

Reneta Sevdalinova Chomezova

Student number:1914973

Management Accounting

Module code: LCBB5002

Assignment REPORT

Executive Summary

Recently, the Covid-19 pandemic in the UK and the government have taken strict measures. It had a serious impact on travel and travel in the tourism industry. Amana's earnings hit hard in April 2020. Tourists cannot travel during the Easter holidays. And sales have recovered slightly in the summer of 2020 but for a long time closed-back from December 2020 to February 2021. COVID-19 has drawn everyone for a while and thinks about what they did before and what they will do in the future. Until then, the entire economy was focused on expanding businesses. But the COVID-19 pandemic has focused on Medicare safety budgets. Government support doesn't just apply to the public. However, Govt. is unable to provide lifetime support and can only provide support for a limited time. Flexible budgets are used to analyze differences in specific tasks and consider restructuring your business strategy to deal with the post-pandemic business situation (Uğur et. al,2020).

Table of Content:

PART A 4

i) Monthly Control Report 4

ii) Performance Report 5

iii) Suggestion 7

PART B 10

References 13

PART A

i) Monthly Control Report

The manager of Amana Limited is hereby, submitting this report. This is to show an original & flexible budget. To adapt to changes caused by the covid pandemic, variance calculations are also used for impact analysis. The Flexible budget is considered a term for setting up a budget for the adjustment of price/quantity and other components. Changes in sales/value and cost components due to changes in conditions compared to original budget estimates.

Monthly Control Report

Heads	Original Budget	Flexible budget	Actual	Variance s	F/U
				(Value)	
(Units of Sale)	100000.00	80000.00	80000.00	0	
Value of Sale	2500000.00	2000000.00	2000000.00	0	
<u>Variable Cost:</u>					
Material	250000.00	200000.00	280000.00	80000.00	U

Labour	400000.0 0	320000.0 0	440000.0 0	120000.0 0	U
Overhead	150000.0 0	120000.0 0	120000.0 0	0	
Contribution	1700000.00	1360000.00	1160000.00	200000.0 0	U
<u>Fixed Overhead</u>					
Warehouse rent	200000.0 0	200000.0 0	170000.0 0	30000.00	F
Insurance Part	100000.0 0	100000.0 0	100000.0 0	- --	N
Supervisor's Salary	50000.00	50000.00	35000.00	15000.00	F
Total Profit	1350000.00	1010000.00	855000	155000.00	U

ii) Performance Report

Introduction

For 40 years, Amana Ltd. has successfully operated and has extensive experience in the tourism industry. The tourism industry is seasonal and dynamic. Amana Ltd is a British family travel company that sells souvenirs to tourists. They are located in attractions all over England: Brighton, London Bridge, Westminster Bridge, and Buckingham Palace. Birmingham city center and Manchester city center. They have been in the tourism industry for 40 years. With the outbreak of COVID-

19, the tourism industry and the economy faced many challenges last year. The industry, including last year's economy, is very dynamic and seasonal. The tourism industry has been negatively impacted. That is a big threat to employment as well as for the economy. It affected the loss of employees' jobs and laborer's wages. There is a high possibility to hit badly in this industry at the unemployment level even, earning their income for daily wagers. The Covid 19 is one of the greatest pandemics ever in the world, it comes when technology is in its boom stage. Due to the closure, it will not generate tourists and face unexpected situations. There is no opportunity to focus on increasing visitors. The percentage of tourists affected by the lockdown (Nicola et al., 2020), even when the company makes a substantial profit from its business.

Data from the monthly business survey shows that the impact of the coronavirus (COVID-19) varies from industry to industry. Travel and tourism sales fell only 26.0% in February, the lowest level in May 2020, while all other industries were 73.6%. During the first national blockade, the sales of accommodation and travel agency businesses fell the most, 9.3% lower than the levels in May and February.

Except for trade shows and conferences, all affiliated industries responded to the summer opening. Sales of food and beverage services reached 90.0% in February, which was the level of August. The industry has previously reported on the impact of dining out plans on consumer behaviour.

Exhibitions and conferences show different seasonal patterns from the previous year's data, and tend to have the highest sales in autumn and spring. This sub-industry is the only sub-industry that did not experience a decline in sales due to the national lockdown in

November, which dropped from 18.1% in August to 35.7% in November's February level.

The company estimates that it has sold nearly 100,000 souvenirs to tourists. When preparing the initial budget for relocating to various locations in the UK, the actual sales of souvenirs were only 80,000 pieces, which was 20% less than the initial budgeted sales target (Hasanat et. al, 2020).

However, given the severity of the pandemic, actual sales have not fallen that much. In addition, flexible budget analysis has increased labour and material costs by 10% and 12%, respectively. Changes in variable overhead, material, or labour value have an over-cumulative effect of minus 31%. This means that donations are reduced by 32% compared to the original budget, and variable costs are directly proportional to the company's sales or production. However, due to the current decline in sales, variable costs need to be reduced, but due to the increase in labour and material costs due to the epidemic, labour and material costs will increase, and the company will pay 30,000 pounds instead. Variable indirect costs. On the contrary, regardless of the sales or production, the cost remains the same, which is called fixed cost. The company has this fixed cost. Compared with the original budget, this saves the company 45,000 pounds to generate business income under normal circumstances, but it saves 75,000 pounds in management expenses. The company's initial budget target profit was 1,350,000 pounds, but 855,000 pounds was rejected due to changes in costs and sales components. The target profit has dropped by 37%, but even if the profit is extremely low, the organization can achieve profitability and incentives. During a period of global financial stress, the organization earned 10.69 pounds by selling unit souvenirs to tourists (Škare et al., 2021).

Conclusions

In terms of economy and society, the last financial year was not good. The operation of this industry depends on human behaviour. The tourism industry has been severely affected. By 2020, people were afraid of leaving their homes. Even if the organization is profitable in this severe situation in the industry due to the pandemic. And as a commercial project, it is hoped that the company can achieve its positive goals after the situation normalizes and recovers (Škare et al., 2021).

iii) Suggestion

To adapt to your needs in time, you need to consider, innovate and be more creative in production, products, and work practices. And because this epidemic has fundamentally changed the labour situation. To maintain or innovate the market for a long time, you need to be the number one participant. Therefore, as the CEO of Amana Limited, we make the following recommendations for innovation and improvisation (Nicola et. al, 2020.).

The e-commerce situation: This epidemic is changing the customer model. Amana Ltd needs to consider the opportunity to sell its products online. In the case of an epidemic, tourists cannot visit this place. Therefore, companies can use commercial Internet portals. Companies that allow customers to accept orders online should cooperate with large online portal shopping platforms such as Flipkart and Amazon or use effective marketing tools to optimize their websites to receive online orders from customers. These options allow the company to increase sales and acquire new customers (Nicola et al., 2020).

Product improvement: The company may improve industry-related products, designate specific locations to conduct business, or sell souvenirs to tourists. The company has a 40-year history in the industry and can only produce a small part of its products (Ugur Akbibik 2020). Restaurants, locations, and famous landmarks. You can also upload some videos of selling products to your online platform. This will improve locations such as the company's product delivery location.

Cooperation with other companies in the same industry: The tourism industry provides various services, such as transportation and tour guides. Shopping, restaurants, hotels, etc. Amana Ltd can also cooperate with industry colleagues to create more enjoyable opportunities for both parties. You can enjoy the benefits of Amana Ltd by offering your customers new offers to visit your website. They can also offer free products while trading

Offer or sales discounts: The organization does not offer attractive discounts or lower sales prices. This is evident in the monthly report on the fight against epidemics. This has an insignificant effect on attracting tourists to this place. The scale of your online business can also benefit from it. (If your organization chooses an online platform for your business)

Procurement from other suppliers: The organization now uses products made by Chinese manufacturers based on the products produced by the Amana team because of the many restrictions imposed by the government when doing business with Chinese

companies. Therefore, China has strict regulations and attracts high import tariffs. Therefore, organizations should select local manufacturers who can provide customized products according to Amana Ltd's requirements. This will not generate import taxes and may reduce costs(Elrhim and Elsayed, 2020).

The tourism industry is recovering from the COVID-19 pandemic until it is fully prosperous, and Amana Ltd needs to act in accordance with this guidance to attract new consumers and increase sales quickly. Need to take action to return to normal situations.

PART B

1. Online Idea

Due to the COVID-19 outbreak, the government has imposed many restrictions on public transportation here and there. Due to the COVID-19 situation, there are currently some restrictions. There are no controls and remedial measures to control this situation. The

epidemic is still developing, and Amana Ltd cannot return to normal until the tourism industry is back on track because the fear of people going out to tourist attractions or public places still exists (Škare et. al, 2021).

In the foreseeable future, there seems to be no chance to change the current attitudes resulting from the pandemic. And people's shopping behaviour will change until the situation returns to normal. Nowadays, consumers no longer buy from physical stores but turn to online merchants (Işık et.al.,2021).

In addition, online platforms have some key advantages that attract merchants to use online platforms, such as saving money and time. This is because customers can compare and evaluate products themselves more easily. For example, this reduces the costs associated with maintaining contact points for stores and customers and reaches customers all over the world without geographic barriers. Even Amana Ltd's competitors use online platforms to sell their products (Ishik et al., 2021).

Therefore, in consideration of the above points, Amana Ltd. had to adopt this new business model. And must choose online transactions to maintain and survive this fierce competition. And you can also benefit from online transactions.

ONLINE STORE OR AMAZON SELLER.

Suppose Amana Ltd. sells products online. Manchester City Centre, Brighton, and Birmingham City Centre stores will be closed and will lose 50% of sales, which means that if you choose an online store, you will lose 40,000 pieces (50% of actual sales of 80,000 pieces). You must decide to sell products through online trading platforms such as Flipkart, Amazon, or through a website. These are two ways to sell products in online transactions. When deciding which method to use, we were asked to compare these two options:

Increase in sales: The annual sales guarantee through Amazon is only 65,000, while the guaranteed annual sales of Amazon's online store are 100,000, and the annual sales are only 65,000 under Amazon's guarantee. In addition, it is more likely that sales through the Amazon portal are slightly higher because it depends on customer needs.

Additional costs: The organization must pay £150,000 to establish a delivery network and support increased sales. If the organization chooses to start its own business, its website must gradually cost approximately £50,000. online store. The above fees only need to be paid once when opening an online store, and a full-time IT programmer website maintenance fee of 35,000 pounds is required to be paid annually to the full-time IT programmer website maintenance fee. With an online platform like Amazon, you must pay Amazon a one-time processing fee of £50,000.

Competition: The competition on the Amazon platform is very fierce because there are many wholesalers and retailers on the portal. The company must pay additional costs to differentiate products. You must create something new. This is because many sellers sell products online and increase product sales through differentiation. So, customers who need more money while being sold by their website will have to search more and more similar websites to compare products.

Price control and return policy: If selling through the Amazon portal, the company cannot control the price because the price is determined based on the number of goods sold on Amazon and does not control the total price of the goods sold to customers. Amazon return sellers have no control. In this case, the seller must accept the return policy and may lose the selling price. At the same time through their website sales organization can fully control the website and is not limited to return policies and prices. There are also how to promote the number of discounts offered by the product, the proximity to others, and other factors under the control of the organization (Bloom et. al, 2021).

Customer Base: The company already has a large number of customers, so there is no need to try to attract customers who sell products on platforms such as Amazon's Flipkart. Before it was used only for marketing purposes, the company had to spend more for the promotion of the website, but if it was selling on the website, it had to pay extra.

The organization has worked in this industry for the past 40 years and is very popular in the area selling its products in physical stores. Based on the above observations about these two options, companies may choose the Amazon platform first, which may be small, but it can

create its own online customer base. At the same time, we should update and improve our website. Once we have a better customer base through Amazon, you can better serve consumers and move to your own website.

References:

- Bloom, N., Fletcher, R.S. and Yeh, E., 2021. *The impact of COVID-19 on US firms* (No. w28314). National Bureau of Economic Research.
- Elrhim, M.A. and Elsayed, A., 2020. The Effect of COVID-19 Spread on the e-commerce market: The case of the 5 largest e-commerce companies in the world. *Available at SSRN 3621166*.
- Hasanat, M.W., Hoque, A., Shikha, F.A., Anwar, M., Hamid, A.B.A. and Tat, H.H., 2020. The impact of coronavirus (COVID-19) on e-business in Malaysia. *Asian Journal of Multidisciplinary Studies*, 3(1), pp.85-90.
- Işık, S., İbiş, H. and Gulseven, O., 2021. The Impact of the COVID-19 Pandemic on Amazon's Business. *Available at SSRN 3766333*.
- Nicola, M., Alsafi, Z., Sohrabi, C., Kerwan, A., Al-Jabir, A., Iosifidis, C., Agha, M. and Agha, R., 2020. The socio-economic implications of the coronavirus and COVID-19 pandemic: a review. *International journal of surgery*.
- Škare, M., Soriano, D.R. and Porada-Rochoń, M., 2021. Impact of COVID-19 on the travel and tourism industry. *Technological Forecasting and Social Change*, 163, p.120469.

Uğur, N.G. and Akbıyık, A., 2020. Impacts of COVID-19 on global tourism industry: A cross-regional comparison. *Tourism Management Perspectives*, 36, p.100744.