Decision-Making

-Controlling Coordinating

-Communicating

-Assists in assessing the efficacy and performance of initiatives Statistical and Operations Research

Approaches for Management Reporting Providing resources for strategy and decision-making .

Assisting supervisors with activity direction and monitoring.

-Encouraging management and other workers to work against the organization's objectives.

-Measuring activity, manager, and other employee efficiency.

-Evaluating the strategic role of the company .

2-5 Advantages of Management Accounting :

I It aids in the keeping of an accurate record of company transactions.

1) It provides reports on the company's profit or loss at the end of the year, as well as the financial

situation. Accounting's primary goal is to provide owners and administrators with useful knowledge about the company's financial operations.

2) It offers helpful statistics for making economic decisions; iv) It makes it easier to compare this year's earnings, revenue, and expenditures to those of previous years.

iv) It makes it easier to compare this year's earnings, revenue, and expenditures to those of previous years.

3) It provides facts that can be used to assess management's ability to successfully use enterprise capital to achieve primary business objectives.

4) It gives consumers factual and interpretive details about sales and other activities that can be used to forecast, compare, and evaluate the company's earning ability.

Conclusion

Managerial accounting is the practice of defining, evaluating, presenting, and relating facts to management in order to assist them in making strategic choices and achieving their objectives. The information gathered covers all aspects of accounting that are relevant to the administration of corporate activities when it comes to the costs of goods or services acquired by the corporation . Budgets are used by managerial accountants to measure a company's operations schedule. Managerial accounting is particularly useful in high-stakes, fast-paced market environments where swift decisions are required. These choices may be related to a pricing strategy, budgeting, or cash flow management. Managerial accounting can make sense of the situation easily by analyzing operating statistics .The aim is to use the budget to aid in the making of short-term operating decisions that will help the business become more efficient.Consider the case of an internet corporation that has signed up for cloud computing services. The cost of renting cloud storage space has gone up on a monthly basis. Managers at the internet corporation will use budgets to see if the price changes are too expensive and decide to save costs and improve operating efficiencies

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