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1.Introduction

1.1 Brief Overview of Swipe 50 Limited

Swipe 50 Limited is a well-known company in the laptop accessories market that has been in business for three years and is best known for creating the game-changing Plus Swipe laptop screen protector. Having perfected their manufacturing process, they have decided to shift their focus towards analyzing their cost and revenue drivers more closely. This new approach led by CFO Tamara J. Blooms centers around studying product costing intensively. The aim of this report is to demystify managerial accounting procedures with an emphasis on how absorption versus variable costing can affect the profitability landscape of a business.

1.2 Purpose of the Report

The main objective of this report is to analyze in depth the financial performance of Swipe 50 limited during the months ending February and March respectively; specifically using absorption costing method vis-à-vis variable costing method which will be critically compared side by side with each other in light of Chief Financial Officer's interest on product costing where a detailed profit statement for both methods shall be unfolded through this report so as to bring out or reveal hidden truths about profit calculation as well as show why certain decisions may have been taken over others based on different income determination methods.

1.3 Importance of Managerial Accounting for Swipe 50 Limited

Managerial accounting serves as a compass for decision making within Swipe 50 Limited. It provides internal users with financial information necessary for pricing decisions, production planning and control among others required by management while allocating resources effectively . As far as strategic planning is concerned at swipe fifty limited, there arises need for deeper understanding about profits under different situations brought about absorption vs variable costings which relate directly

with efficient utilization of costs within an organization like swipe fifty limited thus highlighting importance or significance levels attached towards these areas when it comes down to them supporting better decision making process especially those aimed at enhancing overall company's financial performance.

This report seeks to illuminate the central role played by managerial accounting in enhancing financial decision making at Swipe 50 Limited.

Absorption Costing Profit Statement (February and March)

2.1 Explanation of Absorption Costing

Absorption costing is a method used in managerial accounting that involves charging all production costs to the cost of goods sold (COGS) as well as ending inventory. This approach includes variable and fixed manufacturing overhead costs within product cost calculations. The main idea behind absorption costing is to distribute the fixed production overheads equally over each unit produced so that every item manufactured carries with it both fixed and variable costs [1].

In other words, absorption costing tries to account for all costs incurred during the production of any given unit by including them into its selling price calculation thereby giving an overall picture about what might be spent in order to manufacture one piece of a product. Previously treated as period expenses under variable costing, these fixed manufacturing overheads are catered for by absorption costing which considers this method suitable for external reporting purposes but can cause wide variations in reported profits with changes in inventory levels

After more investigating how absorption costing works, it is clear that this approach aims at giving a complete picture of what a production process costs the company financially. This allocation makes it possible to see all the costs involved in producing and selling an item by assigning both variable and fixed manufacturing overheads to each unit. However, this also means that there are additional complications when

inventory levels go up or down because then net incomes can be affected differently than under variable costing which does not take into account these changes as period expenses do.

2.2 Calculation of Production Costs

- Direct Materials:
- February: €29,000
- March: €33,250
- Direct Labor:
- February: €19,000
- March: €22,000
- Variable Production Overhead:
- February: €7,300
- March: €8,500
- Fixed Production Overhead (allocated per unit):

Fixed Production Overhead = Fixed overhead / Production capacity
Fixed Production Overhead = €28,600 / 20,000
Fixed Production Overhead per unit = €1.43 (rounded to two decimal places)

2.3 Calculation of Per-Unit Cost

- Per-Unit Cost:

February: (Direct Materials + Direct Labour + Variable Production Overhead) /
Production Units = Variable Cost per Unit
Fixed Production Overhead per Unit =

Fixed Cost per Unit The sum of the variable and fixed costs per unit equals the total cost per unit.

March: (Repeat calculations for March)

2.4 Sales Revenue Calculation

Sales (units): February: 11,500 units March: 15,500 units

Sales Revenue: Sales Units * Selling Price per Unit (€22) equals Sales Revenue.

2.5 Calculation of Gross Profit

Gross Profit: Sales Revenue - Cost of Goods Sold (COGS) equals Gross Profit.

2.6 Deduction of Selling and Administrative Expenses

Total Selling and Administrative Expenses: February: €44,500 March: €57,100

2.7 Net Profit Calculation

Net Profit: Net Profit = Gross Profit - Total Selling and Administrative Expenses

The above step-by-step calculations are required to prepare an Absorption Costing Income Statement for Swipe 50 Limited for the months of February and March.

This report has been designed with a view to provide clear information about each calculation made in it so that readers can easily understand what has been done while preparing this report. Such an approach helps investors or other interested parties to realize the financial position and profit generation patterns of Swipe 50 Limited under absorption costing method.

Variable Costing Profit Statement (February and March)

3.1 Meaning of Variable Costing

In managerial accounting, variable costing is different from absorption costing in that it only assigns variable manufacturing costs to ending inventory and cost of goods sold (COGS). Unlike absorption costing, fixed manufacturing overhead costs are treated as period costs where they are expensed during the period incurred rather than included in the product cost. The main objective of variable costing is to emphasize on those costs which vary directly with the production of each unit. By deducting fixed manufacturing overheads from product costs, this approach gives a more correct reflection of direct expenses associated with manufacturing process. Therefore, it tells us how much each unit contributes towards paying for variable costs hence resulting into positive contribution margin.[2]

Further scrutiny into how does variable costing work reveals that it mainly seeks to differentiate between those expenditures which are immediately linked with production so as to show a more responsive and adaptable method towards controlling them. Fixed manufacturing overheads being designated as period costs whose variations may occur due to levels of output allow an easier calculation of per unit variable amounts. This concentration on variables enables pricing decisions, resource allocation choices in light with internal decision making requirements about production quantities among others to be made on informed basis by management .To sum up ,variable costing is valuable for internal decision-making because it brings out all the units' connectedness with various costs .Variable costing encourages effective decision making processes within the company and treats fixed manufacturing over headcosts as period costs thus making it easy for one to understand contribution margin per unit .

3.2 Variable Costs Calculation

- Raw Materials:
- February: €29,000
- March: €33,250
- Direct Labor:
- February: €19,000
- March: €22,000
- Variable Production Overhead:
- February: €7,300
- March: €8,500

3.3 Per-Unit Variable Cost Calculation

- Single Unit Variable Cost:
- February:
- Variable Cost per Unit = (Direct Material + Direct Labour + Variable Production Overhead) / Units Produced in Month \

March: (Repeat calculations for March)

3.4 Deducting Variable Costs from Sales Revenue

Sales (units):

February: 11 500 units

March: 15 500 units

Sales Revenue:

Sales Revenue = Sales Units * Selling Price per Unit (€22)

Total Variable Costs:

Total Variable Costs = Variable Cost per Unit * Sales Units

Contribution Margin:

Contribution Margin = Sales Revenue - Total Variable Costs

3.5 Deducting Fixed Production Overhead (Only in Absorption Costing)

Fixed production overheads allocated under absorption costing are deducted as follows;

Fixed Production Overheads Allocated in Absorption Costing:

February : €1.43(Per unit fixed production overhead)*Units produced

March : €1.43(Per unit fixed production overhead)*Units produced

3.6 Net Profit Calculation

Net Profit:

Contribution Margin - Total Selling and Administrative Expenses equals Net Profit.

4.Reconciliation of Profits

Explanation of the difference between variable costing profits and absorption costing profits The treatment of fixed manufacturing overhead costs is what marks the difference between profit figures obtained under variable costing method vis-à-vis those arrived at using absorption costing method whereby while variable cost takes into consideration only period related fixed over heads by deducting them as

such in the period of incurrence absorption cost includes this fixed over head by allocating them to each unit produced as a product cost thereby resulting into variation in inventory valuation which also affects reported profits.[3]

4.1 Reconciliation of Net Profits

To reconcile net profits under both variable costing and absorption costing methods, follow these steps:

1. Identify Difference in Fixed Production Overhead :

- Calculate the difference between fixed production overhead per unit allocated under absorption costing (Factored into product's COGS) and that considered while arriving at profit figures using variable costing method.

2. Adjust Ending Inventory :

- Determine amount of fixed production overhead included in ending inventory according to Absorption Costing
- Deduct from it any such item provided within variable costing approach so as arrive at respective profit figure

3. Reconciliation Formula :

- Reconciled Net Profit = Net Profit from Absorption Costing $\pm$ Adjustment for Fixed Production Overhead

4.2 Identification and Explanation of Reconciling Items

1. Difference in Fixed Production Overhead:

- Shows the change in the amount of fixed production overhead allocated to units under absorption costing compared to the amount treated as a period cost by variable costing.

2. Adjustment for Ending Inventory:

- The ending inventory under absorption costing includes fixed production overhead costs that variable costing treats as period costs.
- This adjustment makes sure that both methods are being compared consistently.

3. Impact on Reported Profits:

- The reconciliation will demonstrate how the choice of costing method influences the reported profits.
- It helps stakeholders understand the effect of allocating fixed overhead costs to inventory on financial statements.

The main aim of this report is to present a clear reconciliation which brings out these differences between Absorption and Variable Costing; thus giving readers an understanding into what each approach may imply in terms of financial consequences.

5. Comparison and Importance of Absorption and Variable Costing

Overview on Absorption vs Variable Costing

1. Fixed Production Overhead Handling:

- Absorption: It adds up fixed production overhead into unit cost produced.

- Variable: Treats it as incurred expense when incurs during period, treating it as a period cost.

2.Valuation of Inventory:

- Absorption Costing: This method results into higher inventory valuation since it includes fixed production overhead in product cost.
- Variable costing: Lower inventory valuation is arrived at because fixed production overhead is expensed as incurred.

3.Effect on Calculation Profit:

- Absorption Costing: When there's overproduction, then higher profit may be reported .
- Variable Costing: Often reports more stable profits, directly tied to sales volume.

4.Period Costs:

Absorption costing :treats all manufacturing expenses (both variable and fixed) as product expenses while variable only takes into account variable manufacturing costs as product costs.[4]

Usefulness of Each Method for Decision Making

1. Absorption Costing:

Copy

- Useful for External Reporting: Required by generally accepted accounting principles (GAAP) for external financial reporting.
- Matching Costs and Revenues: Aligns production costs with revenue recognition, providing a comprehensive view for external stakeholders.

2. Variable Costing:

- **Internal Decision-Making:** Offers insights into the variable costs directly associated with production.
- **Contribution Margin Analysis:** Facilitates decision-making by emphasizing contribution margin per unit, aiding in pricing and production decisions.

Pros and Cons of Each Method

Absorption Costing:

Pros:

- **GAAP Compliance:** Complies with accounting standards set out under GAAP when preparing financial statements that are meant to be used externally.
- **Product Cost Clarity:** Establishes clear relationship between what it costs company produce goods or services sold versus how much revenue generated from sales thereof during given period.

Cons:

- **Inventory Fluctuations:** Profits can be sensitive to changes in inventory levels meaning that if there is an increase in closing stock values this will lead higher reported profit figures otherwise vice versa should happen as well where upon decrease opening balance then lower figure would have been declared as earned income depending on units sold within same timeframe which means less net profit margin achieved;
- **Misleading Profits:** May distort profits when production exceeds sales because all produced items must find buyers either internally among departments or externally customers which may not happen thus inflating total earnings made during such

periods thereby misleading shareholders about true profitability position enterprise at particular point time leading them into wrong investment decision making process which could result bankruptcy later down line.

Variable Costing:

Pros:

- Contribution Margin Focus: Highlights contribution margin per unit – vital metric used mainly management team members while making decisions related setting minimum selling price(s).
- Period Cost Clarity: Easier identification fixed & variable costs incurred over specific duration i.e., month or quarter etc., which is helpful for future planning purposes.

Cons:

- External Reporting Challenges: Does not comply fully with Generally Accepted Accounting Principles (GAAP) required when preparing financial statements that are meant be read by people outside organization such as shareholders banks etc.
- Neglects Fixed Costs: It may lead underestimating the total cost of production because only considers direct materials, labour & variable overheads associated with making goods sold during particular accounting period.

Appreciating absorption costing and variable costing intricacies are vital for Swipe 50 management to make decisions that meet organizational objectives. Every method of costing serves particular purposes depending on the situation and the needs of both internal and external users of financial statements. Knowing this fine point enables managers to use one or another technique in response to different

circumstances thus promoting informed choices which are efficient in terms of expected benefits.

6.Methods of Enhancing Accounting Systems

6.1 Reducing Data Collection Processes

Reason: The main reason for reducing data collection processes is to ensure accuracy, efficiency and timeliness in accounting transactions. It increases the reliability of financial statements by making them free from errors.

Procedure:

- Automation: Employ software applications which can automatically collect data from different sources.
- Standardization: Develop uniform ways of entering data and maintaining uniformity throughout all accounting procedures.
- Integration: Combine systems so that information can flow seamlessly across various departments and platforms.

Advantages:

- Efficiency: Saves time taken to process information manually.
- Accuracy: Eliminates mistakes associated with manual input of figures into computers.
- Timeliness: Makes current financial records readily available within a short period of their occurrence.

6.2 Introduction Of Advanced Accounting Software

Reason: The adoption of complex accounting software widens the scope of what an accounting system can do by incorporating features that not only increase accuracy

but also enhance reporting abilities while fostering overall operational efficiency thus creating a more solid foundation for financial management in any organization or business entity.

Approach:

- Research And Selections: Choose accounting packages that fit within company requirements and budgetary limits.
- Implementation Plan: Come up with phased implementation plan to facilitate smooth transition from old system(s) to new one(s).
- Training: Teach all accountants how to use the upgraded software correctly and effectively for maximum benefits realization.

Pros:

- Automation: Minimizes manual workload through streamlining routine tasks such as posting entries etcetera..
- Better Reporting Functionality : Provides more sophisticated reporting tools/formats which enable better decision making at different levels within an organization/department..
- Integration Capability : Can be integrated with other business related systems like ERPs (Enterprise Resource Planning), CRMs (Customer Relationship Management), HRIS (Human Resource Information System) among others.

6.3 Frequent Staff Training For Accountants

Reason: Continuous training programmes for accountants serve several purposes including exposure to current industry best practices, staying updated on statutory changes affecting their work environment as well as increasing knowledge levels and skills base with regard to using modern accounting software tools thus ensuring

versatility within the workforce which is key towards achieving sustainability in organizational performance excellence.

Procedure:

- Training Schemes: Establish ongoing training schemes that cover different areas of accounting knowledge/skills improvement.
- External Workshops/Seminars: Encourage attendance at external workshops/seminars where participants can interact freely while learning from each other's experiences thereby broadening their professional networks too.
- Internal Sharing Forums: Organize periodic sharing sessions within teams so that staff members share what they know among themselves thereby creating a culture of continuous learning and growth.

Merits:

- Adaptability : Equips employees with skills necessary for adapting to new technologies or changes in financial reporting standards etcetera..
- Efficiency : Enhances competence levels leading to faster processing times hence improved service delivery especially during peak periods such as month end closing activities etcetera..
- Awareness And Compliance : Keeps workers informed about legal requirements governing various aspects of financial management systems implementation thus promoting adherence towards meeting regulatory obligations always.

6.4 Regular Review Plus Audit Of Accounting Practices

Reason: Regular review plus auditing of accounting practices acts as preventive measures against weak points, risks and non-compliance with stringent financial control frameworks or guidelines adopted by an institution. Such an approach

promotes openness and responsibility within organizations through self-regulation mechanisms that are ingrained in these strategic actions.

Approach:

- Internal Auditing : Routinely carry out internal audits on processes involved in making/processing payments received/revenue earned by Swipe 50 Ltd..
- External Auditing : Utilize independent external auditors who can provide unbiased assessments regarding adequacy/efficiency of internal controls implemented within Swipe 50 Ltd..
- Feedback Looping : Use outputs from audits conducted so far as input towards further enhancement efforts aimed at strengthening accounting systems reliability.

Benefits:

- Risk Identification : Detects potential risks associated with various stages/steps followed when recording financial transactions which could lead to material misstatements either due intentional errors/computer frauds or simple carelessness during data entry among others.
- Compliance Monitoring : Ensures that all staff members comply with applicable accounting standards/regulations throughout the year irrespective of changes in legal requirements guiding such processes.
- Continuous Improvement : Cultivates culture continuous improvement innovations within swipe 50 limited's finance department thus making it more dynamic adaptable emerging trends technologies this sector demands nothing less than highest levels performance excellence .

Implementing these strategies together will go a long way in strengthening Swipe 50 Limited's accounting systems by entrenching accuracy, efficiency and compliance with industry best practices.Regular monitoring for new technologies and being

flexible enough to embrace them becomes key pillars towards building strong financial management foundation for swipe 50 ltd.

7. Importance of Managerial Accounting Jobs

7.1 Cost Control and Optimization

Why: Managerial accounting holds the reins in cost control and optimization for organizations. By carefully watching and studying different items of costs, managerial accountants ensure that resources are allocated wisely, spearhead initiatives to reduce costs as well as strengthening the foundation for overall financial sustainability. This strategic participation ensures a strong financial structure that leads to success of an organization.[4]

Key Contributions:

- **Budgeting and Forecasting:** Budgets are created by managerial accountants so as they may set cost standards and give direction on where money should be spent.
- **Variance Analysis:** Regularly analyzing budget variances helps pinpoint areas overspending is being experienced thus allowing early intervention measures to be taken up.
- **Cost Reduction Strategies:** These are plans made by managerial accountants on how best expenses can be trimmed down without affecting quality of goods or services produced.

Impact:

- **Efficiency:** When resources are used efficiently then it saves costs.
- **Competitive Advantage:** The company becomes more competitive if costs are minimized.

7.2 Decision-Making Support

Why: Financial architects (Managerial Accountants) provide necessary financial information required for making informed decisions strategically. It ensures that decision makers get accurate relevant data which enables them look at various options comprehensively from a financial standpoint; hence selecting the most favorable course of action based on this understanding about its effects towards achievement of organizational goals. Such commitment towards providing insights also facilitates good judgment while coming up with strategies within an establishment[5].

Key Contributions:

- **Cost-Benefit Analysis:** They weigh out benefits against expenses involved in different alternatives before choosing one over another.
- **Scenario Analysis:** Various models are designed so as to find out what will happen financially if certain decisions were made under given circumstances.
- **Capital Budgeting:** Investment appraisal techniques used by management accountants when determining viability financially speaking among various investment opportunities available.

Impact:

- **Informed Decisions:** Choices made become better informed due to financial awareness created among decision makers through such provision.
- **Risk Management:** There is need for analyzing data in terms of identifying possible hazards related with them while making choices[6].

7.3 Strategic Planning

Why: Managerial accountants are important personnel involved in strategic planning as they provide financial insight that aligns with long-term goals of a company. They contribute actively towards setting financial targets, evaluating investments and ensuring overall financial sustainability within an organization hence their involvement cannot be underestimated when it comes to linking up these strategies with wider corporate objectives which will lead to continuous success[7].

Key Contribution:

- Long-Term Budgeting: Budgets prepared by management accountant should take into consideration the future needs of the firm guided by its vision statement.
- Financial Modeling: Different models can be used so as come up with various scenarios that support this process.
- Performance Measurement: Keeping track on how well things perform financially over time informs changes required strategically speaking during implementation phase or thereafter.

Impact:

- Goal Alignment: The alignment between financial plans and other parts of organization is vital towards realizing set targets.
- Adaptability: Flexibility becomes possible if proper arrangements have been made earlier on while drawing budgets thus enabling adaptation whenever market conditions change abruptly[6].

7.4 Performance Evaluation

Why: Managerial accounting plays a critical role in appraising performance at different levels such as units, projects and initiatives within an establishment. Through setting metrics for measuring performance coupled with regular reviews against these benchmarks; management accountants provide useful information about effectiveness relating to operational aspects thus boosting decision making ability as well continuous improvement process realization among employees or managers who may not be aware where improvements could be effected within their respective departments[5].

Key Contributions:

- Key Performance Indicators (KPIs): Relevant KPIs are identified by management accountants and tracked so that they may help monitor progress towards achieving objectives.
- Performance Reports: Different segments' financial performance can be compared using reports generated by this category of accountants.
- Continuous Improvement: It is through such evaluations that continuous improvement initiatives can be launched within various organizational units.

Impact:

- Accountability: Financially responsible individuals or departments can be held accountable for their performance after all is said done during evaluation exercise.
- Optimization: Underperforming areas become visible thus allowing targeted improvements to take place[7].

In summary, Swipe 50 Limited greatly benefits from its roles in managerial accounting as these are necessary components for success. Thus, it is evident that without taking an active role in cost control measures; providing decision making

support based on strategic plans; evaluating performances among others which would not have been achieved if not through the effort put into them by managerial accountants

8. Conclusion

8.1 Key Findings Overview

This report on managerial accounting for Swipe 50 Limited has yielded a number of findings:

1. Profit Analysis under Absorption and Variable Costing:

- Absorption costing includes fixed production overhead in product costs, thus impacting profits differently from variable costing.
- The reconciliation process highlighted the impact of this difference on reported profits.

2. Comparison between Absorption and Variable Costing:

- Absorption costing is in line with external reporting standards but may cause inventory-related profit fluctuations.
- Variable costing provides benefits for internal decision-making by concentrating on variable costs but is not compliant with external reporting standards.

3. Significance of Managerial Accounting:

- Jobs in managerial accounting play a major role in cost control, support for decision-making, strategic planning and performance evaluation within an organization.

4. Recommendations for Improved Accounting Systems at Swipe 50 Limited Include:

- Streamlining data collection processes through automation and standardization.
- Implementation of advanced accounting software to improve overall efficiency as well as reporting capabilities.
- Conducting regular training sessions for accounting personnel to update them about current industry best practices.
- Carrying out periodic reviews and audits of accounting practices so as to identify weak areas while ensuring compliance.

8.2 Recommendations for Swipe 50 Limited

1. Methodology Selection for Costing:

- Evaluate absorption versus variable methods considering strengths and weaknesses associated with each one.
- Use both approaches selectively based on different decision-making requirements within the company.

2. Adoption of Technology:

- Investing in state-of-the-art accounting software which can enhance process automation leading to increased efficiencies across various functions within the department or even organization at large scale level;
- Exploring possibilities related to automation aimed at reducing manual work involved thereby minimizing instances susceptible to errors occurring during such processes;

3. Staff Development:

- Give first priority continuous education programs targeting finance team members so that they can be well updated with any changes occurring around them mostly on matters concerning their profession.
- Encourage attendance of external seminars and workshops by finance employees.

4. Culture of Continuous Improvement:

- Nurture continuous improvement mentality among staff within the accounting function;
- Solicit ideas from employees on how to improve efficiency in different areas of work under this department or even whole organization as may be applicable

5. Performance Appraisal:

- come up with a strong performance evaluation system for use in finance department ;
- align performance measures used within the unit vis a vis corporate objectives and financial targets in general.

In conclusion, Swipe 50 Limited is at the cusp of realizing immense gains through detailed analysis of costing methodologies; embracing technology fully; investment into staff development guided by knowledge sharing principles which should be intensified further; fostering an environment where people are always looking out for better ways to do things not only in accounting but other departments too; establishing mechanisms that ensure appraisal becomes part company culture rather than just once year event meant satisfy requirement somewhere down HR policies manual. The proposed measures are aimed at strengthening financial management capabilities

within Swipe 50 Limited thus positioning it for sustained growth amidst competitive business environment.

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