

Module Title:Management Accounting

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Executive Summary

The report has going to identify the various management and accounting principles regarding to manage the overestimations of actual and original budget within the tourism company as ***Amana Ltd.*** it includes the various significance of cost and variances over the original and flexed budget. There is a total difference of **£895,000** between the actual budget and the estimated budget. The Amazon fulfillment cost along with other costs has emerged to assign the huge business services for serving better consumers such as **£ 215000** respectively to explore saving within the business. However, the operational managers of the company evaluate various business portals with strategic recommendation to provide the company services to the consumers.

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Introduction

The management accounting provides or generates multiple data and records through various financial exercises in an effective way to control the overall business. It ensures the relevant data and information regarding the business accounts to process any business decision. It has been able to use to help or provide support to the multiple operational managers of the company to improve or protect their financial operations systematically. However, the main aim of the report is to explore the various role of management within the accounting system within the tourism industry in the UK.

Part A

(1) Original Budget

The various signs of the original budget approved the overall budget for the financial period through various adjustments of sales and income revenues within the tourism company as **Amana Ltd** in the UK. Through the proper allocations of budget, an organization has been able to understand the agreement of any business projects such as manufacturing tourist spots and infrastructure such as museums, national parks, and many more. This is due to the proper authenticity and similarity changes that have been applicable through the proper budget period. As per the statement of Fabricia *et al.* (2019, p. 1345), an original budget provides support to the operational leader of the company to maintain financial stability. This is due to identifying through **tracking the overall expenses** by making proper budget plans and configurations during some emergency costs and financial needs.

Calculation of budget of Amana Ltd.					
units sold		£ 100,000.00	£ 80,000.00		
sales price		25	20		
sales		£ 2,500,000.0 0	£ 1,600,000.0 0		

Variable cost	Per unit	Original budget (£)	Actual budget (£)	variance (£)	Favorable/unfavorable
<i>Materials</i>	2.5	250000	280,000	30,000	Unfavorable
<i>Labor</i>	4	400000	440,000	40,000	Unfavorable
<i>Overhead</i>	1.5	150000	120,000	-30,000	Favorable
<i>Total variable cost</i>	8	800000	840,000	40,000	Unfavorable
Gross profit		1700000	760,000	- 940,000	
Fixed cost					
<i>Warehouse rental</i>		200,000	170,000	-30,000	Favorable
<i>Insurance</i>		100,000	100,000	0	Favorable
<i>Full-Time warehouse supervisor salary</i>		50,000	35,000	-15,000	Favorable
Total fixed cost		350,000	305,000	-45,000	Favorable
Net Operating profit		1,350,000	455,000	- 895,000	

Table 1: Original and Flexed budget

(Source: self-created)

However, the original budget allocated through the operational financial leaders of the company such as **Amana Ltd** identifies each cost of sales per unit through both the original and actual budget via a standard rate or units. It has been estimated as selling quantity of original cost as **£100** with **25** unit price of sales. Hence, it depicts the overall sales cost as **£250**. In the context of a Flexible budget, it has been adjusted to calculate the overall level of the revenue and various other activities to identify the accounting procedure within a limited period of time. As it is generating huge inputs and outcomes of profits to compare the valuable expenses control the financial projects and their entire activities.

Flexed Budget

Various significance of flexed budget has been identified to reflect the overall expenditure through the various outputs to set the expected cost and revenues and business profitability. As per the statement of Ming-Yue *et al.* (2018, p. 17), the flexed budget helps to identify the various flexibility that has occurred within the budget such as in terms of **material cost, labor, overheads cost**, in order to evaluate the overall variable cost. The flexed budget is essential in terms of identifying the various budget rolls and empowering the entrepreneurs to *cope* with various changes through adjusting several income and expenses benefits. Moreover, a flexed budget provides more income opportunities and wealth to the employees to serve consumers through beneficial outcomes (Abbasian, 2018, p. 314). The overall estimation of the flexed budget has been identified through proper analysis of multiple budget evaluations as mentioned above.

Variances

Material Cost Variance =	$(\text{standard quantity} \times \text{Standard Rate}) - (\text{Actual quantity} \times \text{Actual rate})$			
	£ 900,000.00			
Material price variance=	$\{\text{actual quantity} \times (\text{standard rate} - \text{actual rate})\}$			
	£ 400,000.00			
Material usage variance=	$\{\text{standard rate} \times (\text{standard quantity} - \text{actual quantity})\}$			
	£	500,000.00		

Figure 1: Cost variances

(Source: Self-created)

Variances are the overall process that evaluates the overall performances of financial business projects that compare the several cost variances within the company budgets before the start of any equivalent business projects. It includes the various distinctions between the results and

findings of the budget allocations. It has been analyzed through proper evaluations of **standard quantity and standard rate**, as per the selling price and unit prices **25 and 20**.

(ii) Performances during the year

In the context of a flexed budget, it has been identified that there are the various amount and cost-effective benefits that the tourism industry earns annually, by evaluating the proper expenses and business adjustments (Ammar, 2017, p. 250). It has been identified that the tourism company as **Amana Ltd**, used the various approaches of financial strategies to identify the flexed budget and overall income revenue of the company. However, it has been identified that the overall estimation of the budget has been identified as **£170** as compared to the actual budget of **£760**. This is due to the evaluation of the various **price and cost variances** in both favorable and **unfavorable**, as it depicts a favorable cost estimation budget. The variances have occurred due to the overestimations of price or actual budget rather than the original price. It has been observed that the materials cost per unit has been identified as **2.5** and the labor cost per unit depicts as **4 and 1.5** as compared to the original budget and actual budget of cost influence. Therefore, the total variable cost of the flexed budget has been estimated as approx. **£760**. It incurs the overall **gross profit** through unfavorable cost variances. However, the overall fixed cost has been analyzed as including various costs and expenses such as **Warehouses rent, Insurances, full-time warehouse salary**, to identify the estimated net profit of the company **Net profit** of both the actual and flexible budget, as well as total fixed costs such as **£350 and £305**.

From the above-mentioned figure several variances such as **cost, price, and material usage** has been identified that the overall material cost variances have been identified through **quantity and rate** as compared with actual quantity and rate such as **£900**. However, it includes that the various distinctions observed within the material price variances depict the actual quantity with standard and actual rate that is estimated as **£400**. Conversely, the operational financial leaders often identify the various usages of price variances through **standard rate** along with the standard quantity and actual quantity such as **£500** for the entire usage of tools and materials within the business projects.

Furthermore, the company evaluates some strategic financial models and accounting systems to improve the ethical and standard performances of financial processes (Jansen, 2018, p. 1487). It is due to benchmarking the payment and payable performances within the tourism company as **Amana Ltd**.

iii. Recommendation

The problem of overestimation

Through the overall analysis, it has been identified that the operational manager of the company figures out various improvement areas in terms of variances and overestimations of budget. However, it might be detected by applying the strategic management accounting system (**SMA**) to address the specific issue regarding the cost variances and overestimation of flexed budget. This might happen whenever any invoice has failed to be received by the operational financial leader of the company as **Amana Ltd.** as a result it is more complicated in terms of identifying any budget and volume of various prices.

Various improvement ways might be helpful to reduce the issue of overestimations of flexed budgets and variances.

Identify the budget process

Budgetary process helps to understand the various infrastructure budgetary processes that support the cost estimation or flexed budget process within the tourism company. It might improve the overall process of financial skills and initiate the payment process through various technologies that help to run efficiently.

Identifying relevant performance metrics for budget

In order to efficiently operate the overall financial or cost estimation procedure to input the flexed budget, the operational financial subordinate of the company needs to maintain its focus on financial goals for the company through using the **key performance indicators (KPIs)**. It might provide beneficial support to the leaders in terms of identifying various performance metrics regarding the cost and price variances within the company and help to analyze the workers.

Enabling the collaborations

Proper allocation of a standard budget as compared with flexed budget identifies the various characteristics within the company's financial results. This might help to maintain or encourage the company's collaboration to boost the investment and cost variances that lead to favorable future benefits. In such cases, the operational staff and employees of the company as **Amana Ltd** might shift towards an engagement process with each other in terms of financial securities and wages.

Furthermore, the overall issue has been able to be reduced through applying the innovative model of a **"Zero-based budget"**. It might identify the original forecast of budget and sales to align the better allocation of budget plan and cost estimations within any business project. Moreover, it needs innovative financial skills and budget identification tools. Budgetary

process helps to understand the various infrastructure budgetary processes that support the cost estimation or flexed budget process within the tourism company.

Part B Online Marketing

1. E-commerce

Electronic commerce services (**E-commerce**) is an appropriate portal for computing product services through buying and selling materials and many more activities are done digitally. It provides beneficial services to the service users through multiple options such as online and face-to-face services (Nursyazwani *et al.* 2020, p. 1165). It conducts various transactions online and makes it the easiest form of payment and receivable system. However, tourism company such as **Amana ltd** takes huge advantage of such online portals as **E-commerce** as it facilitates their business to serve the consumer for long-term business benefits (Guo, 2019, p. 134). It has been more affected during the drastic situation of **COVID-19**, although the company tackles special care regarding the various needs and demands of the consumer and their valuable services within tourism sectors such as providing **Easter holiday packages, and excellent room service, and catering.**

2. Provide analysis for the decision making towards the E-commerce

Various online services conducted through electronic commerce are one of the huge service platforms for the consumers and many visitors that come from outside the country for taking services. As per the statement of Pedroso and Gomes (2020, p. 498), the company as **Amana Ltd**, performs its multiple operations towards such innovative portals as **E-commerce**, especially amid a situation of COVID-19 worldwide. It generates a massive impact on the production and selling price by closing the available services offline. However, the employees are forced to conduct work from home. In such cases, e-commerce plays a huge role and provides benefits to the entire management of the company. Many more operations have been indulged under the proper services online via the e-commerce portal. Therefore, the operational leader of the company likes to select the business operations fully operate the business through e-commerce such as considering through own websites as mentioned below:

<i>Business Cost of Amana Ltd.</i>	
Particulars	Amount (£)
Expenses	
<i>Cost of setting up a delivery network</i>	<i>150,000</i>
<i>Cost of upgrading the current website</i>	<i>50,000</i>
<i>Salary of a full time IT programmer</i>	<i>35,000</i>
<i>Amazon fulfillment fees</i>	<i>50,000</i>
Total expenses	285,000
Income	
<i>sales (100000*20)</i>	<i>2,000,000</i>
<i>sales (65000*20)</i>	<i>1,300,000</i>
Total income	3,300,000
Profit	3,015,000

Table 2: Cost of Online marketing of Amana Ltd

(Source: Self-created)

From the above figure, it has been mentioned that the overall cost estimation of the budget of the company as ***Amana Ltd***, reflects the overall cost and price estimation to evaluate the needs

and fulfillment of the company. It is due to providing or delivering beneficial services to their consumers. However, the company identified its overall expenses cost such as delivery network as **£15000**, upgrading current performances to £50000. Therefore, the overall cost is needed by the company to create its own official portal to identify the overall profit of **£301500**.

Amazon websites

It has been identified that the overall payment of Amazon including its fulfillment fees has been estimated as **£285000**. In such a case, the company achieves its overall sales that have estimates as **£650000** as per the consumer demand. However, in terms of comparison between both strategies and websites, a company such as **Amana Ltd**, likes to choose **Amazon** services due to its low-cost estimations and better product verification for the consumers.

This is due to the topmost priority of Amazon services across s world rather than any other e-commerce portal in the UK. However, the company has already huge consumer base services, especially for the outside visitors who are seeking to get beneficial services from the company. Meanwhile, Amazon provides effective sales and information regarding the services for Amana Ltd in the process of **market capitalization**. It has been identified through the above-mentioned table, regarding the various marketing activities in less cost-benefit and accounting. However, the Amazon fulfillment cost along with other costs has emerged to assign the huge business services for serving better consumers such as $(£50000-£285000)= £ 215000$ respectively to explore saving within the business.

3. Decision-making skills with risk analyzation

In the context of various risks, company risk management plays a huge role in the process of decision-making services that helps to create a deep focus on company sales, as well as it helps to maintain focus on reporting or managing the overall business operations (Dewan *et al.* 2021, p. 110). However, the operational management of Amana Ltd effectively identifies the operational threats on behalf of the company culture and associates risks within the business. In such a case the management has shifted their focus towards deciding on the business operates through the online portal to directly serve their premium consumers.

Recommendations

During amid situations of **corona pandemic** and various disruptions within the supply chain process ad various supply chains within the several recommendations to mitigate the value supply chain risks. The company as **Amana ltd**. needs to identify the various evaluations of the business to identify the cost structure. It has been identified that the overall budgeting period estimates the company cost and entire expenses towards the services. It is due to the owner of the operational firm **Amana Ltd**, understanding the key metrics regarding the major issues and

their improvement areas effectively. However, improving the relationship between the suppliers can be a more effective way to identify the overall cost and service estimations in the tourism sector.

Conclusion

It has been concluded the overall has been done on behalf of various budgeting and cost estimations regarding the tourism industry such as **Amana Ltd.** It includes the various decision-making analyses towards the cost and variances as original and flexed budget. However, the company identified multiple analyses of the budget process and performance metrics. **Tracking the overall expenses** is in order to make a proper budget planning and configurations during some emergency costs and financial valuation to be done in the business. However, the company operations manager needs to evaluate the cost of the company regarding online marketing. In terms of comparison between both strategies and websites, a company such as **Amana ltd**, likes to choose **Amazon** services due to its low-cost estimations and better product verification for the consumers. Moreover, the overall motive of the company is to serve its premium consumer due to its various issues regarding the identification of various problems within the cost variances and budget process.

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