



EUROPEAN
INTERNATIONAL
UNIVERSITY



COVER PAGE AND DECLARATION

	Master of Business Administration (M.B.A.)
Specialization:	General Management
Affiliated Center:	CEO Business School
Module Code & Module Title:	MGT510 – Managerial Accounting
Student's Full Name:	Ali Omar Abdulghani
Student ID:	EIU2020462
Word Count:	3800
Date of Submission:	May 24, 2025

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE: **ALI - OMAR** _____

DATE: **May 24, 2025** _____

EIU Paris City Campus

Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 |
Mobile/WhatsApp: +33607591197 | **Email:** info@eiu.ac

Contents:

- [Introduction](#)
- 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.](#)
- 3. [Explain how each method differs from the other method and also explain the importance of the Each method.](#)
- 4. [Explain three ways that Swipes 50 Ltd. can improve its accounting systems.](#)
- 5. [State why managing accounting jobs are important in a manufacturing company.](#)
- [Conclusion](#)
- [References](#)

Introduction:

Gaining as much as possible while minimizing losses is the main goal of management accounting. Presenting information to managers so they may foresee financial discrepancies and make critical choices is its main focus. Its scope is rather broad and it encompasses a wide variety of company processes. The reason management accounting processes are important is that they make it easier to collect, record, analyses, and comprehend internal accounting data—information that corporate managers need to make critical decisions on the growth and development of the company. The purpose of this report is to provide readers adequate knowledge about management accounting practices to enable them to assess internal business activities of the organization and formulate a long-term strategic business plan. The techniques used by the business to prepare its internal accounting data are clearly shown in this report.

Decisions beyond the purview of mandated reporting may be made by managers and other decision-makers using the data supplied by management accounting, which is a component of the responsibility accounting system. Rather, it incorporates concepts from other domains to better meet managerial needs.

Managerial accounting is crucial to a company's strategic management since it is intended to support managerial decision-making. The evaluation of costs, which may be used to analyses things like inventory costs, expenses, and earnings, is one of the goals of management accounting. The way that different cost-calculating methods allocate expenditures to different cost components varies. The two main calculation methodologies used in costing theory are partial cost accounting, which only accounts for costs that fluctuate with output, and full cost accounting, which accounts for all production expenditures as product costs.

Management accounting covers a wide range of accounting functions, including forecasting, budgeting, performance evaluation, financial analysis, product costing and pricing, governance, and corporate finance. The practice of efficiently and effectively managing a company's finances is known as accounting for management. The management accountant finds, evaluates, measures, and classifies accounting information for a company's development and output decisions based on the accounting information provided by the organization's management accountants. To accomplish its objectives, this research will depend on the management accounting systems and procedures of the organization. Business executives may achieve their goals on time with the aid of management accounting software. These technologies

should only be used by qualified professionals to streamline business processes.

This essay will demonstrate the value of management accounting to Swipes 50 Ltd. and the reasons it is crucial for manufacturing firms.

Managerial Accounting Assignment Submission

A. Profit Statements for Swipes 50 Limited for the months of February and March:

Profit Statements using Absorption Costing for February and March

Profit Statement (using Absorption Costing)					
Swipe 50 Limited					
				February	
Sales (11,500 Units @ Euro 22ea)					€ 253,000
Less Cost of Goods (COG) Sold					
Beginning Inventory (0 Units)				€ 0	
Add COG Manufactured (12,500 Units)				€ 79,500	
COG Available for Sale (12,500 Units)				€ 79,500	
Less Closing Inventory (1,000 Units x Euro 6.36ea)				€ 6,360	€ 73,140
Gross Profit					€ 179,860
Less Selling & Administration Expenses					
Fixed Selling & Administrative Expenses				€ 36,225	
Variable Selling & Administrative Expenses				€ 8,275	€ 44,500
Net Profit for February (Using Absorption Costing)					€ 135,360

Profit Statement (using Absorption Costing)					
Swipe 50 Limited					
				March	
Sales (15,500 Units @ Euro 22ea)					€ 341,000
Less Cost of Goods (COG) Sold					
Beginning Inventory (1,000 Units)				€ 6,360	
Add COG Manufactured (14,500 Units)				€ 87,350	
COG Available for Sale (15,500 Units)				€ 93,710	
Less Closing Inventory (0 Units)				€ 0	€ 93,710
Gross Profit					€ 247,290
Less Selling & Administration Expenses					
Fixed Selling & Administrative Expenses				€ 48,825	
Variable Selling & Administrative Expenses				€ 8,275	€ 57,100
Net Profit for March (Using Absorption Costing)					€ 190,190

Profit Statements using Variable Costing for February and March

Profit Statement (using Variable Costing)				
Swipe 50 Limited				
			February	
Sales (11,500 Units @ Euro 22ea)				€ 253,000
Less Variable Cost of Goods (COG) Sold				
Beginning Inventory (0 Units)			€ 0	
Add Variable COG Manufactured (12,500 Units)			€ 50,900	
Variable COG Available for Sale (12,500 Units)			€ 50,900	
Less Closing Inventory (1,000 Units x Euro 4.072ea)			€ 4,072	€ 46,828
Variable Manufacturing Margin				€ 206,172
Less Variable Selling & Administration Expenses				€ 36,225
Contribution Margin				€ 169,947
Less Fixed Expenses				
Fixed Selling & Administrative Expenses			€ 8,275	
Fixed Production Overheads			€ 28,600	€ 36,875
Net Profit for February (Using Variable Costing)				€ 133,072

Profit Statement (using Variable Costing)				
Swipe 50 Limited				
			March	
Sales (15,500 Units @ Euro 22ea)				€ 341,000
Less Variable Cost of Goods (COG) Sold				
Beginning Inventory (0 Units)			€ 4,072	
Add Variable COG Manufactured (12,500 Units)			€ 58,750	
Variable COG Available for Sale (12,500 Units)			€ 62,822	
Less Closing Inventory (0 Units)			€ 0	€ 62,822
Variable Manufacturing Margin				€ 278,178
Less Variable Selling & Administration Expenses				€ 48,825
Contribution Margin				€ 229,353
Less Fixed Expenses				
Fixed Selling & Administrative Expenses			€ 8,275	
Fixed Production Overheads			€ 28,600	€ 36,875
Net Profit for March (Using Variable Costing)				€ 192,478

**Profit Reconciliation Statement calculated using Absorption Costing to that
using Variable Costing**

Reconciliation Statement		
Swipe 50 Limited		
	February	March
Net Income using Absorption Costing	€ 135,360	€ 190,190
Less Fixed Manufacturing Overheads carried forward (Closing Inventory)	€ 2,288	
Add Fixed Manufacturing Overheads brought forward (Beginning Inventory)		€ 2,288
Net Income using Variable Costing	€ 133,072	€ 192,478

3- Explaining how each method differs from the other method and also explain the importance of the each method.

Differentiating between fixed and variable expenses first, a fundamental knowledge of management accounting is needed.

The term "management accounting" refers to a broad spectrum of unique methods for summarizing the financial health of a business.

Whatever you name it, it's a way for a company to keep track of its spending and provide internal reports. The company's goals are accomplished with the support of the board of directors and the management team.

Decision-makers and internal managers are the target audience for this data. As a result, this information could depart the company.

The company's current management team is qualified and effective, as shown by the financial and economic statistics.

We should be aware that management accounting is a helpful tool for both long- and short-term estimates.

Budgeting for firms also involves the use of management accounting.

For managers and the board of directors, management accounting is a valuable tool for making both short- and long-term financial decisions. In management accounting, the two primary instruments are variable and absorbing costs. Both have advantages and disadvantages. The only way that can be used to compile financial statements that comply with GAAP for external reporting is absorption costing. A trustworthy set of financial statements for internal use may be produced using either variable costing or absorption costing.

With the assistance of other management accountants inside the company, the management accountant locates, evaluates, quantifies, and organizes accounting data. Accounting for management is centered on the economical and efficient administration of a business's financial assets. The study will rely on the management accounting practices and instruments used by the business.

In precise terms, what are "fixed-overhead expenses"? That is the first action. After that, you'll comprehend what's happening.

.

Variable costing vs absorption costing:

- 1- One way that absorption costing differs from variable costing is that it accounts for fixed production costs. To take fixed manufacturing overhead costs into consideration,

- 2- Internal rates. Manufacturing overhead expenditures that don't change over time are represented as periodic outlays in variable costing. These three guidelines should also be kept in mind while comparing financial statements:
- 3- First, when the quantity produced and the quantity sold are identical, the profit from both strategies is the same.
- 4- When production surpasses demand, absorption expenses allow for maximum profit.
- 5- Third, variable costing is most lucrative when the production is lower than the demand.

Absorption Costing		Variable Costing	
Direct materials	} Product costs	Direct materials	} Product costs
Direct labor		Direct labor	
Variable manufacturing overhead		Variable manufacturing overhead	
Fixed manufacturing overhead		Fixed manufacturing overhead	} Period costs
Selling and administrative	} Period costs	Selling and administrative	

(Saylor.org / Page 351)

The importance of the absorption costing:

- Often referred to as "full costing," absorption costing is a management accounting method that takes into consideration each and every expenditure spent throughout the production of a product. Every expenditure, whether direct and indirect, is taken into account in this plan.
- Absorption costing accounts for all costs that directly affect output in order to determine an item's real cost. Absorption costing calculates product costs by factoring in both fixed and variable overhead. Direct labor costs (such as salary), direct material costs (such as raw materials), and any indirect costs (like utilities) spent during production are all considered forms of manufacturing expenditures.
- Fixed costing approaches allocate all expenses to created items, whether or not they are sold at the end of the period, in contrast to the variable costing approach.
- Known as full costing because it covers labor, materials, and both fixed and variable production overhead costs up until the products are sold, absorption costing is also meant for public consumption. The main benefit of absorption costing is that it adheres to the IRS-established generally accepted accounting rules (GAAP). Additionally, by accounting for all production costs—including fixed expenses—rather than simply direct costs, it is able to measure profits over time with greater accuracy. However, since fixed costs are not subtracted from revenues until all of the produced items are sold, absorption costing may overstate a company's profitability during a particular accounting period. Additionally, it serves little use when comparing product lines or conducting analyses meant to improve operational or financial effectiveness.

The importance of the Variable costing:

- Unit-level costing, often known as variable costing, is a method of accounting for production expenditures that vary directly with output. Fixed manufacturing costs are disregarded in the context of variable costing.
- Accordingly, the break-even analysis may be used to assess how many units of a product must be sold before the business starts generating a profit. • The company may notice an increase in its profit margins as using this method of costing to create and sell more units eliminates the need to include any new fixed expenditures. Since these costs are ignored when using variable costing, selling more things should increase profit because of the extra revenue.
- A prerequisite of variable costing is the inclusion of all variable production costs (inventory) in inventory and the reporting of these costs.
- In relation to the whole period's costs (fixed manufacturing overhead). For every produced item, all fixed production expenses are individually documented. Because variable costing provides the information for a contribution margin income statement, it may be useful in CVP analyses. Managers may establish contribution margin ratios, break-even thresholds, and goal profit points by segregating variable and fixed expenses.
- Nonetheless, internal decision-making inside an organization is often a failure.
- Employing variable costs in the workplace stops managers from boosting output just to boost revenue.
- It is important for management decisions to consider variable costs. Fixed expenses have more weight since they cannot be altered after the fact. This approach makes it easier to compare the profitability of various business units as it places a strong focus on variable expenses and helps to overcome challenges when allocating fixed costs.
- When analyzing the financial advantages of variable pricing, it is advisable to focus on expenses that decrease in direct proportion to production.
- The Contribution margin can be used by firm management to do a Break-Even analysis,

which relieves the laborious and subjective task of allocating fixed expenses and enables the company to better organize its operations and accept orders that exceed the Contribution margin. • It can be used to identify profitable products and manage resources wisely using a cost-volume-profit analysis.

- Nevertheless, management may be misled into believing that the company may turn a profit even with a very small contribution margin if fixed expenditures are neglected, since they can affect profitability.
- Utilizing Variable all financial reporting has to be done internally, and costing is only allowed for internal reporting needs. The sole factor influencing the difference in net operating income between absorption and direct costing is the quantity of fixed manufacturing overhead that is retained in or released from inventories throughout the quarter. Absorption expenditures raise net operating income when output surpasses sales. As long as the cost structure is steady, changes in inventory will not have an impact on direct costs.
- Certain expenditures cannot be divided into the fixed and variable categories because they are difficult to classify and are only partly changeable. This is why there is a problem with variable pricing.
- Another drawback of variable costing is the absence of economies of scale. However, an increase in production volume is reflected in the variable cost per unit determined using variable costing factors.

- **Comparison between Variable Costing and Absorption Costing**

Basis	Variable Costing	Absorption Costing
Definition	It entails basing product pricing solely on fluctuating costs.	Consideration is given to both fixed and variable costs when pricing products.
Components of cost	Raw materials, direct labor, variable overhead, and other direct expenses are examples of direct costs.	This includes all direct expenses, including constant and variable overhead, direct labor, direct materials, and other direct expenditures.
External Internal Reporting	We need it for internal reporting purposes.	In order to file with the government, that is necessary.
Estimation of the total cost	Including just variable costs might result in an underestimation of overall costs.	It offers a thorough cost analysis as well.

Explain three ways that Swipes 50 Ltd. can improve its accounting systems.

Using an accounting system improves a company's capacity to track and evaluate its financial data. It is feasible to have a manual accounting system or one that is automated. The accounting system is used to monitor the company's financial activities. Accounting systems that are either effective or efficient keep an eye on any information that might have an impact on the company's finances, either positively or negatively. In order to optimize business processes, Swipes 50 Ltd. (2018) is thinking of using accounting software like Tally, ERP, and QuickBooks. As a consequence, the company will be able to monitor all financial data and take the following actions:

.

a. Dedicate the Business Accounts

The bank accounts and credit cards of Swipes 50 Ltd. should be kept completely separate from the proprietors' personal financial data. This will make it easier for the business and its owners to monitor its financial situation.

b. Expense Management

A system for tracking staff spending and providing reimbursements has to be in place at Swipes 50 Ltd. It is recommended that Swipes 50 Ltd. put in place mechanisms for monitoring expenses (receipt tracking), evaluating the rationale behind the spending, and documenting refunds. If staff do not get company credit or debit cards, a standardized mechanism for reporting and reimbursement of expenses will need to be developed.

Keeping thorough records of every expense made by the company helps management keep a closer eye on expenses, reduce unnecessary spending, and make long-term plans.

In order to file taxes and provide management reporting, Swipes 50 Ltd. must keep track of employee reimbursement for expenses and classify costs. To do this, you will need to create two sets of books: one for administration and one for taxes.

c. Accounts Payable Management

Without a comprehensive system in place to handle accounts payable, Swipes 50 Ltd. runs the danger of losing money on interest and late fees as well as harming the company's image. You should take advantage of any discounts Swipes 50 Ltd may be offering for early or on-time payment by making your bill payments on schedule. to maintain the esteem of its many distributors and suppliers.

d. Accounts Receivable Management

To help the collection departments keep track of and communicate with the defaulter (if any), as well as maintain the records of the accounts receivable, Swipes 50 Ltd. must set up systems, policies, and procedures for evaluating customer credit, informing customers of payment expectations and processes, creating invoices, invoicing customers accurately and on time, tracking received payments, and following up on past due accounts.

e. Income (Profit and Loss) Statements, Balance Sheets and Annual Financial Reports

Posting these crucial financial reports ought to be simple if Swipes 50 Ltd.'s accounting and bookkeeping staff is keeping track of costs and receipts. Swipes 50 Ltd.'s income statements and financial records should be examined either monthly or quarterly, with annual reports always including the whole fiscal year.

Establish protocols for accurate and timely financial reporting so Swipes 50 Ltd. can monitor its key performance indicators.

Management may utilize a range of aggregated reports from an efficient accounting system for planning, analyzing, and assessing performance.

(Labo, 2019)

f. Cash Flow Forecasting

A current cash flow statement would also help Swipes 50 Ltd. anticipate future cash flow more accurately. Unpredictable cash flow problems may put a business in danger of going bankrupt and force the owners to make rash choices like selling off shares or taking out high-interest loans in order to stay afloat. By using cash flow forecasting, Swipes 50 Ltd. might be able to plan ahead and create efficient financial plans by predicting when cash flow problems would occur.

g. Internal Risk Mitigation

Swipes 50 Ltd.'s accounting and bookkeeping team has to have measures in place to stop fraud inside the company.

Divide responsibilities, establish dual control, and put in place checks and balances to keep too much power out of the hands of too few individuals.

h. Bank Account Reconciliation

Reconciling bank accounts should be done immediately. Swipes 50 Ltd. will be able to identify any accounting irregularities or indications of possible fraud in a timely manner.

i. Data Back-Up

Make a duplicate copy of the data. Even though cloud accounting offers some security, Swipes 50 Ltd. should still have backup procedures in case of an interruption. It would be prudent for Swipes 50 Ltd. to scan paper papers as well, so that they have electronic copies in the event of an emergency at work.

Natural catastrophes often cause encrypted software to be lost or corrupted and make backup servers unrecoverable. (Weygand 2019, Warfield 2019, and Kieso 2019)

Swipes 50 Ltd. plans to protect its sensitive data, including financial records, by using cloud accounting solutions. Users are able to access their data from any place since the cloud's information storage servers are dispersed over many sites, usually two or three.

Explaining why managing accounting jobs are important in a manufacturing company.

While management accounting concentrates on internal users like CEOs, product managers, and sales managers who utilize accounting data to make critical choices, financial accounting offers historical financial data to external users.

Users may access a multitude of financial and non-financial data via management accounting for internal decision-making, planning, and control.

For internal decision-making, it may be beneficial to include nonproduction expenditures like sales and administrative expenses that are directly related to the product in the inventory cost for one or more units of Swipes 50 Ltd. goods.

Forecasts for specific divisions within a corporation are a common task for managerial accountants. If the management of Swipes 50 Ltd. is thinking of launching a new product line, they will need detailed estimates of sales, expenses, and profits (or losses). Even while financial accounting information from previous product lines would be helpful, making predictions for the new product line would be the responsibility of management accounting.

Information from management accounting is quite detailed. The financial information in the annual report provides a general overview of the company's health but doesn't go into great depth about any particular goods. Product profitability information may be made accessible via the management accounting function.

Comparison of Financial and Managerial Accounting:

	Managerial Accounting	Financial Accounting
Users	Inside the organization	Outside the organization
Accounting rules	None	U.S. Generally Accepted Accounting Principles (U.S. GAAP)
Time horizon	Future projections (sometimes historical if in detail)	Historical information
Level of detail	Often presents segments of an organization (e.g., products, divisions, departments)	Presents overall company information in accordance with U.S. GAAP
Performance measures	Financial and nonfinancial	Primarily financial

(Saylor.org Page 7)

Summarization:

Managerial accounting data, which encompasses a variety of business functions, may be used to create financial predictions. Taking management detail in accounting for non-monetary product faults

Through management accounting, precise data is provided on a monthly basis.

Financial accounting gathers and arranges historical financial transactions using US GAAP.

Lastly, the managerial accounting approach leads to the use of nonfinancial metrics in order to provide management accounting information.

Conclusion:

The study indicates that the organization uses a number of management accounting technologies and tools to collect the accounting information required by the managerial accountant to support decision-making at the highest levels of a manufacturing operation.

Despite this, the company's senior management views variable costing as a crucial component of its reporting framework and product costing information. When assigning fixed costs is unrealistic or impossible, or when higher management is more interested in understanding the extra spending to be spent on production than in any fixed costs, variable costing is a valuable statistic for identifying product-related charges. Because fixed costs are not subtracted from revenues until all of the produced items are sold, absorption costing may provide an inaccurate picture of a company's profitability in a particular accounting period. Furthermore, it performs appallingly poorly in contrast to other techniques for comparing product lines and assessing operational and financial efficiency.

Using the margin and absorption expenditures, the corporation creates a competitive price strategy for its goods. Because its gross profit exceeds its marginal absorption cost, the business benefits from absorption expenses.st.

References:

- 1-LIU, B., & PAN, H. Q. (2018). Comparative Study of Absorption Costing and Variable
- 2-Labro, E. (2019). Costing systems. Foundations and Trends in Accounting, 3-4.
- 3- Kieso, D. E., Weygandt, J. J., Warfield, T. D., Wiecek, I. M., & McConomy, B. J. (2019). Intermediate Accounting, Volume 2. John Wiley & Sons.
- 4- Ghosh P.T. (2009). *Financial Accounting for Managers*. Hyderabad: TaxmanPublications.
- 5- <https://www.taapeer.com/2020/06/24/%D8%AA%D9%82%D8%A7%D8%B1%D9%8A%D8%B1-%D9%85%D8%AD%D8%A7%D8%B3%D8%A8%D9%8A%D8%A9-%D9%87%D8%A7%D9%85%D8%A9-%D9%8A%D8%AC%D8%A8-%D8%A3%D9%86-%D8%AA%D8%AA%D8%B9%D8%B1%D9%81-%D8%B9%D9%84%D9%8A%D9%87%D8%A7/>
- 6- <https://www.th3accountant.com/2019/09/Income.Stat.html>
- 7-<https://www.investopedia.com/terms/p/profit.asp>
- 8 -<https://skysft.com/%D8%A7%D9%84%D8%AA%D9%83%D8%A7%D9%84%D9%8A%D9%81-%D8%A7%D9%84%D9%83%D9%84%D9%8A%D8%A9-%D9%88%D8%A7%D9%84%D8%AA%D9%83%D8%A7%D9%84%D9%8A%D9%81-%D8%A7%D9%84%D9%85%D8%AA%D8%BA%D9%8A%D8%B1%D8%A9>
- 9- <https://ar.ebrdbusinesslens.com/80-how-2202269-develop-small-business-accounting-systeml-32378>
- 10- <https://search.emarefa.net/ar>