

Programme: BA Business Management
Management Accounting LCBB5002

Assessment 2

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Introduction:

Accounting of management is crucial for the business to grow their operations in the emerging as well as the developed nation. There are many countries and companies which have expanded their business operations in more than one country. In task 1, the report will be going to cover the importance and the meaning of the budget which is the tool or technique to increase the marginal efficiency. It is the process which helps the business to record and report the variance between the planned and the actual performance. In the part 2, the report has covered the comparison of whether the company needs to sell their business operations offline or via online (directly amazon). It changes as the prices of goods change.

Task 1:

Part A:

Budget is the tool and techniques which help the management to increase the efficacy and at the same time decrease the lower performance department of the company such as finance or the accounting department. Budget includes the calculation and the analysis of the variance which might occur between the planned and the actual performance of the company and the changes in the corporate structure of the company. Corporate structure includes the changes in the equity and the debt capital of the company. It has been seen that there are various types of budgets of the company or the corporate such as flexible and the fixed budget. There are other types of budgets as well as such as project, seasonal and the changes in the corporate structure assumptions of the company's budget which the investor also known as the flexible budget (Awwad 2021).

Fixed budget is the budget which cannot be changed by the changes in the future and the present assumptions of the company (Kumar 2020). Or, if the management structure or the corporate finance methods change that the corporate which used the fixed assumptions budget then in this case, they will not be able to do the same and they have to wait for the end of the year so that they can make the new budget in the new financial year. Below shows the calculations of the operations budget and the variance of the company:

	Original	Budget	Variance
Units	100000	80000	-20000
Price	25	20	-5
Operations revenue	2500000	1600000	-900000
Variable cost			
Materials cost	250000	280000	30000
Labor overhead	400000	440000	40000
Overhead cost	150000	120000	-30000
Contribution margins	1700000	760000	-940000
	2500000	1600000	-900000
Fixed overheads			
Warehouse rental	200000	170000	-30000
Insurance cost	100000	100000	0
Full time warehouse cost	50000	35000	-15000
	350000	305000	-45000
Profit	-350000	-305000	45000

It has been analyzed that the variance of the profits of the company is positive 45,000. It means that the original or the reported profits of the company is high as compares to the budgeted performance of the company which is the good sign from the liquidity and the efficiency view-point. Operations revenue of the company which is reported is also more as compares to the budgeted revenue of the company. It helps in increased in the market (Gebremariam 2018) share of the company as compares to other companies that are operating in the same industry or the sector average. It has also been seen that the original price level or the reported price level were 25 and budgeted figures were 20 only. It is not a good sign because it indicate that the inflation or the price level of the nation has increased in a very rapid way. Rented cost for the company has also increased because reported cost are more as compares to the budgeted cost.

Below shows the calculations of the flexed budget for the company:

Flexible budget			
	Original budget	Actual budget	Variance
Variable cost	2500000	1600000	900000
Materials	250000	280000	-30000
Labor	400000	440000	-40000
Overhead	150000	120000	30000
Contribution	1700000	760000	940000

The contribution cost shows the positive variance of the company which is the perfect sign. The materials cost have shown the negative variance for the company. With the help of the flexible budget the management of the company or the corporate can increase the marginal efficiency of the management and at a same time increased the production of the worker working in the business. Above two tables have also shown the impact of the variance of the management of the company. It is important to understand how they have calculated in terms of the nature of the company. Variance is the difference between the planned and the actual performance and it can be zero if the report and the planned figure is same.

Part B:

From the above Part A, it has been analyzed that the company's financial health is good as compares to the other businesses that are operational in the same industry. As per the report, profits have shown the positive variance and it means that the it has increased in the marker share or the market capitalization of the company. They should also think about the cost of the offered product and services they offered in order to increase the financial heath and the prospective of the company. However, there are various types of cost which shows or report the 0 variance between the same and they are the insurance cost. It shows the good part of the company's management as to how well they have been efficient to assume which matches with the reported and the budget performance. The more the company report 0 variance, the more they have effect in utilizing there resources to conduct the operations in the good manner. There are various other types of cost which shows negative variance and some of them are materials and labor cost of the company. It means that the original are less as compares to the budgeted figures or the performance of the company. The company should take some timely steps to decrease the impact of the issues on the operations of the corporate such as low efficiency and the decreased market or stock cap of the company. They can invest the money in the assets

which can give them good returns so that they can increase the other income which can come from revenue from other operations or the investment income which is the proper sign.

Part C:

There are various area where the chief executive officers of the company (CEO) need to improve so that they can increased the performance of the upper management and some of those area are cost which are related to the material investment and the warehouse rental cost of the company. These two cost suggest that the company need to decrease the exposures towards the same so that they can increase the revenue from operations and at a same time decreases the cost of the production of the company. They can lower such cost with the help of better investment strategy and the changes in the market sentiments of the company. Market sentiments for the company is not same for every company because it may differ from product to product and services to services. For example, the company that are operating or have the operations in the cyclical industry then the customer sentiments change rapidly and have the high probability to change the estimates against them. Cyclical industry is the industry which can be changes due to the business cycle and if there is the stage of the recession or the contraction then the company will shows their profits decline in value and visa versa happens in the opposite situation (when companies or the business cycle operates in the expansion stage). They lower the production related expense and at a same time decreases the direct and indirect expenses of the company. Other area of improvement can be in the form of revenue. It means that the company need to improve the revenue or the other income.

Task 2:

In this task 2, there are two situations. Either the company can sell the product with the help of their existing online shop or they can sell the same product with the help of the online platform which is the Amazon (Danoshana 2019). There are various types of other online platform as well as such as Flipkart and the Jabbing. With the help of the same the management of the company can compare the cost and the benefit of the same and with the help of the same they can increase the financial position of the company as compares to another corporate that are operating in the same sector. These are mainly depends on the nature of the company such as business cycle and the other form of efficiency. In the question itself, there are various types of cost and benefit which can be used to know or analysis which one if better. For example, if the company sell the product with the help of the Amazon, then the cost which can be associated with the same are Amazon fulfillment fees will be cost the company around 50,000. It is important to know that this cost is only one time while setting up the business. However, one good thing about the same thing is that the guaranteed sales will be fixed at the unit level of 65,000 and they have the potential to increase the same with the help of other competitors and the changes in the price level of the same. It has been seen from the task 1 that the selling price or the price level of the same will increase from \$20 to \$25 which is not a good sign. The contribution of the same is almost 17 units which is a good sign because the company which have the operations in the same industry have the contribution of almost of about 10 dollars which means that the Amana Ltd have the high level of efficiency. However, one disadvantages of the same is the lack of control over pricing and return policy. This is very important drawback because it decreases the efficiency which is related to the return policy. Customer and the consumer of the company should have the right to return the product. This is the advantage from the consumer view-point and a disadvantage from the company view point. Lack of control on pricing means that the company or the corporate are operating in the perfect competition market which means that the competition is high as there are many high end company which sells there product online with the help of the amazon and other online platform (Bragg 2021).

On the other hand, the company can sell the product with the help of the its own online platform. However, it has its own advantages and the disadvantages for the company as it depends on the nature of the company (Rani 2020). The cost includes the cost of setting up delivery cost which is 150,000 and the cost of upgrading the current website which cost will be around 50,000. Salaries of full time IT programmer will be 35,000. However, it has been

seen that the market based guaranteed sales will be stuck at the level of 100,000. With the amazon selling, the fixed revenue from operations will be 65,000. In this case the company should sell the product via their online platform because of high level of revenue from operations. However, if the management or the investor concern about the expenses then they should go with the Amazon selling because there are more of expenses which are related to their own online platform. It is very difficult for the company to judge about the same because revenue and the expenses of the company gives the conflicts results. One expense increases and the revenue increase and that is the main reason of the same conflicts. However, as per the risk averse investors the company will be should choose the product which have low expenses such as in the case of Amazon and that is the main reason business should select to choose the product selling via the Amazon online platform. In order to increase the control over the return and the pricing policy, the company should invest the proceed in the assets which can increase the investment income or the other income (Zhang 2021). In this case they will be habit to improve the perfin perpetual growth or the organic growth of the company. Organic or the true growth of the company can come in any form which excludes the changes the growth in the financial transactions such as foreign exchange risk and the changes in the corporate firm. It has been seen that the organic growth of the firm is very important for the business to grow there multiple operations in the nation wide. One such advantage between the same is the it increases the diversification benefits of the company and with the help of the same the company will be able to increase the revenue and achieve the economics of scale of the company. Achieving the economics of scale means that the operations of the company are increasing and at a same time cost of good sold of the company decreases. It also means that the gross profits of the company are in increasing trend which is the good sign.

Conclusion:

From this report, it has been assumed that the business administration need the operations in the very efficient manner. It helps in increased in the business operations efficiency. In the task 1, the report have covered the calculation and the importance of various types od budget such as flexid and the flexible budget so that the management can increase the productivity and the resources of the workers working in the organization. In the task 2, the report has covered the comparison of the online and the offline sales of offered product and services for the company. It has been analyzed that the business management and the accountant need the good financial performance and the position of the company.

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