

Program: BA Business Management
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Management Accounting

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Introduction:

The report will be presented upon the Amana ltd is the family-owned business which is basically located in England that might sell of the souvenirs between the tourists. They are operating in many of the locations. Further the monthly control report which may shows the original budget, variance and fixed budget will be prepared. On the basis of above prepared reports the Amana's performance as per the year 2020 will be shown. As last for part A some of the recommendations related to Amana's CEO on the area of improvement will be prepared. Part B will provide about the analysis related to Mr. Amanas decision for either going online of either start up their own of the business online or even sell the business to amazon. Some analysis or recommendations regarding that whether the company must sell of the business to amazon or start up their own online will be presented. All of the relevant cost will also be considered.

Part 1:

Items	Cost per unit	Original (£)	Flexed (£)	Actual (£)	Variance	Favorable/Unfavorable
Units						
Selling Price	25	100000	90000	80000	-20000	Unfavorable
Revenue						
Variable Costs						
Materials	2.5	250000	265000	280000	-30000	Unfavorable
Labor	4	400000	420000	440000	-40000	Unfavorable
Overhead	1.5	150000	135000	120000	30000	Favorable
Contribution	17	170000	123000	76000	94000	Favorable
Fixed Overheads:						
Warehouse Rental	200000	200000	185000	170000	30000	Favorable
Insurance	100000	100000	100000	100000	0	NIL
Fulltime Warehouse Supervisor Salary	50000	50000	42500	35000	15000	Favorable
Profit		135000	90250	45500	89500	Favorable

The first part of the report was to actually calculate the monthly report under which various types of budgets will be calculated in order to gain the deviations and actual results accordingly in the business firm of Mr. Amana. The business structure of Mr. Amana is into tourist business under which they sell the souvenirs. The monthly control report of the business structure depicts about the business performance over a period of time. From the same aspect, it can be generated that the

selling price of the business firm has actually been reduced which is actually favorable which shows that the company estimated that the selling units will be 100000, however, the actual units which were actually produced were 80000. Therefore, it can be said that such thing is actually not good for the business firm. In addition, the materials and labor costs of Mr. Amana business is actually unfavorable for the business as it has been reduced and decreased in the actual results. Therefore, such thing needs to be considered which can be done by actually having an effective strategy which can build the structure of Mr. Amana to greater extent (Johari, 2019).

It is being observed that fixed overhead costs of the business firm is actually very less in actual. In simpler words, it is being observed that that the estimation and prediction of the fixed overhead cost of the business firm has been more whereas the actual results of the business in respect with the fixed expenses of the business is much lower. Therefore, it can be said that such situation of the business is actually favorable which is further depicting that the business is actually able to reduce their fixed costs in a very short span of time leading the business to increase their revenues of the business to greater extent. However, after considering the entire profit of the business, it can be seen that the profit of the business is profitable and therefore, from such great aspect, it can be said that it will help and assist the business structure to accordingly measure their results and accordingly strategize the same in an effective manner (Johari, 2019).

A Flexed budget is a budget which actually keeps on varying depending upon the revenue of the business which is being earned in the business. Therefore, it can be said that the table in which the flexed budget was actually measured, it can be determined that such aspect of the business firm will guide them in the right direction and accordingly, the business will be able to generate effective results in the business firm.

The performance of any business is being measured on the basis of five measures i.e., output, quality, and input, efficiency and outcome. If the business firm is actually opting for such measures in their business firm, then it can be generated that such thing will actually help the business to grow effectively. From the input side of the business, it can be said that the company has utilized effective inputs in order to gain effective results. Considering the quality of the business, it can be said that as the business is into souvenirs, it can be determined that the business is actually attracting larger number of tourists in order to gain more revenue in the business firm accordingly which is actually leading to great quality of the business firm. Considering the efficiency and outcome of the business, from the table, it can be determined that the profit of the business has

turned out to be profitable. Therefore, it can be clearly said that the business firm has stable structure leading the business to grow and sustain in the market for longer period of time accordingly. Therefore, as Mr. Amana business firm is actually considering all the performance measures in their company, therefore it can be concluded that the business is actually leading the structure in an effective manner (Aziz, 2021).

However, it is being observed that there are various aspects under which the business firm can effectively attain better revenues by having strategic planning in the business structure. Therefore, the areas under which the business firm of Mr. Amana can actually improve their business structure are as follows-

- a) **High Impact Marketing-** Being into the business of souvenirs, it is being recommended that if the business management prepares a department especially for the marketing purpose, then there are high chances under which the business can earn good revenues accordingly. For the same purpose, the business structure shall make sure that the team or the department of the business is offering great amount of marketing skills to the general public and tourists accordingly so that it will be easy to attract the customers accordingly.
- b) **Monitoring of Trends-** It is being observed that if the business firm will monitor the trends of the market, then it will be actually easy to measure such aspect in an effective manner. The trends and issues which are currently going in the economy shall be measured so that all the aspects is considered by the business firm of Mr. Amana, therefore such thing will bring great results accordingly. It can be done by actually tracking the performance of each and every firm effectively (Aziz, 2021).
- c) **Setting of Goals-** All business firm shall update their goals and objectives accordingly in the business structure. This can be done by actually reviewing the existing goals and accordingly making sure that the existing goals are attained. Therefore, it can be determined that if the existing goals are not being fully attained, then it is actually necessary to update the existing goals and accordingly plan the activities of the business firm in order to be effective in the results scenario.
- d) **Reduction in Cost of Sales-** The business firm achieves all their goals and objectives on the basis of the activities which are planned in nature. Therefore, it can be determined that the costs of the materials shall be lower in nature. However, only the cost of sales shall be

reduced and not the main revenue of the business. This reduction will actually lead to better results as all the irrelevant expenditures of the business will automatically be reduced.

- e) **Employee productivity-** The business goals of the structure is actually carried by employees and workforce of the business. For the same purpose, the employee productivity of the business shall be improved and increased in order to produce better conclusions and results accordingly. Further, it can be measured that such greater productivity will enhance and embrace the business structure (Talmon, 2019).

Part 2:

It has been analyzed that if the company might sell of the products and services through amazon directly then they might loose of the control over price which could be seen negative as this might impact the company in a negative way because the industry in which the company is operating increases the competition then company which do not holds the market share might see their prices declining and the cost of production might also increase in the value. The glassy or level of competition which has been seen might increases for company which sells of their products through amazon, this could mean that the market share for the company or corporate might decreases which could be seen negative for the company. One of the other things which the managements needs to be considers earlier to selling of the products and services via amazon is the amazon fulfillment fees which is need to be paid to amazon. The amount for the related fees is amounted to 50,000 which will not be considered if the company goes online and sell of their products online (Talmon, 2019).

	Own Shop Budget	
	Sales	10,000,000.00
Less:	Expenses	
	Cost of setting up delivery network	150,000.00
	Cost of upgrading current website	50,000.00
	Salary of IT programmer	35,000.00
	Profit	9,765,000.00

	Amazon Budget	
	Sales	6500000
Less:	Expenses	
	Amazon Fulfillment Fees	50000
	Profit	6,450,000.00

There is the cost of setting up the delivery network if the company's goes online. The cost is 1,50,000 while the cost of up gradation will worth the same which is 50,000. The total cost will sum up of 2,00,000. From few of the things there is one of the things which is seen common among the corporate that might sell of the products online and through amazon online system is that the competition level might get increased and it could be said that if the inflation level gets on increasing then competition might also get increases, further it could be said that the market share may decreases, the competition may increases in the value that could mean that there is some negative relation or sign among the same. One of the advantages of selling off the products online instead of selling it on amazon is that there are guaranteed sales given online which is near about 1,00,000 units of the revenue or sales form the operations that is seen as the positive sign for the company in comparison to amazon (Hiebl, 2018).

As per seeing towards the brief it could be seen that the IT programmer full time salary is near around 35,000 which makes it a total cost of 2,35,000 in the case of non-amazon selling another importance or advantage with the company being online is that, if the company sells of the products via amazon then it could be seen that amazon have the lack of control on price and also there has been seen some of the errors regarding the return policy if the company goes for amazon. These both of the factors are considering important while making one of the decisions and contribute towards the sales increasing and decreasing the product expenses that is related with the revenue of the operations. It could be clearly seen that the if company may operate or sell of products through online platform other than going to amazon, then in such of the case the company might incur the huge cost in comparison to the other cost as well. Another false point if the company goes for amazon there could be seen the lack of control over the returning policy and lack of control over price as well (Betts et al, 2018).

As per seeing towards the above calculations it could be understood that the company must go for online instead of opting the alternative source which is going directly for amazon. This decision has been made with following some of the factors such as:

If the company may go with the option of amazon (alternative action) then they might have to pay of the fulfillment fee which is related with amazon. No such fees are linked with going online with the business.

- It could be seen as well that if the company chose to opt going amazon then the guaranteed sales which is being given is of 65000 units for amazon annually with the potential for increasing the demand whereas the guaranteed sales for going online is 100,000 units annually which has been analyzed on the basis of market research (Wildavsky, 2018).
- With having the decision of going with amazon it could be seen that as per the brief it has been stated that there is lack of control over the pricing and there could be seen the lag in return policy as well which is not being seen with going online for the business.
- Incrementing the direct expenditures means that profits for the company's earnings might decreases in the value that means the company does not need to suffer the production associated with the outlay. It might help in dropping the direct and indirect expenditures in regard to the management. It is essential for understanding the cost and also the importance of service and product online (Cocioc, 2021).

Conclusion:

The reports have been presented upon the Amana ltd is the family-owned business which is basically located in England that might sell of the souvenirs between the tourists. They are operating in many of the locations. Further the monthly control report which may shows the original budget, variance and fixed budget have been prepared. On the basis of above prepared reports the Amana's performance as per the year 2020 has been shown. As last for part A some of the recommendations related to Amana's CEO on the area of improvement has been shown. Part B has provided with the analysis related to Mr. Amanas decision for either going online of either start up their own of the business online or even sells the business to amazon. Some analysis or recommendations regarding that whether the company must sell of the business to amazon or start up their own online has also been discussed. All of the relevant cost has also been considered.

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