

Module Title: Management Accounting for Managers

Module Code: LCBB5010

Student Name: Mihaela Cosmina Barabas

Student ID: 2229446

Table of Contents

1. Introduction.....	3
2. Cost Analysis and Business Model.....	3
3. Budgeting and Financial Planning.....	6
4. Performance Measurement and Decision-Making.....	7
5. Sustainability and Ethical Considerations.....	8
6. Conclusion and Recommendations.....	9
References.....	11

List of Tables

Table 1: Tesla’s key cost structures (Source: Author)	4
Table 2: Change in Operating Expenses (Source: Author)	6
Table 3: Five Important KPIs for Tesla (Source: Author)	7

List of Figures

Figure 1: Revenue Business Model (Sec.gov, 2025)	3
Figure 2: Research & Development of Tesla (Macrotrends.net, 2026)	4
Figure 3: Income Statement of Tesla (Google.com, 2024)	6

1. Introduction

Tesla Inc. is a global electric-vehicle and sustainable-energy company. Tesla, Inc. is an American company based in Austin, Texas, United States, that manufactures, designs, sells and leases electric vehicles and solar energy products. It has manufacturing sites, sales offices, and service centres around the world (North America, Europe and Asia). As of 2025, Tesla employed 134,785 people worldwide (Financecharts.com, 2024). Its market cap is \$1.526 trillion USD (Companiesmarketcap.com, 2026). It generated annual revenues of \$94.827 billion, highlighting its position as one of the largest companies in the global electric vehicle market. Powerwall and Megapack are Tesla's important products, along with the Model 3, Y Model, S Model, X Model, and Cybertruck. The company is well known for its innovations in sustainable mobility and clean energy.

Management Accounting supplies managers with the necessary information in the form of financial and non-financial data to enable them to plan, budget, control costs, evaluate performance and make decisions. The tight competitive market and the technologically advanced industry in which Tesla operates necessitate the use of management accounting information in order for the businessman to monitor the cost, operate efficiently, allocate resources and support the growth and profitability of the business in the long-term.

2. Cost Analysis and Business Model

(Dollars in millions)	Year Ended December 31,		
	2025	2024	2023
Automotive sales	\$ 65,821	\$ 72,480	\$ 78,509
Automotive regulatory credits	1,993	2,763	1,790
Automotive leasing	1,712	1,827	2,120
Total automotive revenues	69,526	77,070	82,419
Services and other	12,530	10,534	8,319
Total automotive & services and other segment revenue	82,056	87,604	90,738
Energy generation and storage segment revenue	12,771	10,086	6,035
Total revenues	\$ 94,827	\$ 97,690	\$ 96,773

Figure 1: Revenue Business Model (Sec.gov, 2025)

Tesla's business is diversified, and it earns revenue from a combination of automotive and energy-related activities. The company's total revenue in 2025 stood at \$94.827 billion, highlighting its robust position in the global electric vehicle (EV) market, per Tesla's Annual Report for 2025. Automotive sales accounted for the highest revenue, generating \$65.821 billion, 69% of the total revenue (Sec.gov, 2025). Other sources of income include automotive leasing, energy products and production (automotive energy, storage), regulatory credits, services, and other activities (Pisano, Saba and Baldovino, 2023). The energy generation and storage division accounted for around \$8.96 billion, highlighting the rise in

Tesla's involvement in renewable energy projects like the Powerwall and Megapack battery systems. This is a diversified revenue model which lessens the reliance on vehicle sales and helps drive the company's bottom line.

In terms of cost behaviour, it is vital from a management accounting standpoint to budget, control costs and analyse profitability. There are fixed and variable costs to Tesla's business. Fixed costs are those costs that are relatively stable over production levels (Rovner, 2026). Research and development expenditure, depreciation on the manufacturing units, salaries of management and administrative staff, software expenses, and factory overheads are the major costs associated with the manufacturing units that are fixed. Tesla has a hefty investment in research and development going on in 2025, estimating that expenses totalled around \$4.54 billion on average. These costs exist in all production, irrespective of the volume of production.

Management accounting categorises costs on the basis of their production volume behaviour (Magnacca and Giannetti 2023). There are several costs involved in Tesla's operations, including fixed costs and variable costs, both of which can affect their profitability, budgeting and strategic planning.

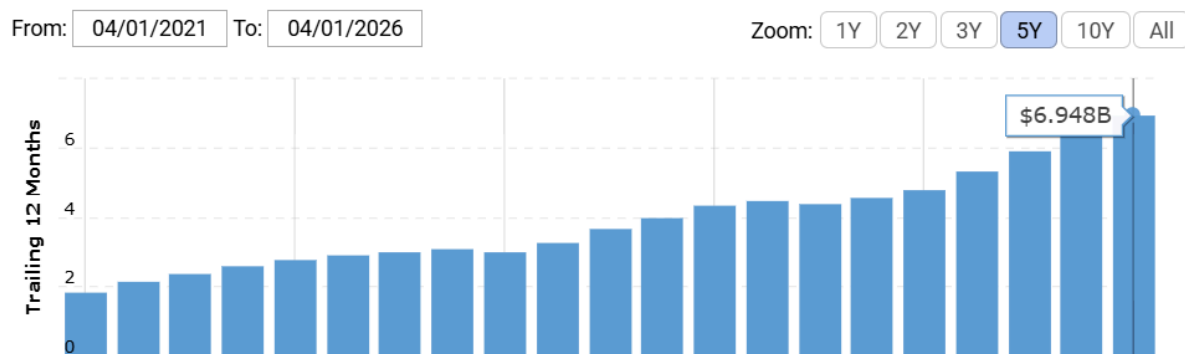


Figure 2: Research & Development of Tesla (Macrotrends.net, 2026)

Table 1: Tesla's key cost structures

Cost Category	Type	Evidence from Tesla's Operations
Research and Development (R&D)	Fixed Cost	It is estimated that Tesla spent around \$6.948 billion on the development of autonomous driving, AI,

		robotics, and new product development in 2026 (Macrotrends.net, 2026).
Depreciation of Giga factories and Equipment	Fixed Cost	Tesla has large-scale manufacturing plants in the United States, China and Germany. Depreciation costs are still accrued whether or not production takes place.
Administrative and Management Salaries	Fixed Cost	Commissioner salaries, corporate employees' payroll, and administration costs are not expected to see significant movements over the next few years.
Factory Overheads and Facility Maintenance	Fixed Cost	Security, utilities, maintenance, etc., are a significant portion of Gig factory operating costs that are quite static.
Raw Materials (Lithium, Nickel, Aluminium, Steel)	Variable Cost	The amount of materials used is directly proportional to the production of vehicles and the batteries produced.
Battery Cells and Components	Variable Cost	The price of the batteries depends on the production volumes of EVs and energy storage products.
Direct Manufacturing Labour	Variable Cost	As production grows, so do labour costs related to production.
Logistics and Delivery Costs	Variable Cost	The more vehicles you can provide for a customer, the higher the transportation and delivery costs.
Warranty and Service Costs	Variable Cost	The higher the volume of vehicles sold or customer numbers, the higher the costs will be.

Total revenue was \$94.827 billion, and total cost of revenues was \$77.7 billion, with a gross profit of around \$17.1 billion in 2025. The total sales for the automotive industry were \$65.821 billion, and the automotive cost of revenues was \$56.3 billion. As these numbers illustrate, it is crucial to keep a close eye on fixed and variable expenses if results are to remain profitable in such a competitive environment for EVs

Managing costs with an accounting lens, Tesla has significant fixed costs due to constant research and technology investments, manufacturing plant expansion, and the facility for infrastructure development. Raw material and battery material are important parts of

production costs, and variable costs still impact the cost of production (Lütkehaus et al., 2021).

3. Budgeting and Financial Planning

In Tesla, budgeting is essential because it supports planning, resource allocation, cost management, and decision-making for business strategies (Wang, 2025). Tesla, which is a worldwide car-maker of electric vehicles and energy products, allows budgets as a method to determine their revenues, their manufacturing expenses and also to assign the money they have for research and development, manufacturing growth and technological advancement. Budgeting allows management to monitor actual performance against scheduled targets, determine the variance and take remedial action as needed. By planning and budgeting effectively, Tesla can manage its costs, enhance the efficiency of operations, deal with risks and link financial resources with the company's future sustainability and growth goals.

Table 2: Change in Operating Expenses

Year	Total Operating Expenses (\$ Billion)	Change
2024	9.79	-
2025	12.74	+30.13%
Increase	2.95	+30.13%

According to a review of Tesla's financial performance, the total operating expenses grew from \$9.79 billion in 2024 to \$12.74 billion in 2025, which is 30.13% on the previous year (Google.com, 2024). The increase in growth is a strong sign of the ongoing commitment of Tesla toward innovation, growth, and future development possibilities.

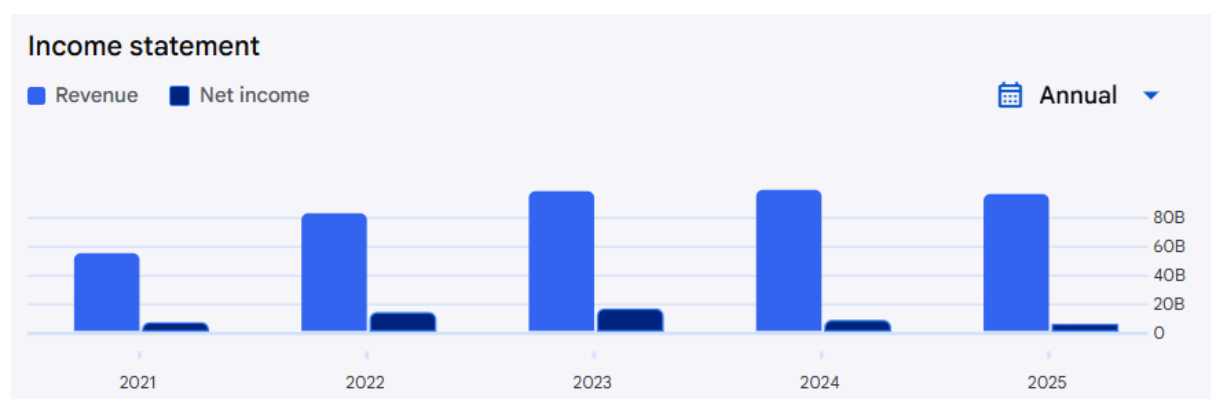


Figure 3: Income Statement of Tesla (Google.com, 2024)

The general cost structure of the operations came under pressure as a result of certain internal decisions regarding the management of the company. Tesla increased investments to support key strategic initiatives, including Full Self-Driving (FSD) technology, artificial intelligence (AI), robotics, battery technology, and next-generation vehicle platforms. Research and development expenses rose from about \$4.54 billion to \$6.948 billion, and selling, general and administrative (SG&A) expenses went from about \$5.15 billion to \$5.83 billion over the years. The growths reflect management's intention to retain its position as a technology leader and to introduce new products and services (Seyfi, Vo-Thanh and Zaman, 2024).

The rise in operating expenses was also affected by external economic conditions. Labour, energy and operating costs rose at Tesla's manufacturing plants throughout the globe. Further, the pressures in the supply chain, tariffs, and the fact that the electric vehicle market is becoming increasingly competitive across the globe ensured that as more and more efficient competitors were coming into the market, Tesla had to spend more time and money on operational efficiency and product innovation.

It helps Tesla keep track of these increasing expenses, ensure that investments are made effectively, and to determine if they become worth following in the long run. While the return on investment for the extra spending on technology, AI systems and other future growth prospects diminished its profitability in the short term, the company's operations proved to be an intentional investment that management felt would benefit its long-term competitive stance and performance.

4. Performance Measurement and Decision-Making

By measuring performance, Tesla can assess its operational effectiveness, profitability, and strategic achievements. The company's financial and non-financial Key Performance Indicators (KPIs) are employed to track performance and to aid the management decision-making process.

Table 3: Five Important KPIs for Tesla

KPI	2025 Value	Importance
Total Revenue	\$94.827 billion	Measures overall business growth and market performance.
Gross Profit	\$17.1 billion	Indicates profitability after deducting production costs.

Operating Income	\$4.36 billion	Measures operating efficiency and effectiveness of cost management.
Vehicle Deliveries	Approximately 1.79 million vehicles	Measures production and market demand.
Energy Generation and Storage Revenue	\$12.8 billion	Measures growth and diversification beyond automotive sales.

Tesla's global dominance in the electric vehicle market is evident in its strong 2025 total revenue of about \$94.827 billion. Gross profit was about \$17.1 billion, and operating income was about \$4.36 billion, which enabled the company to make a profit even as operating expenses continue to rise. Tesla's non-financial KPIs also include vehicle deliveries, reflecting the production resources needed and consumer demand for the company. Furthermore, energy generation and storage revenue increased to approximately \$12.8 billion, highlighting the growing importance of Tesla's renewable energy business segment.

Financial and non-financial data have significantly influenced Tesla's strategic decisions. Expanding Gigafactory operations into the U.S., China and Germany to ramp up manufacturing was one of those pivotal strategic choices made (Bello, 2025). The growth shape of vehicle deliveries, averaging about 1.79 million units, and production targets were used as non-financial KPIs to help make this decision. With robust revenue figures and potential long-term value, Tesla also pursued in-depth and intense advances in artificial intelligence, Full Self-Driving (FSD), robotics, and the development of battery technology. Nothing is more crucial than adapting car prices in various markets to stay productive and drive demand when market dynamics and other EV producers' pressure grow. The successful trajectory in energy revenues saw the business grow to be worth around \$12.8 billion by 2025 (Hertzke et al., 2025). Tesla has further expanded its energy generation and storage business. These are indications of how information about Tesla's financial and non-financial outcomes is utilised for the purposes of growth, innovation, pricing and the long-term development of their business.

5. Sustainability and Ethical Considerations

Sustainability is an important part of Tesla's decision-making process as they try to speed up the move towards sustainable energy (Williment, 2025). By investing in EV manufacturing, battery systems, renewable energy, and charging infrastructure, Tesla aims to decrease carbon

emissions and drive sustainable development. They are considered a long-term investment by the management, and despite their huge capital investments, they are seen as investments that would increase the profitability of the business in the future and help in gaining a competitive edge. Demand for green products and pro-green policies further impacts Tesla's investment strategy.

Tesla's sustainability efforts come with battery production challenges. Environmental harm, high water usage, and social problems in mine areas are linked to lithium and cobalt, fundamental in EV batteries (Brown et al., 2024). As a result, it's important that Tesla closely considers the cost of efficiency and the ethical responsibilities of sourcing batteries. In response, the company has beefed up its supply chain oversight and stepped up initiatives to recover the components of batteries.

There are also some ethical issues to consider when it comes to Tesla's cost control efforts. The company would like to cut costs with automation, optimising operations, and economies of scale to enhance profitability and competitively priced vehicles (Chikonde, 2023). But there is one possible disadvantage and disadvantage – reduced employee welfare and employment conditions – the latter being due to the former, as any significant cost-saving can impact on employees' working lives as well as generate dissatisfaction. As a result, there is a need to balance efficiency and ethical employment practices firmly with management.

There are also the ethical issues of Tesla's pricing strategy. Switching prices often makes things more affordable and competitive in the market, but can have trade-offs of impacting current customers and profitability. In turn, it is critical to make transparent and fair prices and achieve sustainable financial results and trust from stakeholders.

6. Conclusion and Recommendations

The report began to look at and analyse Tesla's business model of management accounting, cost structure, budgeting processes, performance measurement system and sustainability initiatives. The analysis suggested that total revenues to Tesla are expected to be around \$94.827 billion in 2025, of which the automotive business would account for the bulk of the core revenues, and the Energy Generation and Storage business would generate revenues of around \$12.8 billion. The company has to deal with high fixed costs from research and development since it's spending around \$4.54 billion in 2025 on it, and high variable costs like vehicle production and battery manufacturing. Various KPIs like revenue, gross profit, operating income \$4.36 billion, vehicle deliveries (1.79 million units) and energy segment growth were also highlighted in the report.

Recommendations

1.Improve Budgetary Control and Variance Analysis: Tesla can review regularly operating expenses variance and the budget review to track operating expenses more carefully, from the difference between 2024 operating expenses and 2025 operating expenses, Tesla's operating expenses of Tesla has increased from \$9.79 billion to \$12.74 billion.

2. Improve Cost Management Efficiency: Continue to maintain the standards of product quality and sustainability while optimising production processes and supply chains to further cut production costs by reducing production waste.

References

- Bello, W. (2025). Strategic Analysis of Tesla Inc. *ResearchGate*. [online] doi:10.13140/RG.2.2.22467.87848.
- Brown, C.W., Goldfine, C.E., Allan-Blitz, L.-T. and Erickson, T.B. (2024). Occupational, environmental, and toxicological health risks of mining metals for lithium-ion batteries: a narrative review of the PubMed database. *Journal of Occupational Medicine and Toxicology*, [online] 19(1). doi:10.1186/s12995-024-00433-6.
- Chikonde, L. (2023). *Case Study: Corporate Governance and Ethical Practices at Tesla Inc.* [online] ResearchGate. Available at: https://www.researchgate.net/publication/381547955_Case_Study_Corporate_Governance_and_Ethical_Practices_at_Tesla_Inc.
- Companiesmarketcap.com. (2026). *Tesla (TSLA) - Market capitalisation*. [online] Available at: https://companiesmarketcap.com/tesla/marketcap/#google_vignette [Accessed 15 June 2026].
- Financecharts.com. (2024). *Tesla (TSLA) Company Profile, History, Products & Services*. [online] Available at: <https://www.financecharts.com/stocks/TSLA/profile>.
- Google.com. (2024). *Tesla Inc (TSLA) Stock Price & News - Google Finance*. [online] Available at: <https://www.google.com/finance/beta/quote/TSLA:NASDAQ?tab=financials> [Accessed 15 June 2026].
- Hertzke, P., Schaufuss, P., Philipp Kampshoff und Timo Möller (2025). *New twists in the electric-vehicle transition: A consumer perspective*. [online] McKinsey & Company. Available at: <https://www.mckinsey.com/features/mckinsey-center-for-future-mobility/our-insights/new-twists-in-the-electric-vehicle-transition-a-consumer-perspective> [Accessed 17 June 2026].
- Lütkehaus, H., Pade, C., Oswald, M., Brand, U., Naegler, T. and Vogt, T. (2021). Measuring raw-material criticality of product systems through an economic product importance indicator: a case study of battery-electric vehicles. *The International Journal of Life Cycle Assessment*, [online] 27(1), pp.122–137. doi:10.1007/s11367-021-02002-z.

Macrotrends.net. (2026). *Tesla Research and Development Expenses 2012-2026 | TSLA*. [online] Available at: <https://www.macrotrends.net/stocks/charts/TSLA/tesla/research-development-expenses> [Accessed 15 June 2026].

Magnacca, F. and Giannetti, R. (2023). Management accounting and new product development: a systematic literature review and future research directions. *Journal of Management and Governance*, [online] 28(2), pp.651–685. doi:10.1007/s10997-022-09650-9.

Pisano, A., Saba, M. and Baldovino, J.A. (2023). A Critical Review of NIO's Business Model. *World Electric Vehicle Journal*, [online] 14(9), p.251. doi:10.3390/wevj14090251.

Rovner, J. (2026). *What are Fixed Costs in Finance? (Definition, Importance, and Examples)*. [online] Peak Frameworks. Available at: <https://www.peakframeworks.com/post/fixed-costs> [Accessed 15 June 2026].

Sec.gov.(2025). *tsla-20251231*. [online]

Available at: https://www.sec.gov/Archives/edgar/data/1318605/000162828026003952/tsla-20251231.htm#i39f9a11fdbe840828cbaefa2e098ffa8_19 [Accessed 15 June 2026].

Wang, Z. (2025). A Multivariate Linear Regression on Cost Analysis of Tesla. *Advances in Economics, Management and Political Sciences*, [online] 146(1), pp.107–117. doi:10.54254/2754-1169/2024.ld19065.

Williment, C. (2025). *How Tesla is an EV, Renewable Energy & Sustainability Leader*. [online] Sustainabilitymag.com. Available at: <https://sustainabilitymag.com/news/how-tesla-is-an-ev-renewable-energy-sustainability-leader> [Accessed 16 June 2026].

