

Amana LTD

UWTSD

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INTRODUCTION

Management accounting is the demonstration of financial information and process operations to the company's internal management. Management accounting is used only by the important core team, which is the only difference between it and financial accounting. During this procedure, finance management shares credit statements and documents with the company's board of directors, along with invoices and comparative balance statements (Ciuhureanu, 2018). This report based on Amana Ltd, which is established in England and sells souvenirs to tourists. The Covid-19 pandemic in recent times erupted in England, prompting the government to enact limitations on motion and transport, significantly influencing the tourism sector. This report consists of actual and original budget calculation and the company's present performance, along with providing appropriate recommendations for the appropriate improvement.

TASK A

Monthly control report

A *budget results report* is a management report that measures a period's actual revenues and costs to the planned benefits and expenditures based on overall historical sales. In other terms, it is a study that reveals the difference between accurate and planned business results. This report is given by management at the close of a financial reporting cycle to see if there are any significant variations in the projected budgeted figures announced at the start of the process and the actual closing figures. It is an essential tool because it helps managers assess which aspects of the organisation are achieving budget targets and which areas or divisions require change (Moshchenko et al., 2018).

Particulars	Cost per unit	Original (£)	Flexed (£)	Actual (£)	Variances (£)	Favourable/ Unfavourable
Units		100,000	80,000	80,000		Unfavourable
Selling price	25	25	25	20	5	Unfavourable
Revenues		2,500,000	2,000,000	1,600,000	400,000	Unfavourable
Variable costs:						
Materials	2.50	250,000	200,000	280,000	(80,000)	Unfavourable
Labour	4	400,000	320,000	440,000	(120,000)	Unfavourable
Overhead	1.50	150,000	120,000	120,000		
Contribution	17	1,700,000	1,360,000	760,000	(600,000)	Unfavourable
Fixed						
Warehouse rental		200,000	200,000	170,000	30,000	Favourable
Insurance		100,000	100,000	100,000		

Fulltime warehouse supervisory salary		50,000	50,000	35,000	15,000	Favourable
Net Profit		1,350,000	1,010,000	455,000	(555,000)	Unfavourable

The new manager of Amana Ltd determined that many of the variances are unfavourable to the company after comparing the initial and actual budgets. It was found that the owners of Amana Ltd attempt to lower their products' prices to increase revenue were detrimental. Furthermore, the owners have lost money and have raised their material and labour costs, all of which are unfavourable to the company.

Amana's performance during the year 2020

According to the performance report, it is essential to identify differences in the original and actual budget identifies by the variances. There are considerable differences in amount predications that impact decision making procedure broadly. The finance department set the budget for future activities like production units 100,000 and actual produce 80,000. The direct material of company 250,000, labour 400,000 and overhead 150,000. However, in actuality, these are increasing, so it does not match the budgeted amount and identify differences. Some conditions are favourable, and some are unfavourable (Zadorozhny et al., 2018).

Amana's turnover was hit hard in April 2020 when visitors could not fly for the Easter break. Revenues improved marginally in the summer of 2020, but the extended lockdown between December 2020 and February 2021 drained any extra revenue generated in the season. Amana ltd has previously only operated in physical stores, with a functional website acting as a channel for promoting their company. Mr Amana, the company's owner, has appointed a management team and offered a salary reduction. It supports getting sustainable properly and get effective results. After the Covid 19, the company prepared the estimated budget and set a particular amount, but the execution got different results that did not match the budgeted amount. Amana Ltd attempted to increase sales and stay competitive on the market by lowering souvenir prices, but in fact, the company suffered losses and increased its variable costs. It is not a sustainable strategy to reduce selling price to improve profitability. It requires applying these strategies:

- Improving employee morale by using worker success assessments to acknowledge and encourage employee achievements and teach them business skills and how to sell items up so that consumers make many transactions at once (Bukhoriev, 2018).
- Creating new product lines by polling consumers on what they want to see.
- Finding new customers: Potential users will assist in the expansion of the market.
- Finding new opportunities: Do market research to see how can extend the company into new fields.
- Customer Support: Establishing a workforce preparation programme to strengthen customer support.

Recommendations to areas for improvement

There are providing recommendations to Amana for the different areas of improvement as per the performance in 2020, such as:

Variable cost: This segment covers the expense of products or services, which can vary depending on the company's performance. Assume exist a product on the market that is getting momentum. The next step will be to produce more of that product. The prices of materials used in manufacturing, sales networks used to produce the commodity, and production labour will adjust as production increases, so they will all be called contingent expenses (Alsharari, 2017).

Fixed cost: A fixed cost occurs when a company consistently spends the same price on a specific expense. Property leases, mortgage/utility fees, staff benefits, telephone access, payroll software, and insurance rates are also forms of fixed costs. It is essential to include these costs in the budget to put aside the same amount of capital available to fund these expenditures. They can also be a decent starting point for troubleshooting if company revenues are not going as expected.

Estimated revenues: It is an important area of improvement was to calculate the right amount of revenues for the future. Based on the amount, is prepare a strategy for the investment and take short-term and long-term decisions. It is the amount of revenue that a company expects to gain from selling products and services. Estimated revenue provides the following: market projection and estimated cost of product delivered or services rendered. If the company has been in operation for more than a year, experts will help calculate these elements. Unless the company is fresh, local companies' sales will build some realistic revenue estimates. However, if the company is new or established, it is critical to remain pragmatic to prevent over-estimation (Jusoh et al., 2018).

Cash flow: This is the cash that flows in and out of the company. It can also be getting a sense of that by looking at recent financial statements and using the data to estimate results for the financial planning year. It will keep track of how often money is flowing in and why it is coming in. Realising how cash flow is most significant will enable scheduling whether to make significant acquisitions or acquisitions if the company has a peak period and dry weather.

Profit: There are providing suggestions regarding budget planning and management to CEO Amana, such as:

- *Communication early and often:* Due to predictions and financial planning impact all organisation operations, it is critical to maintaining an open conversation with all agencies across the procedure to reduce problems and make integration here between the corporation's organisational and individual techniques.
- *Involving the entire team:* Budgeting and forecasting should be done collaboratively so that agencies and units have a better adequate sample. Individuals with a wave on the multiple agencies, in addition to those in the accounting department, can provide the data available to develop reasonable estimations and make appropriate expenditures. Furthermore, utilising the organisational goals requires multiple viewpoints on where the company is now and how it could be in the future (Sharovatova et al., 2018).
- *Scenario planner:* Making predictions and being adaptable to possible situations and growing economic conditions is an essential aspect of running a business. Due to the highly volatile and

sometimes erratic nature of the economy, technologies, and even competition, a CEO must anticipate accurately and deal with the occasional rounds of their business. When planning about the budget, that time requires to involve all those things that help achieve the company's set goals and objectives.

- *Accounting is everything:* It is all too easy for CEOs to overlook important information while budgeting and predicting, mainly when time is of the essence. Nonetheless, these systems must compensate for any cost, element, and tiny target. As CEO, Amana must keep track of every aspect of the company's spending during the financial year, from ad strategies to card clip materials. It might be stunned by how little details will add up. After the schedule is finalised, consider any possibility for the upcoming fiscal year regarding forecasting. Can be paid particular focus to market shifts and without relying exclusively on historical evidence. Delegated experienced members of staff that duties of pattern monitoring, responding to clients and consumers, and going to keep an eye on rivalry and continue to bring the minute specifics of their results into account while creating the market outlook.

PART B

Providing an analysis of Mr Amana's decision to go online and advise to set up an online business

Mr Amana also found that many of his competitors now market their products online to consumers in the United Kingdom, Europe, and the United States. Amana has considered shutting branches in Brighton, Birmingham city centre, and Manchester city centre to expedite corporate operations and shift 50% of revenue online. It is suggested that Mr Amana set up an online business and sell out their product on Amazon.

Reduce cost: While opposed to establishing a conventional office-based business, the most significant benefit of running an online business is cost savings. Although have fees are involved with obtaining a trademark and putting up a website, they are smaller than leasing and managing the actual property (Wahyuni and Putra, 2020).

Reduced Staff requirements: In a physical store, the owner will need to hire many salespeople, while in an online store, the entire job is done manually. For example, when buying something online, there is no need for a store manager to take payment: the buyer merely inputs his or her credit card information and the item accounted for in minutes. When Amana Ltd set up an online business, so do not require more staff members but require full-time IT Programmist that cost £35000 per annum.

Increasing sales: An online sector will sell the company items worldwide, targeting future clients in other countries and cities. They would, though, require networks in place to deliver products or services to these far-flung areas. However, while a conventional business will only sell to people in their immediate neighbourhood, developing an effective business allows them to reach a much larger audience. As per the research, it is getting that these would be guaranteed sales of 100,000 units annually.

Easy to retarget: While operating an online business, it is easy to comprehend online advertising advertisements to reach out to local consumers, making it one of the most lucrative e-commerce advantages. They can use a Facebook Pixel to target prospective consumers with ads in their social media feeds. They will use the Shoelace Shoplift to retarget customers who come into the shop but do not purchase.

Personalised online experience: Website Personalisation can further improve the shopping experience. One of the most significant advantages of operating an online business is producing customised email campaigns for mass stakeholders. It will entice them to purchase from without any hard work on the part. It is not about people who walk into a physical shop and need to be nurtured right away. They should put in all of the efforts before launching a campaign and then sit back and enjoy until they begin selling to their client base (Ahmetshina, Vagizova and Kaspina, 2018).

Sales out products on Amazon

There is a lot to be said for Amazon's incredible reach. Every month, more than 200 million people shop on Amazon. Retaining customers is the primary motivation for 85 per cent of businesses offering on Amazon, with 72 per cent desiring to "represent my customers where they are." Amazon's third-party platform has been a primary growth engine as the company has expanded, with third-party retailers accounting for roughly 60% of Amazon's e-commerce revenue. To become part of Amazon, require paying fees which is £50,000 (McKinnon, 2020).

Brands found success on Amazon: Selling on Amazon will help even big and very well stores with a high traffic volume. Amazon's demand easily outnumbers that of any other store but having a location where the customers are is critical. Would not the company like to be situated in a mall where most consumers shop, such as the largest mall in any town?

Access to world-class logistics: Another advantage of selling on Amazon is Amazon fulfilment. Businesses will take advantage of Amazon's immense supply chain capability by selling on the site. Suppose a company chooses to participate in Amazon's Distribution by Amazon (FBA) programme. In that case, it sends the products to Amazon, which then handles the product's packaging, distribution, and customer support (including returns).

Selling on Amazon tends activated products by removing the very distinguishing features that distinguish them. How many times have you made an Amazon order and failed to note the third-party seller's name? Amazon lowers brand recognition by directing the attention away from the branded product and into consumer feedback. When I went to Amazon to make an order lately, the offerings of a seller I have never heard of emerged at the top of the search heap (Holm and Ax, 2020).

Simply sale tax compliance: Most states also mandate out-of-state retailers to raise and mandate sales tax under economic nexus rules. In most states, exchange coordinator rules mandate those marketplaces raise and remit sales tax on behalf of third-party retailers. Even so, exchange vendors will also have to report with the tax agency and file returns. Both facilitators and retailers will benefit from sales tax optimisation.

Rich customer data: One of the advantages of companies selling on their platforms is the potential to gather better consumer info, which they would not have exposure to if they sold on Amazon. For instance, rich consumer data may use to deliver more customised goods and services to consumers. If questioned what move they were more inclined to take as a consequence of customised brand material, the most common response was to make purchases (51 per cent), accompanied by being loyal to the company (49 per cent), and recommending the brand to others (46 per cent). Rich consumer data that brands transform into actionable experiences can be a world changer (Basova, 2017).

CONCLUSION

As per the above report, it has become concluded that Management accounting is essential for any business activity that helps broadly get effective results—there identified different benefits of online business and Amazon selling.

After all the analysis, it is recommended that Amana ltd set up their online business to earn revenues on a brand basis. It also helps generate its position in the online market and directly connect with the customer that helps to add more new customers.

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