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Executive Summary

In the given report the explanation of management accounting in Amana Ltd is being discussed in detail. The calculation for preparing the ***Original budget, Flexed Budget, and Variance*** is done with the data set provided. The Variance between the actual budget and flexed budget is estimated to be £8950000 of profit. Also, the company had a link of preparing its own website in consideration of sales through Amazon as a mode of starting E-business due to the impact of Covid-19 in the tourism industry. Recommendation of what steps needs to be taken in such a situation so that customers don't lose interest especially because of lockdown.

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Introduction

Management accounting is important as it plays an essential part in how to run a business, as it can help in keeping track of expenses and incomes, with the ensuring of compliance statutory. And investors providing, government and management with data related to information of finance that leads to better decision making. It is way moving forward in planning the reports of executives and the records of given exact and money measurement opportunities. In the report, the original budget of *Amana Ltd* is provided and proper calculations are done for better understanding with snip and figure as per the requirements.

Part A

In the business of *Amana Ltd*, the genre is tourism, which is established in England with a successful business in a run for almost 40 years. Due to the pandemic situation of Cobid-19 high effects on the industry of tourism was seen and it led to a profitability decrease for *Amana Ltd*. The changes /variance if compared to the fixed and original budget for the company have been elaborated under:

i.

Control report every month:

Original Budget (OB)

OB can be claimed as the detailed information for looking forward budgets of consolidation for the borrowers and guarantors respectively in the 1st 24 months with follow update for the particular agreement showcasing Profit and Loss Statements, Cash Flow, Balance sheets, Income statement also assumes that are written(Ammar,2017, p.50). It can be seen as useful for short-term tracking and long-term hindrances in Amana Ltd. However, the Amana Ltd management is effective in the business problems and decision making as per the issues.

COMPUTATION OF BUDGET AND VARIANCE of AMANA LTD.		
	100000 (Original budget)	
PARTICULARS	PRICE UNITS	AMOUNT£
SALES	25	2500000
LESS: VARIABLE EXPENSES		
MATERIAL	2.5	250000
LABOUR	4	400000
OVERHEAD	1.5	150000
TOTAL VARIABLE COSTS	8	800000
CONTRIBUTION	17	1700000
LESS: FIXED COSTS		
WAREHOUSE RENTAL		200000
INSURANCE		100000
FULTIME SALARY TO SUPERVISOR		50000
TOAL FIXED COSTS		350000
PROFIT		1350000

Figure 1: OB calculation

(Source: Self-developed)

In the analysis of the above figure, it can be seen that the OB of the Amana Ltd in respect to 1 year of the long run business. In regards to OB, at £25 per unit, 100000 units, as sales evaluation. As a result of the sales estimation revenue =£2500000 and for the part of the manufacturing of the products with variable cost in total at £800000. The subtraction from the margin contribution of fixed expenses the profit came out as a reflection of £1350000, therefore the gains per unit are (£1350000/100000) is equal to £1.35 concerning.

For further detail in workings

[Refer to Appendix 1]

Flexed Budget (FB)

FB can be explained as varies with dynamics in cases of the earning of the actual revenue amount. In simple words, this budget is used in revenue % in regards to particular expenses, other than the casual numbers that are fixed. This agile process of planning allows adjusting through the spending of the year, with benefits including (Weetman, 2019, p.30). Overspending less, opportunities more and faster response in the market change and condition of the business. In Amana Ltd, it is helpful in maximum use and movement variability of resources. It is also used in bringing efficiency for reaching the goal target for a time frame (Oyewo, 2021, p.360).

Also helps in creating contrast within budget and actual expenses in the improvement of the structure of the budget.

Computation of flexible budget of Amana Ltd.						
	100000 units			80000 units		
PARTICULARS	Per unit price	UNITS	AMOUNT£	Per unit price	UNITS	AMOUNT£
Direct material	2.5	100000	250000	3.5	80000	280000
Direct labour	4	100000	400000	5.5	80000	440000
Prime costs	6.5		650000	9		720000
Variable overhead	1.5	100000	150000	1.5	80000	120000
Fixed overhead:						
Warehouse rental	2		200000	2.125		170000
Insurance	1		100000	1.25		100000
Fulltime whole time supervisor salary	0.5		50000	0.438		35000
Total cost of production	11.5		1150000	12.813		1145000
Total	29.5		1150000	36.126		1145000

Figure 2: FB calculation

(Source: Self-developed)

In the above present figure, the explanation can be as reflected on FB for the Amana Ltd working as helping show the difference within the budget and actual expense. About the evaluation of the budget report, the entity is taken as the face for £1150000 as the sum of production cost, whereas in reality sales were made of units 80000. In production and sales of the goods, the sum of the cost in payment was £11450000. So, a decrease can be seen in the cost of production by £11500000- £1145000 resulting in £5000. As an outcome for reduction in the production cost for the unit means the cost of production decrease for the business. It gives an overview of the entire form and is highly helpful.

Variance

It can be claimed as the difference amount within the real and budget-oriented income and expenses. Also, it can be said that the comparison between the numbers that is the budget for find the real number exhausted (Alsharari, 2019, p.40). In Amana Ltd, it will be effective enough for helping to control the futile expense and lessen the cost. The contrast for the real and evaluated budget can guide the management of the company in determining the drawbacks and uplift them in finding the departments unable to achieve their goals (Cuzdriorean, 2017, p.300).

So, a good evaluation can be a guide to the preparation of budgets in the future. The contrast in the variance is taken as the result for consideration. In the case of the variance being positive, it shows the good efficiency in achieving a goal in the business whereas in regards to the negative outcome it indicates an inability to meet the approximately prepared structure budget.

COMPUTATION OF BUDGET AND VARIANCE of AMANA LTD.						
	100000 (Original budget)		80000 (Actual)		variance (100000-80000) = 20000	
PARTICULARS	PRICE UNITS	AMOUNT£	PRICE UNITS	AMOUNT£	PRICE UNITS	variance AMOUNT£
SALES	25	2500000	20	1600000	5	900000
LESS: VARIABLE EXPENSES						
MATERIAL	2.5	250000	3.5	280000	-1	-30000
LABOUR	4	400000	5.5	440000	-1.5	-40000
OVERHEAD	1.5	150000	1.5	120000	0	30000
TOTAL VARIABLE COSTS	8	800000	10.5	840000	-2.5	-40000
CONTRIBUTION	17	1700000		760000		940000
LESS: FIXED COSTS						
WAREHOUSE RENTAL		200000		170000		30000
INSURANCE		100000		100000		0
FULLTIME SALARY TO SUPERVISOR		50000		35000		15000
TOTAL FIXED COSTS		350000		305000		45000
PROFIT		1350000		455000		895000

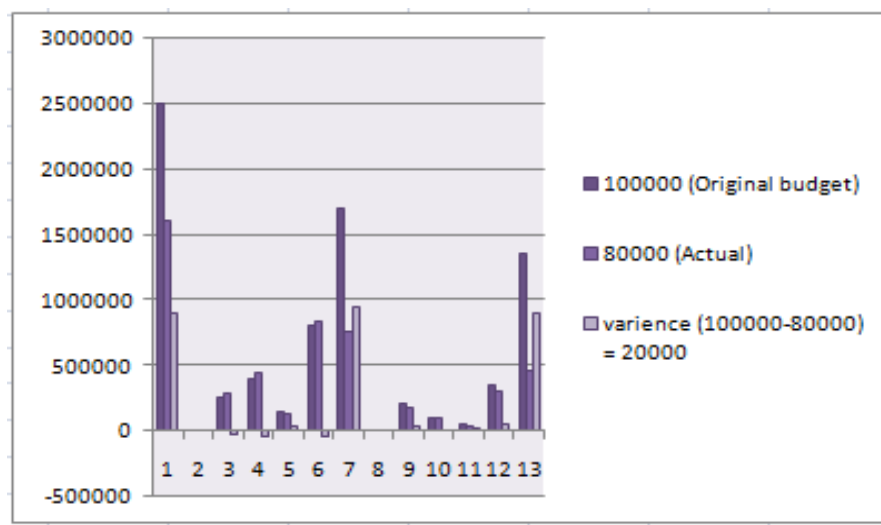


Figure 2: Variance calculation and observation

(Source: Self-developed)

In guidance from the figure and graph above, the readings are as the outcomes of the reflection in the variance of the firm has appraised in sales of unit 100000, whereas the real/actual sales possible were units 80000. In light of the information, £900000 of their revenue drops in respect to the actual budget. The unchanged parts are the expense overhead but the labor and material

cost increase in the actual budget. As per the dynamics, the cost of variables exceeds the OB at £40000. A decrease can be seen in the fixed cost at £45000 within the original and actual budget. In an analysis of the changes made in the revenue and cost structure, a decrease in the amount of profit is noticed and £8950000 is the value that shows the reduction in reflection from the OB. A good calculation can be a light in the making of future budgets.

ii.

Control report for Amana Ltd within the year 2020

Amid Covid-19, the result in all the sectors has been very high especially the hit in the sector of tourism can be seen as the most. The cause is because of the restrictions in all the operations of cross-border and international closer to the borders. Inputting a stoppage for the individuals from moving outside and the view of lockdown as imposed throughout the country. The firm Amana Ltd as from the background of industry in tourism, as a result, get highly affect for the pandemic response. In regards to the analysis of the budget, it is seen that the profits for the firms have drastically decreased to £895000 than the predicted one.

In the light of the report on sales, a difference of about £90000 units from the predicted amount of sales and real sales is found out. The evaluated sales of 100000 units from the management but as a result of the virus only manageable sales of about 80000 units were done. So, 20000 units as a sum are decreased from the volume of sales. As per the recent situation, the need for the management to evaluate the sales is by taking a more realistic approach. So, it will work out as a benefit in the achievement of the target without having to fail into that budget of the target.

Also, it can be explained after the analysis that the expenses for the variable expenditure for Amana Ltd have moved up. The primary cause behind the improvement of increase is a restriction for the pandemic and also the cost of transaction increase. As an outcome, recently the suppliers require more payment for delivery of raw materials for Amana Ltd resulting in an increase of cost in raw materials. Therefore, £40000 of the total increase is observed in the expenses of the variables.

The expense that is fixed is in control of efficiency as per the Amana Ltd management and a few of the fixed expenses as in a rental warehouse, reduction of supervisor salary in the period of accounting.

iii.

Improvement needed for Amana Ltd performance recommendation

A decrease in the volume of sales for the firm can be seen, so the Amana Ltd CEO needs making a few strategies for the increase in sales. As a recommendation for the CEO, it can be stated that partnership in local, term is to build with other business in hospitality working as help in the requirement for their target customers and it will result in effect with sales volume increase.

The second scenario to keep in mind for the CEO of the company is to focus on the expense of the variables. There is a noticeable hike in the cost of variables as an increase in the cost of raw material in the year 2020(Nagirikandalage *et al.* 2020, p.45). So, it is advised to improve in relationships with the suppliers of the raw materials can be said to be a useful source. In the procedure, suppliers can add discounts helping with cost reduction for the production. It is also added that the involvement of technologies in the firm will be a helpful hand in an increase of the level of productivity and can diminish the occurrence of the error. Also, it can help in expenses reduction as in health insurance of workers and wastage reduction for the raw materials.

The changes in the terms of payments can be an effective way to increase the inflow of cash. It is the offer of percentage in discounts for customers or buyers for making payments early. As per the workings for improvements in the cash inflow level and adequate balances of cash in hand with maintenance. It helps in using the funds at the right period and correct situation.

Part B

1. E-business

E-business is the transaction made commercially, in conduction moved electric basis on the internet. It is the selling and purchasing of services and goes through the internet. It can be conducted from tablets, smart phones, additional smart devices, and computers (Sedevich-Fons, 2019, p.20). Nearly anything that can be bought on E-business in present days. It is a substitute for stores of mortar and bricks, although few businesses prepare to work on both.

2. Asses of decision for moving to E-business

Online business or E-business marketing is regarded as one of the fastest evolving strategies of marketing in the industry of doing business. The reach of the market is effective by the expansion of E-business in the commerce and also provides help in the improvement of customer potential as the basis (Zyznarska-Dworczak, 2018, p.1445). The Covid-19 has worked a lot in changing the nature of the entire online business and an overall increase in online commerce. In the pandemic situation, Amman Ltd had to face a large amount of risk and losses, Moreover; the

firm came to a conclusion that 2 new tragedies of marketing can be used for efficiency in the sales and volume of profit improvement.

The first management strategy is to open a website of own and do business with the help of that particular website. In the 2nd place, it the strategy m that the decision of product sells will be done with the help of Amazon. The benefits differ as both the strategies as in the first one is of improving the own valuation in the market and market recognition (Lasyoud and Alsharari , 2017, p.135). In the 2nd part, marketing work needs to be done by providing the least amount of expenses.

Personal Website

Personal online cost	
Particulars	Amount (£)
delivery network	150000
current website	50000
IT programmer	35000
total cost	235000
sales units	100000

Figure 4: Personal Online Cost

(Source: Self-developed)

On the above present figure, the personal website cost for Amana Ltd is prepared. It shows the reflection of the form's total cost needed of £150000 providing its own website in network delivery, with present £500000 website, and for the developers in IT £35000 is taken in respect to the needs. So, the need to pay for the total cost in the making of a Personal Website is estimated to be £235000. IN the ongoing procedure the units 10000 can be met for the volume of sales.

In Amazon

Sell via Amazon	
Particulars	Amount (£)
fulfillment fees	50000
sales	65000

Figure 5: Amazon cost of sales

(Source: Self-developed)

The firm Amana Ltd is needed to make payment of £50000 in fees of fulfillment fees for sales from the Website of Amazon. In the procedure, the sales viewable of units 65000 and improvement of sales on demand that is potential. So, in contrast to choosing from both the strategies Amazon is a better choice for the entity.

The cause for sales with the help of Amazon is a lower-cost platform, also it can be seen that Amazon is one of the E-commerce at the top through the globe. Therefore, so far a large sum of customers based on Amana Ltd will get in hand all the consumers and can make an effective increase in the volume of sales. After shifting from traditional to online market-based work it is said to be effective thought for the form and in the follow up it can be increased in the effectiveness of the capitalization of the market. It can be added that the activity of marketing is taken much better as the procedures and cost less consumption. The completion of Cost £50000 in Amazon and no inclusion of extra cost so the savings made were the difference between £235000 and £50000 giving a result of £185000 in respect to the values. It can be used as the price for extra areas that are important and business improvement in the structure and activities of the business.

3. Situation under risk ability to make decisions

Management of risk plays a huge role in making decisions for the business. It helps out in creation of focus that is constant on measuring, reporting and detecting with managing of their operations in business being more effective. It can be helped with the determination of the risk potential on Amana Ltd and productivity increase in the firm, with the management of risk, found in the business, due to the impact of Covid-219 and with essential management in risk issues of hindrance can be improved (Oyewo and Ajibolade, 2019, p.65).

The Amana Ltd management department can be effective with the detection of economic, social, political, and environmental risk for the form. In the procedure, of the business, it is identified that risk of potential first and then risks analysis, after evaluation of the total risk as per rankings and final stages, reliable solutions for reduction of those risk consequences. The Real sales of Amana Ltd are for not teaching the targeted volume of sales. So, it creates a risk of potential in the sales part. However, the department of management has come to a decision that shifts in business to online be necessary as that platform will help in the lessening.

Conclusion

It can conclude by stating that the report for the budget is and useful tool for fund management and efficiency of resources. It is helpful in cost reduction of the firm and profit increase capability. The evaluated sales brought of 100000 units brought out from the department of management but the result of the pandemic situation 80000 units was manageable for sales. so, a total of units 20000 was mitigated from the volume of sales. Amazon's uses for sales of Amana Ltd can be a very good solution for moving forward with E-business as the business cost through the use of Amazon is less after the creation of a personal website.

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Appendices

Refer to appendix 1: Part A

Workings
sales (£25*100000)=2500000
variable cost (£2.5*100000) =250000
labour cost (£4*100000) =400000
overhead = (£1.5*100000) =150000

(Source: Self-made)

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