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MANAGEMENT ACCOUNTING

Executive Summary

The current study sheds the light on the relevant aspects related to the management accounting along with its crucial implications that need to be effectively executed by the managers within the organisation in order to improve the productivity and profitability level. It plays an important role to provide an effective track record to the financial and operational data within the organisation over the definite period. The present study also helps to provide an effective recommendation and advice in terms of the execution of online business or collaboration with Amazon for Amana Ltd in an accurate manner. It helps the organisational manager of Amana to make an effective decision making to generate higher level of profitability over the respective period.

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Introduction

Management accounting refers to the essential technique that has been executed within the organisation in order to make effective decision making over the respective period. It can be considered an important element to represent the potential data in such a way that would be helpful for the entity for framing the respective planning significantly. It also helps to provide relevant monitoring regarding the daily operations within the business entity accurately. The current study focuses on the potential implications of management accounting that need to be evolved within the firm to improve its productivity level extensively.

Part A

i. Monthly Control Report

The monthly control report can also be treated as the monthly report for the management. It primarily provides a piece of the necessary information about the relevant reports related to the business performance along with the implementation of the financial statements by the internal or external stakeholders over a monthly basis. The present reports can be regarded as the relevant financial reports that are highly engaged in reviewing and assessing the financial and operational performance of the firm with regard to the months on a monthly basis (Al-Hashimi, 2019). The current reports play an important role to enable the management team for tracking the historic and current organisational performance to establish an effectively-informed decision significantly. The potential management based on the monthly aspects can be summed up in the following factors:

- ***Financial Statements***

The financial statements can be esteemed as a relevant analysis regarding the historical and present financial value of the entity. It significantly includes profit and losses, financial ratios, balance sheet, debt, expenses, cash flows and operating margin over the definite period.

- ***Operational Performance***

The operational performance of the firm includes the relevant summary of the essential performance metrics related to the firm including the number of customers as well as average order value respectively.

- ***Financial Budget***

The financial budget plays a vital role to determine the forecasted and actual value of budgets generated by the organisation with regard to the estimation of the budgets and actual spending budget for the respective months (Sembiyeva *et al.* 2019). The relevant benefits that can be enjoyed by the companies with the help of executing the reports of the management can be evaluated as follows:

- ✓ It helps to evolve the financial performance of the company in order to ensure the potential decisions with the help of backing from a potential data level.
- ✓ It plays an important role to evaluate the remaining budget with the help of making an efficient comparison regarding the forecasted budget in terms of the actual value of spending.
- ✓ It is highly engaged in benchmarking the relevant performance of the company in terms of the forecasted performance.
- ✓ It helps to formulate the potential strategies in order to take corrective remedial measures for the attainment of the future aims of the company extensively.

The execution related to the monthly control report for the assessment of the potential financial performance of Amana Ltd is summed up in the table below:

Amana Ltd				
Monthly Control Report				
For the financial year ended 31.3.2020				
Particulars	Original Budget (£)	Actual Budget (£)	Variance (£)	Favourable/Unfavourable
Units Production	100000	80000		
Selling Price per Unit	25	20		
Sales Revenue (Production Unit*Selling Price per Unit)	2500000	1600000	900000	Favourable
Less: Expenses				

Variable Expenses:				
Materials	250000	280000	-30000	Unfavourable
Labour	400000	440000	-40000	Unfavourable
Overhead	150000	120000	30000	Favourable
Contribution	1700000	760000	940000	Favourable
Fixed Expenses:				
Warehouse Rental	200000	170000	30000	Favourable
Insurance	100000	100000	0	
Fulltime Warehouse Supervisor's Salary	50000	35000	15000	Favourable
Total Overhead (Variable Costs + Fixed Overheads)	2850000	1905000	945000	Favourable
Net Income (Revenue- Total Overheads)	-350000	-305000	-45000	Unfavourable

Table 1: Monthly Control Report

(Source: Created by the Learner)

It has been denoted from the above table that the forecasted amount of the units of production is valued at 100,000 units that are higher as compared to the value of the actual units regarding the production of 80,000 units during the respective period. The forecasted selling price that has been decided by the potential managers of the organisation is valued at £25 which is comparatively lower than the selling price of £20 over the definite period. It has been analysed that the successful small entities primarily rely on the relevant level of effectiveness in the process of planning regarding the business owners respectively (Birskyte, 2019).

One of the principal factors within the process of planning efficiently involves the essential planning for the budget which can be regarded as one of the final planning stages. It is evident for the manager of the organisation to make an effective gathering of the financial data,

financial estimations and critical analysis of the industry reports regarding the company to make a relevant budgeting planning. It also plays an important role for the organisational managers to establish the business budget accurately over the respective period (Clarence-Smith and Monticelli, 2022). The execution of the budget for the current organisation can be contemplated as dynamic and flexible and need to be adjusted by the relevant managers in terms of the alteration in the environment of the market along with the plans for the business.

The relevant budgets for the concerned entity are essential to involve every source regarding the potential revenue and an income expected by the respective firm along with all the essential expenditures attained by the firm over the definite period. A detailed realistic budget can be demonstrated as one of the effective techniques to offer relevant guidance in terms of the financial health of the firm respectively (Doktorchik *et al.* 2020). The relevant financial information can be significantly offered from the budget with regard to the operations within the business for managing unanticipated hindrances to attain a larger profit.

Efficient execution of the potential budget will play a significant role to make a necessary identification related to the available capital, the revenues anticipation and the expenditure estimation efficiently. It is important for Amana to develop a relevant utilisation regarding the budget for measuring the estimated budget figures against the crucial financial outcomes related to the actual budget to make an efficient adjustment in a significant manner. It is also essential for the respective manager to perform efficient planning in order to make an effective account for the relevant requirements on the basis of a long-term period.

ii. Financial Performance of Amana

The financial and operational performance related to Amana Ltd demonstrates that the forecasted value regarding the units of production along with the selling price per unit is greater than the production units and selling price operated by the respective business during the respective period. The decline in the number of units of production evolves that the organisational manager within the current business cannot be able to execute the relevant strategies for the production accurately (Sembiyeva *et al.* 2019). As a result, the reduction in the relevant factor has provided an immense level of force to the manager for declining the pricing of selling the products in terms of selling the manufactured products to the customers in a significant way.

The decline in the value of the price of selling the products along with the production units can be demonstrated as a principal cause for the decline in the revenue of sales within the respective

organisation over the respective period. It can be evaluated from the financial data of Amana Ltd that the figure of the critical expenses with regard to the fixed along with variable has also been reduced by the organisation within the actual data in comparison with the estimated data. The decline in the figure the essential expenses involving overhead, labour, insurance, materials, and many more can be contemplated as a helpful factor for the respective firm (Fülöp and Bajkó, 2021).

It can be considered as a principal cause for the enhancement in the level of organisational profitability extensively. It has been demonstrated from the financial figures of the respective company that the potential data regarding the total overhead is extensively higher as compared to the figure of the sales revenues. It would lead to in turn the extraction of the potential value in terms of the net loss within the present organisation (Zebari *et al.* 2019). It indicates that the amount of the net loss attained by the respective firm amounted to £305,000 which is comparatively more acceptable than the forecasted net loss value of £350,000 during the specific period.

iii. Recommendation

The financial and operational performance of the respective organisation evaluates that Amana Ltd has regulated to earn losses against the net amount over the definite period. It would be essential for Amana to establish a necessary enhancement in the level of net margin through making an improvement in the revenue level with regard to the most popular option respectively. It would be important to increase the value of sales by the respective entity by making an increment in the price of the products respectively (Li *et al.* 2019). The development of the potential strategy level in terms of prudent pricing is essential to be taken into consideration what can be suffered by the market in terms of the supply of the products and price over the respective period.

Part B

Advice to Amana

The execution of an online business can be contemplated as any type of business activity, which can engage in regulating its business operations with the help of the internet accurately. The regulation of the business operations with the help of the Internet primarily includes the buying and selling of the desirable products and services to consumers across the globe. The performance of the business activities through the internet market can be considered a helpful

factor to the concerned organisation. It assists the current organisation to make an effective expansion of the brand image regarding its products and services among the consumers residing in every corner of the globe. It would also be considered a helpful factor for the respective organisation to offer the desired services and products to the customers in order to gain the trust of the consumers in an accurate manner (Akhmetshin *et al.* 2018). The potential benefits that can be extracted by the Amana Ltd through operating its business activities over the Internet can be summed up as follows:

- ***Long-term Cost***

The operations of the business activities through the online market can significantly include the lower cost of regulations in comparison with the traditional business. A very small space is primarily required by the online market within the office or even it cannot be required in most cases. Hence, the potential cost would be ignored by all the relevant businesses with regard to renting the physical premises in a significant way.

- ***Customisation***

The relevant satisfaction level would be effectively offered through executing the online business that is comparatively larger than the traditional office business extensively. The concerned level of business would be contemplated as a potential factor that provides the necessary aspects for the customisation through conducting the online businesses in a significant manner (Brozzi *et al.* 2020). It would enlarge the broader number of crucial financial options available for the potential customer that would also enforce the concerned consumer to make a relevant selection of the order accurately.

- ***Availability***

A business that would be extensively engaged in regulating the relevant activities does not involve any restrictions on the time period. In terms of the relevant conventions, the shopping for the consumers can be efficiently operated by the customers at any period with regard to the access to the internet in a significant manner. The continuous level of availability in terms of conducting the online businesses offers a higher opportunity level for the relevant sales level in an efficient way.

- ***Accessibility***

The execution of the online businesses can be esteemed as the free aspect from the restrictions imposed on the geographical boundaries respectively. The relevant customers of the present company would be effectively able to offer a significant order from any corner of the world that needs crucial access to the internet extensively. It can be regarded as the principal reason for the companies to go forward with online business strategies in order to target foreign customers in an accurate manner.

- ***Adaptation***

The potential purchase regarding the online business would play an important role to offer a relevant level of rights in order to adopt the requirements for the market in a significant way. The relevant user primarily gains the relevant authority level to introduce the updates regarding the private blog or the site of e-commerce (Alashmawy and Yazdanifard, 2019). In order to generate a relevant update, the critical visitor can be notified in an effective manner with the potential level of marketing with the help of e-mail and other communication methods.

- ***Consumer Data***

An important element of all processes for the business includes the extraction of potential data about the consumers extensively. The execution of the online business would play a major role to offer an efficient allowance in order to gather the consumer data and behaviour in a significant manner. The implementation of the relevant information would be beneficial for the respective business in order to take an effective step to enhance the experience for the visitor.

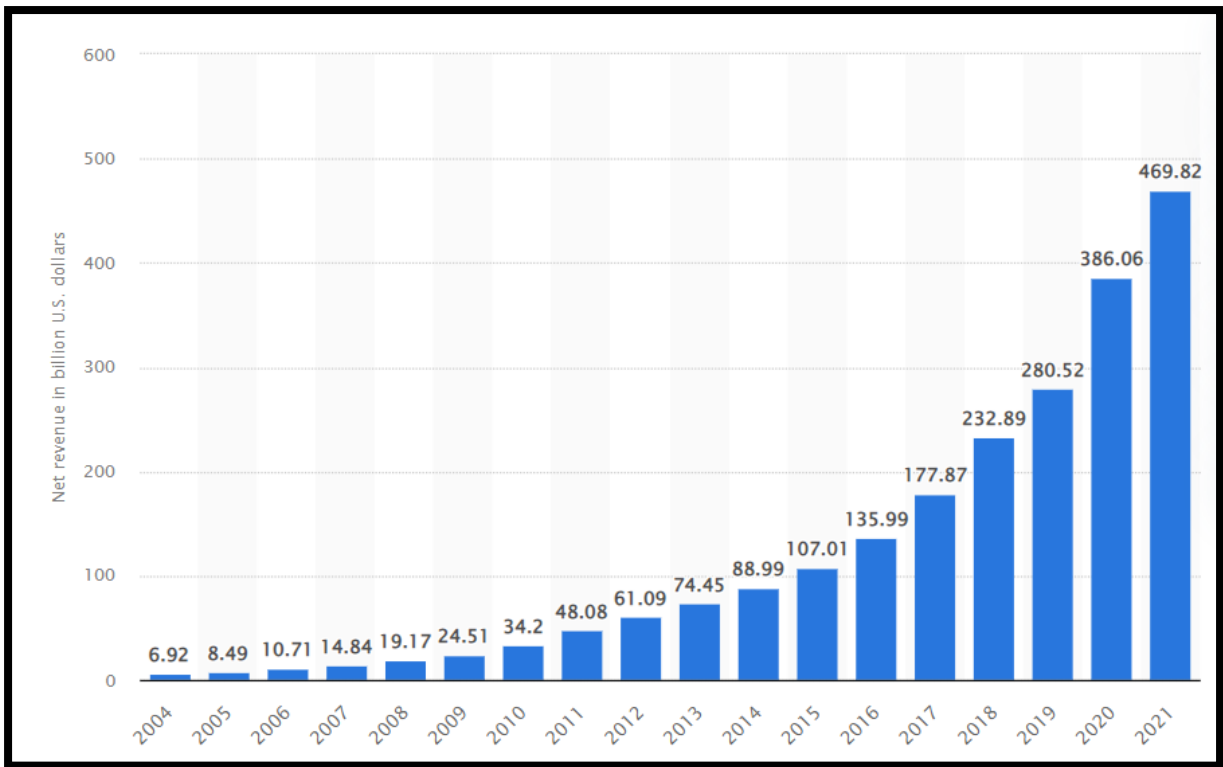


Figure 1: Revenues of Amazon

(Source: Statista, 2021)

It has been analysed from the above figure that the online platform of retail regarding Amazon has managed to generate the value of net income of 469.82 billion US dollars in 2021 (Statista, 2021). An increment in the value of sales within the respective organisation indicates that the current firm has managed to implement its selling strategies in an accurate manner. The broad range of consumers across the globe engaged in utilising the potential products and services provided by Amazon would lead to an increase in the level of sales revenues extensively. The higher level of sales revenues within the respective organisation also indicates that the consumers all over the world are highly satisfied with the quality and price of the products and services offered by Amazon respectively. It would be beneficial for Amana Ltd to make effective collaboration with Amazon in order to gather the respective consumers and to increase its brand image significantly over the respective period. The collaboration with Amazon for Amana Ltd would also be considered a beneficial factor as it would lead to indulge lesser amount of operational cost as compared to starting its own online business.

Conclusion

The above study reflects on the potential implications regarding the management accounting that needs to be executed by the organisational manager in an accurate manner. The potential utilisation of management accounting can be esteemed as a vital element to provide an effective track of the financial and operational records extensively over a definite period. It has been suggested to Amana to make a relevant collaboration with Amazon in order to gain a large number of sales over a definite period. It would also assist the respective organisation to expand its brand image in terms of providing quality products and services to the existing consumers of Amazon all around the world through online business.

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