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Introduction:

Management accounting process helps to review financial changes within the company. In this process, the company can analyse the cost effectiveness for production process. In this process, the company can measure operating expenses and administrative expenses through the management accounting process. Moreover, management accounting process is necessary for costing and necessary financial decision can be taken (Rikhardsson and Yigitbasioglu, 2018). In this study, the researcher has chosen a case scenario, where sales of the company has been analysed with other overhead costs. Based on the given information the researcher has analysed budgeting process and variances have been calculated. In this study, the researcher has recommended and stated the changes with their affect. Through the study, the researcher has critically discussed other business decisions.

Part A:

In this part, the researcher has discussed the case scenario of Amana Ltd, where sales units and selling price have been calculated for decision making process. Amana Ltd is a family-possessed traveller business situated in England which offers gifts to vacationers. They have a few areas in vacationer areas of interest across England specifically Brighton, London span, Westminster span, Buckingham Palace, Birmingham downtown area and Manchester downtown area. Keepsakes are delivered by a Chinese maker explicitly as indicated by plans made by the Amana group. They have been working an effective business for a long time and have come to grasp the powerful idea of the travel industry.

As of late, the Covid-19 pandemic broke out in England driving the public authority to force limitations on development and travel which seriously affected the travel industry. Amana's income endured a top hit in April 2020 as sightseers couldn't go for the Easter occasions, deals got somewhat in the mid year of 2020; nonetheless, the delayed lock down between December 2020 and February 2021 exhausted any extra income that had been made in the late spring. Before, Amana ltd has just exchanged inside actual stores with a working site filling in as a channel for advertising their business. Mr Amana, the proprietor of the business has recruited you as a supervisor and gave an expense separate of their items. Here, the researcher has calculated budget for Amana Ltd.

(i) Preparing monthly control report with budget:

Particulars	Original budget £	Original amount £	Actual £	Variances £
Units	100000		80000	-20000
Selling price	25		20	-5
Revenue	2500000		1600000	-900000
Variable costs:				
Materials	2.5	250000	280000	279998
Labour	4	400000	440000	439996
Overhead	1.5	150000	120000	119999
Contribution	17		760000	
Fixed overheads:				
Warehouse rental	200000		170000	-30000
Insurance	100000		100000	
Fulltime warehouse supervisor salary	50000		35000	-15000
Profit margin	1350000		455000	-895000

Table 1: Budgeting process

(Source: As calculated by researcher)

Budgeting process is necessary for allocation of costs for business activities. Along with this, the firm would need to measure and compare the costs of actual budget and planned budget. If the actual budget exceeds the planned budget, then the company would face loss. Therefore, the firms would need to match both budgeting process for better profit margin (Pelz, 2019). In this process, the budgeting system can provide necessary information for costing decision making. Here, the company would need to control overhead costs so that company can reveal the profit margin. However, sometimes the planned budget would need to exceed for achieving the target objectives. Along with this, there are some fixed overheads, which will remain same; but those overheads should be maintained with increased sales margin. Here, the company would need to have controlled operating expenses so that gross profit margin can be achieved (Ameen, *et al.* 2018).

(ii) Report on Amana's performance during the financial year 2020:

Performance report

In this study, Amana Ltd has been continuing their business since 40 years. The company has several hotspot locations like Brighton, London bridge, Westminster bridge, Buckingham palace, Birmingham city and Manchester city. As per the scenario, it has been found that during the summer the company increase their sales margin. However, it is necessary for the company to maintain budget figures for having profit margin. However, between December 2020 and February 2021, the sales volume has been reduced due to Covid-19 situation. However, the company has planned to be maintained the budgeted figures. In this process, the budgeting system can provide necessary information for costing decision making. Here, the company would need to control overhead costs so that company can reveal the profit margin.

As per the prepared budgeted structure, the firm has seen that the actual sales units have been reduced by -20000 units. Therefore, the revenue has been reduced by -900000. As per the prepared budget, the Amana Ltd has planned sales units of 100000, but that has been reduced to 80000 units. Along with this, the planned selling price has been reduced to £20. Therefore, the planned revenue of £2500000 has been reduced to £1600000. It is due to the global pandemic situation. Due to this situation, the company has reduced their selling price due to continuous lockdown. Their purchasing power has been reduced; keeping the factor as salient, Amana Ltd has reduced the selling price. However, the overheads have remain same; thus, profit margin has been reduced.

Particulars	Original budget £	Original amount £	Actual £	Variances £
Units	100000		80000	-20000
Selling price	25		20	-5
Revenue	2500000		1600000	-900000

In this review, Amana Ltd has been proceeding with their business since 40 years. The organization has a few area of interest areas like Brighton, London span, Westminster span, Buckingham castle, Birmingham city and Manchester city. According to the situation, it has been observed that throughout the midyear the organization increment their deals edge. In any case, it is essential for the organization to keep up with financial plan figures for having overall revenue. Notwithstanding, between December 2020 and February 2021, the deals volume has been

decreased because of Covid-19 circumstance. Notwithstanding, the organization has intended to be kept up with the planned figures. In this cycle, the planning framework can give vital data to costing navigation. Here, the organization would have to control upward expenses so that organization can uncover the net revenue. Here, the fixed costs have been reduced, but overheads remain same.

<i>Variable costs:</i>				
Materials	2.5	250000	280000	279998
Labour	4	400000	440000	439996
Overhead	1.5	150000	120000	119999
Contribution	17		760000	759983
<i>Fixed overheads:</i>				
Warehouse rental	200000		170000	-30000
Insurance	100000		100000	
Fulltime warehouse supervisor salary	50000		35000	-15000
Profit margin	1350000		455000	-895000

According to the pre-arranged planned structure, the firm has seen that the genuine deals units have been diminished by - 20000 units. Along these lines, the income has been decreased by - 900000. According to the pre-arranged spending plan, the Amana Ltd has arranged deals units of 100000; however that has been decreased to 80000 units. Alongside this, the arranged selling cost has been decreased to £20. Accordingly, the arranged income of £2500000 has been decreased to £1600000. It is because of the worldwide pandemic circumstance. Because of this present circumstance, the organization has discounted their offering value because of nonstop lockdown. Their buying power has been marked down; keeping the component as notable, Amana Ltd has discounted the selling cost. Nonetheless, the overheads have stayed same; accordingly, overall revenue has been diminished. In this case, the profit margin has been reduced by -66%. That means profit margin has been reduced and cash flow might be affected.

(iii) Recommendations:

- ✓ As per the given calculation, it has found that the company Amana Ltd has reduced their sales unit and revenue. Therefore, it is necessary for the company to maintain proper profit margin. Along with this, overhead costs would need to be reduced.

- ✓ Here, the company should not reduce the selling price, the sales unit might be reduced; but reduction in selling price would reduce the overall revenue. Along with this, the company would need to maintain reserve amount for supporting uncertain overheads.
- ✓ In this case, the company should maintain inventory level for continuing the production level and that is necessary for reducing the cost of goods sold. Therefore, Amana Ltd would need to increase their sales margin slowly, because sudden increase in sales units might create loss again.
- ✓ Along with this, Amana Ltd would need to maintain their budgeted figures so that continuous profit margin can be maintained. In this case, the company would need to provide certain amount of amount for all cost areas. Here, the stores also need to maintain the budgeted amounts.
- ✓ For this situation, the organization ought to keep up with stock level for proceeding with the creation level and that is fundamental for diminishing the expense of merchandise sold. Consequently, Amana Ltd would have to expand their deals edge gradually, on the grounds that abrupt expansion in deals units could make misfortune once more.
- ✓ Alongside this, Amana Ltd would have to keep up with their planned figures so constant net revenue can be kept up with. For this situation, the organization would have to give specific measure of sum to all cost regions. Here, the stores likewise need to keep up with the planned sums.

Part B:

Due to the global pandemic situation, the company has reduced their sales margin. The other competitors have introduced their business through online process (Asiaei, *et al.* 2022). Through the online process, the company Amana Ltd would be able to reduce their overhead costs and that might increase profit margin. Mr Amana has seen that a ton of his rivals currently sell online to clients in the UK, Europe and US. He has been thinking about shutting the Brighton, Birmingham downtown area and Manchester downtown area branches to smooth out the business exercises and move half of their deals on the web. A few elements must be thought about while going with this choice. Some inherent costs for online business are listed below:

- ✓ Cost of setting up conveyance organization £150,000
- ✓ Cost of overhauling current site to deal with huge volume of deals £50,000

- ✓ Salary of an all day IT software engineer £35,000 per annum
- ✓ Based on statistical surveying, there would be ensured deals of 100,000 units yearly

(i) Report for providing analysis on Amana's decision to go online:

Report for online business

In this case, the company has planned to introduce their business through online process. However, the company would need to maintain some addition costs along with online set costs. Here, the company would need to provide security amount to the parent company for continuing online business (Alabdullah, 2019). The business likewise has the option of selling their items straightforwardly on Amazon and would need to think about the accompanying elements while going with this choice. Here, Amana Ltd has planned to continue their business with Amazon platform. The necessary costs are listed below:

- ✓ Amazon satisfaction charges £50,000, this would be additional cost for the company
- ✓ High degrees of rivalry between Amana trinkets and different vendors on these stages - Guaranteed deals of 65,000 units on Amazon every year with the possibility to increment contingent upon request
- ✓ The other costs would be added as operating overhead and that would need to deduct from sales revenue and the fixed costs would need to remain same

Particulars	Original budget £
Units	100000
Selling price	25
Revenue	2500000
Variable costs:	
Materials	250000
Labour	400000
Overhead	150000
Fixed overheads:	
Warehouse rental	200000
Insurance	100000
Fulltime warehouse supervisor salary	50000
Profit margin for offline business	1350000
Online business costs:	
Cost of setting up conveyance	150000
Cost of overhauling current site	50000
Salary of an all day IT software engineer	35000

Amazon satisfaction charges	50000
profit margin after online business	1065000

In this process, the budgeting system can provide necessary information for costing decision making. Here, the company would need to control overhead costs so that company can reveal the profit margin. However, sometimes the planned budget would need to exceed for achieving the target objectives. Along with this, there are some fixed overheads, which will remain same; but those overheads should be maintained with increased sales margin. Here, the company would need to have controlled operating expenses so that gross profit margin can be achieved (Zakirova, *et al.* 2020). Budgeting process is necessary for allocation of costs for business activities. Along with this, the firm would need to measure and compare the costs of actual budget and planned budget. If the actual budget exceeds the planned budget, then the company would face loss. Therefore, the firms would need to match both budgeting process for better profit margin (Rashid, *et al.* 2020).

As per the calculation, it has been measured that after deducting online business costs, Amana Ltd would be able to increase their revenue. In this case, the researcher has considered all previous offline business expenses like overhead costs and fixed costs. However, in online business can reduce other costs for increasing the profit margin (Alvarez, *et al.* 2021). In this case, the company has considered set-up costs of £150000, Cost of overhauling current site of £50000, Salary of an all day IT software engineer of £35000 and Amazon satisfaction charges of £50000. However, when the online business will start the overhead costs of business would be reduced and the company would be able to increase their profit margin. In this case, the company would not need to maintain offline marketing expenses and labour costs of £400000 would not be considered. Some factors of online business are listed below:

- ✓ According to the computation, it has been estimated that in the wake of deducting on the web business costs, Amana Ltd would have the option to expand their income. For this situation, the analyst has thought about all past disconnected operational expense like upward expenses and fixed costs.
- ✓ In any case, in internet based business can lessen different expenses for expanding the net revenue. For this situation, the organization has considered set-up expenses of £150000, Cost of upgrading current site of £50000, Salary of the entire day IT computer programmer of £35000 and Amazon fulfilment charges of £50000.

- ✓ In any case, when the internet based business will begin the upward expenses of business would be diminished and the organization would have the option to expand their net revenue. For this situation, the organization would have no need to keep up with disconnected promoting costs and work expenses of £400000 wouldn't be thought of.

In this interaction, the planning framework can give fundamental data to costing independent direction. Here, the organization would have to control upward expenses so that organization can uncover the net revenue. Notwithstanding, once in a while the arranged financial plan would have to surpass for accomplishing the objective targets (Latan, *et al.* 2018). Alongside this, there are a few fixed overheads, which will stay same; yet those overheads ought to be kept up with expanded deals edge. Here, the organization would have to have controlled working costs so that net revenue can be accomplished (Korhonen, *et al.* 2020). Planning process is vital for distribution of expenses for business exercises. Alongside this, the firm would have to gauge and analyze the expenses of genuine spending plan and arranged spending plan. On the off chance that the real financial plan surpasses the arranged spending plan, the organization would confront misfortune. In this manner, the organizations would have to match both planning process for better net revenue (Pedroso and Gomes, 2020). Thus online business would be profitable for Amana Ltd.

Conclusion:

Towards the continuation of this study, the researcher has chosen a case scenario, where sales of the company has been analysed with other overheard costs. Based on the given information the researcher has analysed budgeting process and variances have been calculated. In this study, the researcher has recommended and stated the changes with their affect. Through the study, the researcher has critically discussed other business decisions. Along with this, the researcher has stated that online business would be profitable for Amana Ltd and the offline business has been affected due to global epidemic situation. However, budgeting process would be able to control business overheads and the company would be able to maintain profit margin.

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	A	B	C	D	E	F	G	H	I
1									
2		Particulars	Original budget £	Original amount £	Actual £	Variances £			
3		Units	100000		80000	-20000			
4		Selling price	25		20	-5			
5		Revenue	2500000		1600000	-900000			
6									
7		Variable costs:							
8		Materials	2,5	250000	280000	279998			
9		Labour	4	400000	440000	439996			
10		Overhead	1,5	150000	120000	119999			
11		Contribution	17		760000				
12									
13		Fixed overheads:							
14		Warehouse rental	200000		170000	-30000			
15		Insurance	100000		100000				
16		Fulltime warehouse supervisor salary	50000		35000	-15000			
17		Profit margin for offline business	1350000		455000	-895000	-66%		
18									
19		Online business costs:							
20		Cost of setting up conveyance	150000		280000	130000			
21		Cost of overhauling current site	50000		440000	390000			
22		Salary of an all day IT software engineer	35000		120000	85000			
23		Amazon satisfaction charges	50000		760000				
24		profit margin after online business	1065000						
25									