

Management Accounting

Assignment 2

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Introduction

The system ManagementAccounting can be applied in order to present an efficient approach related to business financial performance evaluation with the application of which business operational competencies can be efficiently measured. Think of a approach of the maintenance of accounting approaches, a relevant decision making processing can be efficiently applied to do an improvement to the area of business development in a good order. It can also enable the attributes related to short-term decision making approach for business sustainability development purposes. Under the same accounting process, application of business budgeting can also be applied in order to make a significant explanation regarding the probable or anticipated financial statement of the business depending on which related strategic planning of the business can be efficiently performed. On the same line up with the processing of accounting system the management can also be able to evaluate some significant business decision making approaches regarding business cost benefits performances in an a well efficient order.

In accordance with the present business need the application of **ManagementAccounting** system can efficiently be noticed under this study with the basic approach of system business operational development. Including the same line up the overall application related to business budgeting approach can also be noticed in case of Amana Ltd along with proper decision support processing for business expansions strategies as well.

Discussions

PART A: Presentation of business financial budget related to Amana Ltd

According to the principles of costing application of business budget can be applied in order to evaluate and present the anticipated financial approach related to business probable cash receipts and payment details with fundamental intention of business financial competencies recognitions. On the contrary, in accordance with the actual performance approach the accounting department also used to maintain relevant details related to business present accounting performances in a systematic order. From that point of view, it can be considered that a significant volume of differentiation can efficiently be noticed related to the present business performances and in between actual performance results of the company related financial aspects. The overall level of such differentiation is generally computed through the presentation of business standard costing of the financial and operational competencies of businesses can be evaluated efficiently.

As per the present assignment brief, the organisation Amana Ltd is a family-owned tourist business incorporated in the United Kingdom. At the present moment, the organisation used

to operate in tourist hotspots across England namely Brighton, London Bridge, Westminster Bridge, Buckingham Palace, Birmingham city centre and Manchester city centre respectively. The overall volume of business revenue and profitability since the last 40 years provides a comparatively sustainable position along with an efficient business financial approach that improvise revolutions in related to business compatibility as well. As per present pandemic conditions the overall financial performances related to the business are decreased negatively that impacted over the level of business revenue and profitability performances in a negative order. Including the same condition the overall financial performances due to lockdown approach also impacted negatively as well.

As per present market scenario, the management of the business is intended to initiate a significant level of positive attributes related to expanding the overall business operational performances in an efficient order along with initiating business cost cutting approaches. Before applying any significant volume of suggestion regarding development attributes the management is intended to evaluate the level of differentiation related to business financial performances in an efficient order. For such performances a proper presentation related to business budgeting approach and actual performances has been provided in below;

Section I: Computation of business budget and variance analysis

According to the principles of Costing, application of standard costing can be applied in order to meet a significant volume of differentiation related to business actual performances compared with the expected results as well. From that point of view, with the processing of such computation the management is positively able to recognise the overall business operational and financial competencies in the preceding time period depending on which some significant development approach can be initiated. In accordance with the presentation approach, significant comparison related to business variance analysis in accordance with present actual performances and anticipated performances has been provided for efficient business performance determination purposes.

Presentation of business original budget based on details

Particulars	Units	per unit	Amount	Amount
Sales	100000	25		2500000
Less: Variable expenditure				

Direct material	100000	2.5	250000	
Direct Labour	100000	4	400000	
Overhead	100000	1.5	150000	
Total cost		8		800000
Contribution	100000	17		1700000
Less: Fixed expenditure				
Warehouse rental			200000	
Insurances			100000	
Full Time warehouse supervisor salary			50000	
Total Fixed cost				350000
Net profit				1350000

Presentation of business Actual performances based on details

Particulars	Units	per unit	Amount	Amount
Sales	80000	20		1600000
Less: Variable expenditure				
Direct material	80000	3.50	280000	
Direct Labour	80000	5.50	440000	
Overhead	80000	1.50	120000	
Total cost		10.50		840000

Contribution	80000	9.50		760000
Less: Fixed expenditure				
Warehouse rental			170000	
Insurances			100000	
Full Time warehouse supervisor salary			35000	
Total Fixed cost				305000
Net profit				455000

Computation of variance analysis in between business budget and actual performances

Depending on the above two computations related to business actual budget and anticipated budget a proper volume of business variance analysis has been provided in related to business amount and actual unit volume so that a proper level of business operational and financial competencies can positively evaluated. Apart from that with processing of such presentations the management is also able to realise whether present strategic performance as of the business is indicating any computed performances or if it is required to be revised for efficient business growth.

Particulars	Amount		Variance in percentage	Unit value	
	Actual	Budget		Actual	Budget
Sales	1600000	2500000	-36%	80000	100000
Less: Variable expenditure					
Direct material	280000	250000	12%	3.5	2.5
Direct Labour	440000	400000	10%	5.5	4
Overhead	120000	150000	-20%	1.5	1.5

Contribution	760000	1700000	-55%	9.5	17
Less: Fixed expenditure					
Warehouse rental	170000	200000	-15%		
Insurances	100000	100000	0%		
Full Time warehouse supervisor salary	35000	50000	-30%		
Net profit	455000	1350000	-66%		

In accordance with the above computation a significant volume of alteration related to variances can be noticed that, compared with the budgeted approach, the overall actual performance of the business is indicating a significant level of deteriorated condition in the present business position. In other words, it can be recognised that the overall actual performance of the business is indicating a comparatively lower statement approach in relation to business revenue and variable expenditure details. On the contrary, in case of expenditure a significant volume of production can also be noticed that generally indicating a proper level of initiative is required related to the business financial development positively.

Section II: Analysis the present performances related to business Amana Ltd based on above computations

As per the general principles of business standard costing, initiating the process of variance computation is fundamentally enabled to the business regarding operational competency evaluation in accordance with market analysis. in other words with the proper analysis of present market opportunity and business competency the management used to provide a budget statement where the probable value of business income and expenditure are listed. On the contrary depending on the present business performance is the actual transactions related to business cash receipts and payments that have been recorded that are used to indicate the present performance structure of the business. Depending on the same approach with the computation of business variance analysis the management positively enables the approach related to business performance differentiation in a more considerable order for future growth.

According to the present operating approach and depending on present business computation related to budgeting and actual performance, significant volume of differentiation related to business financial approach can be positively noticed. Such volume of differentiation indicates the management is required to initiate some significant development approach in order to maintain a proper systematic growth related to business operational and financial competency. In accordance with the present computed results it is basically recognisable that the management of the business at the present scenario needs to initiate some proper strategic development regarding the unit process so that the overall sustainability approach can also be maintained positively. As per the computation in case of budget the volume related to the sales unit was around 100,000, during actual business performances it decreased by 20% and resulted in selling 80,000 units respectively. Even the volume of selling price per unit of the business also decreased by -36% that resulted in significant levels of changes related to sales value respectively. Considering the same approach, some relevant changes also noticed related to the price per unit related to Direct material (indicate 40% variances), direct labour (38% variance) and fixed expenses variance respectively. In relation to actual valuation around 12% positive variance in material, 10% positive variance for labour and 20% negative variance for overhead noticed respectively compared to business budget approach. As a result around -55% variance (in aggregate and 44% variance in per unit) in contribution can efficiently be noticed. Even some relevant changes related to fixed expenditure are also noticed that impact over the volume of net profit related to the business with the level of -66% respectively.

According to the above computed results and illustration it is basically recognisable that at the present scenario the management of the company is required to initiate some significant structural appearances related to business development and operational competency so that a proper growth and development can positively realise. Including the same line up the management also required to provide an efficient strategy over the financial stability purpose for future growth in a more considerable order.

Section III: Provided recommendation to the management and Amana's CEO in related to business performance development

After considering the above computation related to business accounting performances a significant level of differences can efficiently be noticed in between business anticipated performances and actual performances, so that the overall operational and other strategic competencies of the business can efficiently be realised. Including the same line up through the computation of such approaches the management is also able to initiate some relevant

strategic development in a convenient order. Generally, the performances can be categorised into two different aspects, favourable and adverse in related to business variance analysis. In case of favourable financial position generally indicates a systematic developmental approach, however, on the contrary application of adverse indicates the required alterations related to business financial positions in an efficient order.

In accordance with the present business performances, it can be recognised that the overall financial approach of the business is indicating a comparatively insufficient approach due to the existence of adverse conditions. In most of the cases the overall budget performance is presenting a negative approach which means the actual performances of the business is comparatively lower statement providing compared to the budgeted approach. Depending on search it is basically recommended to management to initiate some significant development approach related to business operational competency and financial stability. As per present situation the overall level of business is required to initiate some significant development related to revenue enhancement strategy with the fundamental intention of business cash flow volume maintenance. Including the same line up the management also required to initiate some proper control related to variable expenditure level as the overall performance is related to business budgeting approach is indicating a comparatively and stable condition compared to the actual level. Depending on the situation the management is positively able to initiate a cost cutting approach related to the variable expenditure volume so that a proper growth related to financial stability can be maintained. Apart from that at the present situation the management also required to initiate some developmental approach related to business strategic influences with the processing of proper market research so that a proper financial sustainability can be initiated.

In accordance with the present operating approach in the management is able to initiate those above recommended approaches related to financial growth and development therefore the overall operational competency and positively initiated in order to maintain the overall volume of financial competency in a more systematic order.

PART B: Presentation of business decision making approach

Under the basic approach of Costing principles the management is efficiently able to evaluate the overall financial competency of the business through the processing of overall costing approach. Alternatively, along with making a proper analysis related to business expenditure level the management is positively able to realise whether the present financial performance of the business is sustainable or it is required to initiate some significant changes for efficient business financial competency.

In accordance with the present provided detailed **Mr Amana** is intended to commence online sales processing as most of the competitors related to the business are used to conduct online sales performances in the United Kingdom, Europe and USA respectively. In the present condition **Mr Amana** is mainly operated in Birmingham city centre and Manchester city centre, however the owner currently intended to streamline the business activities and move 50% of their sales under online processing so that an efficient business revenue performance can efficiently operate. Depending on the circumstances the administrative department of the business is initiated to precede the online trading facility for the primary approach of efficient business financial development. For the primary purpose of initiating a proper trading approach related to offline reading performances or online operational approaches the management is basically intended to evaluate the beneficiary approach with the analysis of Costing initiatives. Depending on search the overall cost initiatives related to offline trading approaches has been provided in below

Particulars	Amount
Cost of setting up delivery network	150000
Cost of upgrading current website to handle large volume of sales	50000
Salary of a full time IT programmer	35000
Total cost	235000

In accordance with the present computation it can be recognised that the overall level of expenditure related to offline trading performances is indicating the level of 235000 while instead of that if the management provides importance to online trading approach therefore overall fulfilment fees regarding 50,000 the business have to provide. No such additional cost the business is required to provide in that case though. In accordance with the present situation if the management followed the previous performances of trading therefore in accordance with the present market research there would be guaranteed sales of 100,000 units annually. On the contrary, in the case of online trading, overall 65000 units can be efficiently sold on an annual basis in accordance with basic financial growth.

Depending on the above discussions it can be recognised that if the management of the business initiates to adopt the strategy related to online trading facility therefore the overall

financial growth of the business can positively develop along with sustainable operational competencies. It can also recognise that in the present situation one of the retail organisations in the United Kingdom **Tesco PLC** has also initiated to adopt the online trading approach with the fundamental intention of operational development, financial growth and increasing the volume of customer engagement with proper supply chain management processing. Apart from that this process can also provide an efficient approach related to customer engagement level in a more convenient order that improvised the overall operational competency of the business in a more systematic and convenient way.

Conclusions

After providing the above discussion it can be concluded with the approach that, providing importance to Management Accounting system can positively enable the features of business systematic development along with proper decision making approach. In accordance with the basic operational competency the management needs to provide importance to this particular accounting processing in order to initiate some short term business decisions along with considering proper business budgeting. Apart from that it can also provide the benefits related to strategic development like cost cutting, revenue enhancement, profitability growth and other significant development for efficient and financial stability purposes.

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