

Management accounting 1

[Business](#), [Accounting](#)



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INTRODUCTION ON THE COMPANY

Introducing Dutch Lady

For generations, we at Dutch Lady Milk Industries Berhad have made it our business to supply quality dairy and infant nutrition products to the nation. Today Dutch Lady Malaysia ranks as the leading dairy producer in Malaysia. Generations of Malaysians have grown up on Dutch Lady dairy products. Remember that indispensable carton of Dutch Lady UHT Chocolate Milk that you always carried to school for recess time. Well, today a brand new

generation of young consumers is spoilt for choice with our extensive new range of growing up milk products.

Dutch Lady 123 and 456 not only come enhanced with TT-Ratio Advance to aid in expanding your child's attention span for better learning experience, it is also now fortified with 5 x DHA that is proven to aid in brain development. This range, together with Dutch Lady 6+ Growing up Milk, comes in the usual vanilla, honey and chocolate flavors that children enjoy most. While Dutch Lady Malaysia first established itself as a manufacturer of sweetened condensed milk, Dutch Lady Milk Industries Berhad's extensive product range now spans from infant formula and growing up milk to fruit juice and yoghurt snacks. Every product innovation in our rapidly developing infant and child formula range is backed by extensive research both locally and internationally.

Royal FrieslandCampina, our parent company in the Netherlands, is constantly funding efforts to investigate and discover ways to take your little one's nutrition to the next level. The Dutch Lady range also extends far beyond familiar flagship products such as Dutch Lady UHT milk or Dutch Lady 123. Other delicious items from our company that may have found their way into your snack break at work - or even dessert at your favorite restaurant include JOY fruit juices, and the Low and 0% fat eating and drinking yoghurt range. The latter, in particular, represent Dutch Lady's constant efforts to develop an increasing variety of enjoyable dairy-based treats for the entire family.

It is quality products like these, created to meet discerning taste buds like yours that make Dutch Lady a leader and one of the nation's most trusted

names in dairy products. Read on and find out more about how we've spent more than 50 great years in Malaysia, growing up with the nation and helping the nation to grow up healthy. <http://www.dutchlady.com.my/en/home.asp?page=privacy>

Retrieved: 23 February 2013 (3. 00pm)

Company Profile

Dutch Lady Milk Industries Berhad ("Dutch Lady Malaysia") is a leader in the quality branded dairy business in Malaysia. It was incorporated in 1963, and was the first milk company in Malaysia to be listed on Bursa Malaysia, the local Stock Exchange in 1968.

Its holding company is Royal FrieslandCampina, a Dutch multinational corporation and one of the largest milk companies in the world. Permodalan Nasional Berhad is the second largest shareholder in the Company. Dutch Lady Malaysia manufactures and sells a wide range of quality dairy products and fruit juices for the home and export market such as Infant Formula, Growing-up Milk, Powdered Milk, Condensed Milk, UHT Milk, Sterilised Milk, Pasteurised Milk, Cultured Milk, Yoghurt and Fruit Juice Drinks. The Company's dairy products have a strong consumer following and are represented by strong brands such as Dutch Lady, Frisolac, Friso, Completa, Omela and Joy.

The Company believes in product innovation and is well supported by its holding company, Royal FrieslandCampina. The Company constantly strives to improve its processes in order to deliver nutritious products of high quality to its consumers. It was the first company in the world to introduce a

growing up milk powder specifically formulated for children from ages one to three. These products are currently marketed in Malaysia as Dutch Lady 123 and Dutch Lady 456. Besides supporting local industries by using substantial amount of local ingredients in its products, Dutch Lady Malaysia is also the largest purchaser of local fresh milk from the Veterinary Services Department.

This is done via the Company's Dairy Development Programme, carried out in collaboration with the DVS with the assistance of the Netherlands Embassy. The quality of the Company's products is paramount. Quality Control and Quality Assurance are prime considerations. In line with this, the Company has continually been accredited with ISO 9001 certification since 1995. Strong emphasis is also placed on food safety with HACCP (Hazard Analysis Critical Control Point) System covering all its plants. In addition, the Company also has in place ISO 14001 Environment Management System and OHSAS 18001 (Occupational Health and Safety Assessment Series). The Company's products are all halal-certified.

Dutch Lady Malaysia's annual revenue in 2009 is RM692 million. The Company's factory is located in Petaling Jaya and it employs 600 Malaysians. Currently, Dutch Lady Malaysia is the market leader in key milk categories such as UHT milk, Sterilised milk and Growing-Up Milk. In addition to Dutch Lady Malaysia, Royal FrieslandCampina has three other companies in Malaysia, namely FrieslandCampina Business Development Unit, CPI Sdn Bhd, a regional operational headquarters, FrieslandCampina Service Centre Asia Pacific Sdn Bhd, an MSC-certified SAP competence centre and

FrieslandCampina Domo Asia, a sales representative office for its ingredients business.

Royal FrieslandCampina is a multinational that produces and markets natural, nutritious and high-quality dairy products and ingredients. Taste, health, convenience and reliability are key characteristics. Based on the figures of 2008, FrieslandCampina's annual revenue amounts to 9.5 billion euros. The company employs 21,000 people and has about 100 production and sales locations in 25 different countries. FrieslandCampina organises its activities into four business groups: Consumer Products Europe, Consumer Products International, Cheese & Butter and Ingredients. The product range consists of consumer milk, milk in powder and concentrated form, dairy drinks, yoghurts, desserts, cream, coffee creamers, baby and infant food, cheese, butter and ingredients.

Its most important brands are Campina, Chocomel, Completa, Dutch Lady, Frisian Flag, Foremost, Betagen, Friesche Vlag, Fruttis, Fristi, Vifit, Landliebe, Milli, Mona, Optimel, Optiwell, Puddis, Pottyos, Fruttis, NoyNoy, Peak, Rainbow, Yazoo, Appelsientje, DubbelFriss, CoolBest, Debic, Frico, Milner, Buttergold, Valess, DMV, Kievit, Domo, Creamy Creation and Nutrifeed. The business is based on a cooperative model. The 16,000 member dairy farmers of Zuivelcooperatie FrieslandCampina are the owners and the suppliers of the milk. <http://www.dutchlady.com.my/en/home.asp?page=privacy>
[page=privacy_policy](http://www.dutchlady.com.my/en/home.asp?page=privacy_policy)

Corporate Vision

- To further strengthen our position as the leading dairy company, driving growth.
- Corporate Mission
- Helping Malaysians move forward in life with trusted dairy nutrition.

Explanation of the features of management accounting information There is general agreement that, before it can be regarded as useful in satisfying the needs of various user groups, accounting information should satisfy the following criteria: 1. Relevant That definition of relevance is more explicit than the dictionary meaning of relevance as bearing on or relating to the matter in hand. As alluded to earlier, prior knowledge of information may diminish its value but not its relevance and, hence, its usefulness, for it is information's ability to " make a difference" that makes it relevant to a decision. To be relevant to investors, creditors, and others for investment, credit, and similar decisions, accounting information must be capable of making a difference in a decision by helping users to form predictions about the outcomes of past, present, and future events or to confirm or correct expectations" Statements about relevance offinancial statementinformation must answer the question " relevant to whom for what purpose? " For information to be judged relevant, an object to which it is relevant must always be understood: Predictive Value And Feedback Value - To be relevant, information must have predictive value or feedback value or both. Information can make a difference to decisions by improving decision makers' capacities to predict or by confirming or correcting their earlier expectations.

Usually, information does both at once, because knowledge about the outcome of actions already taken will generally improve decision makers' abilities to predict the results of similar future actions. Without knowledge of the past, the basis for a prediction will usually be lacking. Without an interest in the future, knowledge of the past is sterile. To say that accounting information has predictive value is not to say that in itself it constitutes a prediction. Timeliness – To be relevant, information also must be timely. Timeliness means “having information available to a decision maker before it loses its capacity to influence decisions”. Information that is not available when it is needed or becomes available only long after it has value for future action is useless.

2. understandable

For accounting and financial information to be useful, it must be presentable in a format that the users of accounting information understand. Accounting is a medium of communicating financial information about the affairs of a business. Therefore, accounting information should pass the basic tests or requirements of a normal communication medium. Basics in communication dictate that if the message being transmitted by the sender to the receiver is not understood, then no communication has taken place. Accounting information must be understandable by its target users if meaning is to be gleaned from it. It must also be understandable if accounting information is to be useful in supporting decisions made by users of accounting information.

3. Timely

Information which is relevant and reliable and which passes the materiality test may lose its relevance if there is undue delay in it being reported. Thus, the time available to gather and report financial information is a constraint

on providing relevant information. There may, on occasion, be a need to weigh the relative merits of timely reporting and the provision of relevant and reliable financial information. Application of the reporting period convention can often lead to the need to report before all aspects of a transaction or event are known. This can limit the availability of relevant information and have an impact upon reliability.

Conversely, reporting is delayed until all facts are known this may be too late for users who have to make decisions in the interim. The need for timely reporting raises questions for standard-setters, preparers, auditors and regulators about the desirable frequency of general purpose financial reporting and the length of time that ought to be allowed to elapse between the reporting date and the date when general purpose financial reports are made available to users.

4. Comparable Comparing alternative investment or lending opportunities is an essential part of most, if not all, investment or lending decisions. Investors and creditors need financial reporting information that is comparable, both for single enterprises over time and between enterprises at the same time.

Comparability is a quality of the relationship between two or more pieces of information “ the quality of information that enables users to identify similarities in and differences between two sets of economic phenomena” . Comparability is achieved if similar transactions and other events and circumstances are accounted for similarly and different transactions and other events and circumstances are accounted for differently. Comparability has been the subject of much disagreement among accountants. Some have argued that enterprises and their circumstances are so different from one

another that comparability between enterprises is an illusory goal, and to include it as an aim of financial reporting is to promise to investors and creditors something that ultimately cannot be delivered.

In that view, the best that can be hoped for is that individual enterprises will use their chosen accounting procedures consistently over time to permit comparisons with other enterprises and those honorable auditors will be able to attest to the consistent application of “ generally accepted accounting principles” Today, with the objectives of financial reporting focused on decision making, comparability is one of the most essential and desirable qualities of accounting information. Investors and creditors can no longer be expected to tolerate blanket claims of differences in circumstances to justify undue use of alternative accounting procedures. Only actual differences in transactions and other events and circumstances warrant different accounting.

5. Reliable The accounting information presented in financial statements should be reliable. For example, the accounts should make a faithful representation of the business affairs.

Accountants and the business should not attempt to mislead users or to deliberately ignore or omit certain information from the accounts if users are going to make informed decisions. Reliability is the quality of information that permits users to depend on it with confidence. This means it is verifiable, has faithful representation, and is reasonably free of errors and bias. Representational faithfulness refers to correspondence or agreement between a measure or description and the phenomenon that it purports to represent. That means the numbers and descriptions represent what really existed or happened. Verifiability refers to the ability, through consensus

among measurers, to ensure that information represents what it purports to represent or that the chosen method of measurement has been used without error or bias.

Neutrality means that, in formulating or implementing standards, the primary concern should be the relevance and reliability of the information and the information cannot be selected to favor one set of decision makers over another.

Complete

Completeness of information is an important aspect of representational faithfulness, and thus of reliability, because if financial statements are to faithfully represent an enterprise's financial position and changes in financial position, none of the significant financial functions of the enterprise or its relationships can be lost or distorted. Completeness is defined as "the inclusion in reported information of everything material that is necessary for faithful representation of the relevant phenomena".

Financial statements are incomplete, and therefore not representational faithful, if, for example, an enterprise owns an office structure but reports no "building" or similar asset on its balance sheet. Although completeness implies showing what is material and feasible, it must always be relative. Financial statements cannot show everything or they would be prohibitively expensive to provide. <http://www.google.com.my/search?sourceid=navclient&aq=3&oq=Management+accounting> Retrieved: 23 February 2013 (3.00pm) 3. Assessment of 'relevant' accounting information over the two years.

Financing

Accounting data is used by your company and potential investors to determine funding needs for the organization. Your company analyzes revenue to determine how much money would be available to fund upcoming projects.

If there is a gap in revenue, then you know that you need to seek out funding. Potential investors and lenders look at your assets and liabilities to determine if your company is a safe investment or not. For example: " For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and members of senior management of the Company. " [http://www.dutchlady.com.my/sharedfiles/financial/files/DL_AnnualReport_2009 &2010. pdf](http://www.dutchlady.com.my/sharedfiles/financial/files/DL_AnnualReport_2009%202010.pdf) Retrieved: 1 March 2013 (10. 00pm) 3. 1. 2 Budgeting The constant flow of accounting data relevant to income, purchases, investments and overhead is critical in creating the budget for the coming year. The information gathered by the accounting department is used as a baseline to gauge actual performance for the year and understand the basic costs of company operations.

Sales projections for the next fiscal year are added to the accounting data to create the company's budgets. 3. 1. 3 Inventory Maintaining proper inventory levels is important in keeping track of assets and income as inventory gets purchased, stored in the warehouse and then sold to clients. The accounting department keeps a close eye on the cost of incoming inventory, how much it costs to finance that inventory until it is sold and the income realized when the product is sold to a customer. All of that information is relevant to determining how profitable your organization is and where changes can be made to lower the costs of inventory. For example:” Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When the company plans its growth, it first looks at historical accounting data to determine trends in revenue production and understand how the company spends money. Accounting information is critical in determining how much the company can take on in liabilities and costs as it tries to make the right decisions on how to expand profitability. For example : “ No contingent liability or other liability of the Company has become enforceable,

or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on property, plant and equipment of RM12, 308, 000 as disclosed in the Note 12 to the financial statements, the financial performance of the Company for the year ended 31 December 2010 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report. " [http://www.dutchlady.com.my/sharedfiles/financial/files/DL_AnnualReport_2009 &2010. pdf](http://www.dutchlady.com.my/sharedfiles/financial/files/DL_AnnualReport_2009%20&2010.pdf) Retrieved: 1 March 2013 (10. 00pm) 4. Assessment of ' comparable' accounting information over the two years.

In 2010, net cash generated from operation activities is RM98, 389, 000 but in 2009, net cash generated from operation activities is RM89, 377, 000 which indicates net cash provided from operation activities is increased from 2009 to 2010 and it can be good sign. Because the most important category of cash flow is operating activity and it reflects the day to day operation that determine the future of an organisation. Cash flow operating activities should be main source of cash. Net cash used in investing activities: Net cash used in investing has increased from 2009 to 2010. For 2009 , this amount is RM29, 436, 000 but for 2010 , this amount is RM8064, 000 which indicates company has gain more long-term asset in 2009.

Net cash used in financing activities: For 2010, this amount is RM46, 400, 000 and for 2009 this amount is RM42, 001, 000 it indicates that in 2010, company paid more interest and dividend in comparison with 2009. Generally, cash and cash equivalent has increased from 2009 to 2010 by RM43, 925, 000. Cash flow of Dutch Lady Milk Berhad is healthy because main source of cash is operation activity and investing activities did not create cash which indicate company did not sell of its long-term assets. Cash and cash equivalents Cash and cash equivalents included in the statement of cash flow comprise the following statement of financial position amounts:-

	2010	2009
RM ' 000	RM'000	

SUMMARY

A financial statement can be well defined as a formal record of any business', individual, or entity's financial activities. All the important information of a business enterprise is presented in the financial statements as these are easy to understand because of their structured presentation. These statements might, however, get complex for large corporations and might also include a wide-ranging set of notes to financial statements explaining about the financial policies, management discussion, and analysis.

The main aim of financial statements is providing info about the financial position, performance, and variations in the financial position of a business enterprise. The financial statements of any business entity should be relevant, understandable, reliable, and comparable. An understandable financial statement helps business entity's stakeholders to get reasonable knowledge about the business and its economic activities. As far as financial

statements are easy to understand, this helps investors to make investment decisions in the company. From a management accounting point of view the primary purpose of management is to make decisions that may be classified as marketing, production, and financial.

The tactical decisions which must be preceded by strategic decisions provide the historical data from which the accountant prepares financial statements. In addition to being statements summarizing historical transactions, financial statements may be regarded as a descriptive model for decision making. Every item or element on the financial statements is the result of a decision or decisions. For each decision, there exists a management accounting tool that may be used to make a good decision. However, the management accounting tools can be used only if the management accountant is successful in providing the information demanded by the particular tool.

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