

Accounting

Information

Nikola Ivov Dimitrov

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INTRODUCTION

Financial analysis is about analysing the financial performance for the company. Accounting is all about maintaining data for the business by its information. Accounting refers for recording business transactions which helps managers for future decision making. Break even analysis refers for useful in difference between the variable cost, fixed cost and the revenue. Break even analysis indicates where the company is, or a new product or service, will be benefit. Organisations uses accounting for its financial decision making (Baboukardos and Rimmel, 2016). The company which is chooses for this report is Walk about Ltd. This report includes topics which are break even analysis, profits. Apart from this it includes topics which are importance for management accounting how it different from financial accounting, techniques for the management accounting.

MAIN BODY

Break even analysis:

Break even analysis:- Break even analysis is useful in difference between the variable cost, fixed cost and the revenue. Break even analysis indicates where the company is, or a new product or service, will be benefit (Christensen, Nikolaev and Wittenberg-Moerman, 2016). In organisation, it manages the size of unit to be sold, budgeting and setting targets, manage the margin of safety, monitor and control the cost, helps in designing pricing strategy.

	for units	
	75000	
Particulars	amount in units	total amount
sales	11	825000
variable costs	6	450000
Contribution	5	375000
fixed costs	4.6666666667	350000
profits	0.3333333333	25000

A. break even point (in units and amount)

$$\begin{aligned}\text{Break even point (in units)} &= \text{fixed costs} / (\text{sales price per unit} - \text{variable costs per unit}) \\ &= 350000 / 5 \\ &= 70000 \text{ units}\end{aligned}$$

Break even point (in amount) = Fixed costs / contribution margin

Contribution margin = sales per unit – variable costs per unit / sales per unit

$$= 5 / 11$$

$$= 0.45$$

$$= 350000 / 0.45$$

$$= 777777.78$$

(B.) profits made for sales for 75000 units:

= Sales – variable costs – fixed costs

= contribution – fixed costs

= 375000 – 350000

= 25000

(C.) The company will make an advertising campaign costs £10,000 and will improve the product specifications, which will increase the variable cost per unit by £1. This is expected to allow the company to increase the selling price to £13 and the sales is expected to be 80,000 unites. Calculate the new profit figure for the improved product.

for units		
80000		
Particulars	amount in units	total amount
sales	13	1040000
variable costs	7	560000
Contribution	6	480000
fixed costs	4.375	350000
profits	1.625	130000

When the company increases its advertising expenses which leads to increase in its sales. It makes \$ 10000 for its advertising this leads to increase in variable expenses by \$ 1 variable expenses which increases its sales by \$ 13 per units. Increases in sales leads to increase in profits when the company's sales price was 11 for 75000 units it generates profits for 25000 but when it does its marketing the profits are increases by 130000 for 80000 units (Huerta and Jensen, 2017).

(D.) Limitations for break even analysis:

- Break even analysis are the costs analysis as it not mentioned what sales actually needs for the product at various prices. As it mentioned it helps for calculating sales price for the company but the proper sales prices are not mentioned by using its.
- It assumes about the various costs in which fixed costs are constant. Its not possible for larger duration that it has same for the time.
- It assumes average variable costs are same for the per units.
- It assumes that the quantity for the goods produces are same as quantity for goods sales.
- In multi products, it assumes the relative products for every products sold and produces are constant for the company.

Importance for management accounting for the company how it different from the financial accounting:

Management accounting are the process for preparing reports about the business which helps managers for decision making. It helps business for identify, measuring, analysing, interpreting, communicating information to managers. Managers uses accounting information for making decisions for the business activities. It provides financial information for managers so that they can acquire the funds, manages it for the business activities for the higher profitability. Companies are wants for sales increase, profits (Turner, Weickgenannt and Copeland, 2020). Costs and profits are important factors for the success. It helps for managing maximum profits for the organisations success. It helps companies in order to assessing financial position for the businesses.

Financial accounting are related for arranging funds for the organisations. Management accounting, financial accounting are different from each other as management accounting keeps data for information and financial accounting helps for arranging funds. Financial accounting are the collection for data for making financial statements where management accounting are the process for account for the business. Management accounting are provides information to the managers where financial accounting provides information to the stakeholders, creditors, customers etc. Management accounting use for business for internal functions where financial accounting use for businesses for external functions.

Techniques for the management accounting:

- **Financial planning:** Financial planning are the act for deciding in advance for the financial activities for achieving its objectives. Financial planning includes decision making related to the financial objectives for the businesses. Financial planning are the process for planning about the financial needs for the company which helps it for managing financial resources for the organisations higher ability for higher profitability.
- **Financial statements analysis:** Financial analysis are the process for analysing financial position for the company which helps for future decision making. Financial analysis is about analysing the financial performance for the company. Financial accounting are the collection for data for making financial statements where management accounting are the process for account for the business. Financial analysis helps organisations for making finance related decisions which are uses for business success (Turtle and Wang, 2017).
- **Historical costs accounting:** Historical costs accounting helps for providing information relating to the costs for the every job. It helps business for compare costs, future planning. Historical costs helps organisations for making future decisions for management accounting. It helps businesses for decision making for the its success which helps organisations for expanding sales which helps for achieving higher profitability.

CONCLUSION

From the above report it has been concluded that financial analysis are the process for analysing financial performance for the businesses. Accounting refers for recording business transactions which helps managers for future decision making. Organisations using various elements for forecasting business performance its profits. Break even analysis, it helps for managing the size of unit to be sold, budgeting and setting targets, manage the margin of safety, monitor and control the cost, helps in designing pricing strategy. Management accounting are the process for preparing reports about the business which helps managers for decision making. Financial accounting are related for arranging funds for the organisations. Management accounting are provides information to the managers where financial accounting provides information to stakeholders, clients, customers etc. accounting helps business for the analysing its financial information which helps managers for decision making.

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