



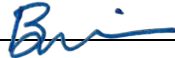
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1 .Overview

1.1 Enhanced A Synopsis of Swipe 50 Limited

With three years under its belt, the young company has made a name for itself in the industry by creating Plus Swipe, a laptop screen protector that has revolutionized the market. This is demonstrated by the groundbreaking PlusSwipe which not only rectifies this issue but also exemplifies the firm's unwavering commitment to quality and innovation. Through modern manufacturing methods, Swipe 50 Limited is well on its way to becoming one of the leading players in the laptop screen protection segment. It also boasts three years of operations with impressive monthly production capacity at 20,000 units while its focus on quality and innovative screen protection solutions has been recognized.

1.2 The Managerial Accounting Report's Extended Goal

This managerial accounting report aims to provide an elaborate analysis of financial performance at Swipe 50 limited during February and March months especially. To demystify cost accounting's entanglement in product costing, this document examines how absorption and variable costing bear upon profitability at large scale for our company. Also, Tamara J Blooms as a CFO had led from front enlightening this reports deep into nuances of accounting techniques used and their wider implications thus showing what must be done to make sure these reports are relevant towards organization management's decision making because it always keeps changing based on market trends.

2. Profit Statement for February and March

2.1 Absorption Costing

2.1.1 Calculation of Production Costs

Due consideration should be taken when calculating production costs under absorption costing because both variable costs in manufacturing processes cannot be ignored fixed ones too. The total variable manufacturing cost encompasses direct materials, direct labor, and variable production overheads; these expenses are incurred depending on output levels (Dalton et al., 2017). In addition to this summing up these figures encapsulates all tangible costs associated directly with manufacture (Dalton et al., 2017). Afterwards, allocation of fixed production overheads – a non-variable component – is done on the basis of the pre-determined budgeted volume of output (Dalton et al., 2017). At the end, these costs are distributed across all units produced during that period (Dalton et al., 2017). It works in such a way that each unit absorbs part of the fixed production overheads thereby providing an overall view of total cost structure.

Absorption costing principles that follow careful dissection of variable and fixed costs of production allow for a clear understanding of financial intricacies involved in Swipe 50 Limited's manufacturing procedures. Besides adhering to the best accounting practices, such detailed cost analysis also gives management deeper insights into allocating resources and making strategic decisions. Expanding on this, it is essential to recall that variables vs fixed costs should be understood well when engaging in strategic decision-making. These other costs not fluctuating can relatively be shared since overheads are attributed to some extent hence each unit cost will have represented the total cost of production.[1] This level of detail, in addition to complying with the principles of accounting, helps managers in making justifiable judgments about pricing techniques, resource distribution, and programs for cutting expenses. Absorption costing involves a complete breakdown of costs which creates the framework for managing the complex financial environment within Swipe 50 Limited.

February:

- Direct Materials: €29,000
- Direct Labour: €19,000
- Variable Production Overhead: €7,300

Total Variable Manufacturing Cost (February) = €29,000 + €19,000 + €7,300 = €55,300

March:[2]

- Direct Materials: €33,250
- Direct Labour: €22,000
- Variable Production Overhead: €8,500

Total Variable Manufacturing Cost (March) = €33,250 + €22,000 + €8,500 = €63,750

2.1.2 Allocation of Fixed Production Overheads

The fixed production overhead is allocated based on the production capacity of 20,000 units per month. The fixed production overhead per unit is calculated as follows:

Fixed Production Overhead per Unit = Fixed Production Overhead / Production Capacity

Fixed Production Overhead per Unit = €28,600 / 20,000 units = €1.43 per unit

February:

Fixed Production Overhead Allocated (February) = €1.43 per unit * 12,500 units = €17,875

March:

Fixed Production Overhead Allocated (March) = €1.43 per unit * 14,500 units = €20,785

Determination of Profit under Absorption Costing

The total production cost is the sum of variable manufacturing cost and the allocated fixed production overhead. Subtracting the total cost of production from the total sales revenue yields the profit.

February:

- Variable Manufacturing Cost (€55,300) + Fixed Production Overhead Allocated (€17,875) = €73,175 is the total production cost for February.
- Sales Revenue (11,500 units * €22) = Profit (February) - €69,825 is the total cost of production (€253,000 - €73,175).

March

- March's total production cost is equal to the sum of the fixed production overhead allocated (€20,785) and variable manufacturing cost (€63,750).
- Sales Revenue (15,500 units * €22) = Profit (March) - The total cost of production is €341,000 minus €84,535, or €256,46

2.2 Flexible Budgeting

2.2.1 Calculating Variable Production Costs

Variable costing calculates a products production cost only by considering the variable manufacturing costs.

February: Direct materials (€ 29,000) + direct labour (€19,000) + variable production overheads (€7,300) = variable production costs (€55,300).

March: • Direct materials (€33,250) + direct labour (€22,000) + variable production overheads (€8,500) = Variable Production Costs. (€63,750)

2.2.2 Profit Calculation for Variable Costing

In the case of variable costing approach all the sales revenues are reduced by the total amount of the variable product cost.

February: Sales revenue(11,500units * €22)=Profit(February) €197,700 is the total variable product cost(€55,300 - €253,000).

March: *Profit(March)=Variable Production Cost-Sales Revenue(15,500units * €22)=€341,000-€63 750= €277250

3.Reconciliation of Profits

3.1 Explanation of Differences in Profits

The differences in profits between absorption and variable costing methods emanate from their different attitudes towards fixed production overhead costs treatment. Absorption costing recognizes fixed production overhead as part of unit cost as it allocates such costs based on units produced.[2] Conversely fixed production overhead is treated as a period charge under variable costing where only variable manufacturing costs are considered in calculating product costs. These treatments result in different reported profit figures especially during fluctuations in inventory levels.

Under absorption costing framework fixed production overhead is assigned to every unit produced regardless whether sold or not[9]. This implies that some portion of fixed production overhead is allocated to units that make up ending inventory. Unlike this approach however; there's a way that revolves around only accounting

for the principal elements of those products which are sold for the fixed production expenses.

However, how these two approaches treat fixed production costs is where the rubber meets the road, especially during stock fluctuations. Absorption costing assigns a part of fixed production overhead to ending inventory which alters reported profits and necessitates deep reconciliations for reliable business performance accounts.

3.2 Aligning Profits through Reconciliation Process

To balance the profits calculated under absorption costing with those obtained from variable costing, one has to consider the fixed production overhead apportioned to closing inventory in absorption costing. The reconciliation formula is as follows:

The reconciliation adjustment is (Ending Inventory Units * Fixed Production Overhead per Unit).

To make up for the profit difference between absorption costing and variable costing we add this adjustment.[3]

Reconciliation for February: Ending Inventory Units (February) = 12,500 – 11,500 = 1,000 units; Production (February) - Sales (February)

Adjustment for Reconciliation (February): 1,000 units * €1.43 per unit = €1,430

Profit (February) + Reconciliation Adjustment = €179825 + €1430 = €181255 is the adjusted profit for February under absorption costing.

Reconciliation of March

(Note: A negative ending inventory indicates that March's sales were higher than its production.). March's Reconciliation Adjustment=0(no adjustment because ending inventory is negative)

Profit(March)+reconciliation adjustment=€256465 is the adjusted profit(March) under absorption costing

3.3 Final Reconciled Profits

Presently, the reconciled profits are similar to variable costing calculated ones.

The adjusted profit for February is € 181,255 under absorption costing.

Adjusted profit for March was €256,465 under absorption costing also.

These reconciled earnings achieve a more transparent financial performance by aligning reported profits with fixed production overhead effects between the two methods of costing.

4 .Absorption and Variable Costing: A Comparative and Significance Analysis

4.1 An explanation of the differences between variable costing and absorption methods

1. Treatment of Fixed Production Overhead

- Absorption Costing: Involves the allocation of fixed production overhead to units made, thereby including it in the product cost.
- Variable costing: Regarded as a period cost that only includes variable manufacturing costs.

2. Impact on Inventory Valuation

- Absorption Costing: Includes fixed production overhead as part of inventory cost and thus affects valuation of ending inventory.

- Variable costing: Treats fixed production overhead as a period cost and includes only variable manufacturing costs into the product cost.

3. Profit Measurement

- Absorption Costing: May lead to higher profits when production exceeds sales because fixed production overhead is absorbed by all units produced.
- Variable costing: Tends to show more steady and predictable profits since fixed production overhead is only incurred when units are sold. [4]

4.2 The Importance of Each Method in Managerial Decision-Making

1. Planning and Budgeting • Absorption costing – It takes into account all production costs, helping in planning and budgeting for an organization. • Variable costing: Can be applied to short-term plans where attention is directed towards variable costs influencing budgets.
2. Pricing Decisions • Absorption Costing – This is useful in pricing decisions since it takes into account total costs including fixed production overhead. • Variable Costing: Is suitable for short-term pricing decisions as it ensures that variable costs are catered for.
3. Performance Evaluation: • These provide a comprehensive approach – they take into consideration all the expenses involved with regard to making any goods or services available. Variable Costing: This helps evaluate performance based on variable costs by giving an understanding on what margin contribution has been made[5].
4. External Reporting: Absorption Costing; Generally accepted accounting principles (GAAP) require absorption costing for external financial reporting, Variable Costing; Not used outside but gives internal insights [4].

The decision to use absorption costing or variable costing depends on the specific needs of the managerial decision-making process, though each approach has its own merits and uses. These applications are subtle because of their different characteristics. Absorption costing is more suited to external reporting requirements since it incorporates fixed production overhead into product costs. This method provides a comprehensive picture of all production costs for stakeholders such as investors and regulatory bodies. Moreover, in addition to complying with generally accepted accounting principles (GAAP), this method gives a complete understanding of how the operations done by business effect the financial statements [5].

Conversely, it treats fixed production overhead as period expense. Consequently, variable costing is useful for internal management purposes and can provide insights that facilitate short-term decision making. This focus on variable costs gives a clearer snapshot of direct costs associated with production and helps in appraising immediate financial impacts of decisions made. Consequently, deciding whether to use absorption costing or variable costing is not a single one-size-fits-all choice but rather the goals and timeframe used for that purpose dictate it. When accuracy in external reporting matters most, absorption costing takes preference over others while for an internal management perspective focused at optimizing short term decision made and understanding immediate cost implications; variable is favored above them all. Because managerial decision-making is fluid; therefore these factors must be carefully considered so that the chosen method of costing fits well into the company's unique requirements at any given time.

5. Improving Accounting Systems for Swipe 50 Ltd.

5.1 Suggestions for More Accurate Cost Tracking

The accurate tracking of costs acts as the key to effective management decision-making and dependable financial reporting. Having recognized its paramount importance, Swipe 50 Ltd is well placed to improve its cost tracking mechanisms. The subsequent recommendations can markedly improve accuracy and reliability of the firm's cost tracking systems:

1. **Activity-Based Costing (ABC):-** A strategic move for Swipe 50 Ltd would be to put in place an activity-based costing system. This advanced approach in costing breaks down costs by relating them to specific activities within production processes. Granular understanding of costs which ABC offers by capturing intricacies of each activity results greater precision in assessing financial landscape. By so doing, this method enhances precision in allocation of costs but also makes decision making and resource allocation easier as well. As it maneuvers through the competitive environment, adoption of ABC ensures that there exists a fine line between costs and activities that generate them thus informing the corporate strategies.
2. **Regular Cost Audits:** Incorporating routine examinations into financial handling procedures like those performed on Swipe 50 Ltd makes their management more vigilant and certain. To do this, audits are conducted at regular pre-determined intervals which act a precautionary step against possible misstatements arising from any variance present from one accounting period to another regarding all related expenses incurred. Meticulous review of cost data versus planned budget has been applied by the company so as to detect any kind of variances that might arise over time hence improving it's traditional information reliability leading towards

confidence in accurate recording of cost components Regular auditors ensure integrity in financial reporting therefore putting Swipe 50 Ltd within reach at all times.

3. **Employee Training:-** Evaluating how employees play an important role concerning tracing costs; every investment should be made worth it through comprehensive training programs. The design purpose behind these programs is enable those involved with cost tracking have consistent and accurate knowledge about basic accounting principles. A better trained work force contributes towards capturing precise records regarding expense accounts at various stages during production. Through this, the company can not only enhance its internal capacity but also provide a foundation for accurate cost management As employees become competent in tracing costs, better financial results can be realized by the organization and generally higher standards of financial accountability maintained.

5.2 Implementation of Better Inventory Management

For Swipe 50 Ltd., effective inventory management is key for reducing costs and ensuring that operations are optimized. The company can improve its inventory management by doing the following:

1. **Just-in-Time (JIT) Inventory System:** Implementing a just-in-time (JIT) inventory system synchronizes production with demand, which minimizes excess stock levels. This approach is strategic in nature because it lowers holding cost and reduces the risk of obsolescence while maintaining sufficient supply to meet customer needs promptly. JIT is essential for achieving lean and responsive inventory systems as well as optimizing resource utilization thus fostering operational efficiency.

2. ABC Analysis of Inventory: ABC analysis involves categorizing inventories into three classes based on their overall importance to costs and operations respectively. Swipe 50 Ltd can use this classification to put more emphasis on high-value items necessitating closer scrutiny and updating more often than others. Resource allocation optimization by placing importance on each item's criticality leads to effective distribution including putting them where they generate greatest effect hence this strategy improves efficiencies and cost effectiveness in inventory management.

3. Technology utilization: The use of technology can greatly improve accuracy and efficiency in managing inventories at Swipe 50 ltd, Some of these recommendations may be implemented

- Inventory Management Software: By using specialized software for managing inventories, businesses automate tracking of stock levels, reorder points plus delivery schedules enabling them make real time decisions without making any errors that could arise through manual tracking.
- Automated Systems: Automated systems are used to simplify procedures related with inventories so as to reduce manual mistakes and save time. Examples include order processing as well as stock updates resulting in an efficient overall operation.

5-3 Integration Of Technology For Efficiency

Moreover, Swipe 50 Ltd could make the best out of technology to further optimize its accounting systems by undertaking tasks like:

1. Cloud-Based Accounting Software: Cloud-based accounting software adoption helps streamline financial processes through offering authorized personnel real time access to data. This fosters collaboration and aids in timely

decision making. It is a flexible and scalable way of managing financial information.

2. **Automated Data Entry and Reconciliation:** Implementation of automated data entry and reconciliation processes reduces manual errors and enhances efficiency. For instance, bank reconciliations are automated thereby ensuring accuracy while freeing up resources for other more strategic activities. Such automation helps streamline accounting systems making them less prone to errors.
3. **Data Analytics Tools:** Financial trends, cost drivers, and performance metrics can be investigated by tools such as data analytics that could be used by Swipe 50 Ltd. These instruments help in data driven decision making, resource optimization based on analysis though they enable discovering areas for improvement too. The integration of data analytics improves the company's capacity to take pre-emptive actions with regard to market forces as well as make informed decisions strategically.

Swipe 50 Ltd will benefit from these proposals by improving its accounting systems hence accurate costing system, effective control of inventory and increased efficiency of the whole operation which leads to better decision-making process in a competitive dynamic market for laptop screen protectors

6. Importance of Managerial Accounting Jobs

6.1 The Managerial Accounting of a Manufacturing Company Explained

Manufacturing businesses see it as very crucial decision-making and strategic planning foundation through which management accounting operates. In the manufacturing context, managerial accountants play a central role by concentrating on internal processes, costs and performance measures. Through looking at these key areas, they provide useful information that top management requires to make appropriate decisions aimed at driving the success of the company.[6]

6.2 Why Managerial Accounting Jobs are Important in Three Points

1. **Cost Control and Decision-Making:** This job belongs to managers who meticulously trace and evaluate production-related costs such as direct materials, direct labor and manufacturing overheads. A detailed analysis of those expenses enables them (managerial accountants) to recognise possibilities for saving costs or improving efficiency in production process. The insights inform pricing strategies, resource allocation decisions and cost reduction initiatives aimed at towards successful management.
2. **Provision of Financial Information Relevant to Management:** Those engaged in managerial accounting prepare reports as well financial statements that meet requirements of internal stakeholders alone. These reports present detailed facts about costs, revenues, incomes among other details that help managers comprehend the firm's financial situation clearly; thus serving as timely and accurate source of financial data required by decision-makers when assessing performance trends or overcoming potential challenges before they become serious problems.

3. Overall Strategic Planning Assistance: Managerial accounting jobs rank highly among support mechanism for strategic planning within an organization. They assist senior executives formulate policies that would be executed over a long-term period by contributing to overall cost analysis plus budgeting activities undertaken by them. Management can now use forecasts scenarios analyses as well any other form containing relevant financial models from these types of accountant(s) when making decisions concerning how each choice affects its goals within market forces. Since then it has been ensuring that all this proactive participation makes our business is set up rightly for sustainable development against any competitive threats in ever changing marketplace.

For instance a firm like Swipe 50 Ltd needs to have managerial accounting jobs for purposes of financial health and strategic success. The scrutiny of costs, provision of the right financial information, and active involvement in planning are all important factors when it comes to helping propel the company through challenges, take advantage of prospects, and ensure its long-term viability in a changing economy.

7 Conclusion

7.1 Key Findings Summary

For example, at the end of this report on managerial accounting for swipe 50 ltd., an inclusive analysis has been presented that involves the firm's financial performance during February and March. Profit computation complexities have been unravelled by using absorption costing and variable costing techniques which have given valuable insights into differences in accounting approaches as they affect financial reporting.

The reconciliation exercise showed that profits had to be aligned between absorption and variable costing methods signifying fixed production overhead's impact on reported profits. The report also emphasized how different absorption and variable costing methods handled fixed production overheads, thus leading to inventory valuation differences.

The recommendations aimed at improving Swipe 50 Ltd's systems of accounting were about improving cost tracking, optimizing inventory management and integration of technology. These suggestions aim at ensuring accurate financial information is provided, promoting efficient operations as well as strengthening general financial position of the company.

7.2 Recapitulation of the Importance of Managerial Accounting

Managerial accounting plays a pivotal role in any manufacturing business such as Swipe 50 Ltd. This is to say that cost control, decision-making, and strategic planning are largely influenced by managerial accountants. Managerial accounting jobs make a significant contribution to the company's ability to navigate challenges, exploit opportunities and maintain competitive advantage in the market by carefully monitoring costs, reporting relevant financial information and supporting strategic initiatives.[8]

All in all, managerial accounting is what helps internal decision making processes for management as they evaluate, plan or even strategize on how to move forward with respect to success of an organization like this one. As Swipe 50 Ltd. continues refining its operations focusing on revenue generation and expenditure control, the input of managerial accounting will be vital for shaping the firm's financial path.

7.3 Final Thoughts

In the dynamic industry of laptop screen protectors, not only does managerial accounting become vital from finance outlook but also turns out to be a strategic tool. The lessons learnt herein and recommendations for improvement place Swipe 50 Ltd on a better footing for enhancing its financial management practices thereby maintaining growth within the competitive market.

The continuous evolution of Swipe 50 Ltd.'s is inherently tied up with utilizing insights from managerial accounting. As it moves along with changing market dynamics, surely managerial integration principles would serve as its guiding compass towards financial resilience, operational excellence and sustained success.

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