

Good most kind regards case study example

[Business](#), [Company](#)



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Dear John,

Please find the below report analyzing different costing techniques and how they can be effective to your company.

It is my sincere hope that the contents of this paper will be useful to Mahir International now and in future.

Intern,

Mahir international.

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Executive Summary

Mahir industrial works with giving unique design for valves and stands at a better position than any other industry. There is loyal customer base that is a

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result of high-quality valves. The manufacturing manager suggests using labor and equipment present in the industry to produce pumps and flow controllers also. This change will also cater to the existing customers. There were apprehensions as the profits were going lower and lower. Intense competition is reducing prices on their products affecting Mahir Industries severely. Mahir industrial quality is never in compromise in recent years. Valves are standard products of this industry and sell in vast quantities. This paper gives a business report of this industry, with a complete understanding of its situation and future recommendations to Mahir industries.

Introduction

On account of supplying pumps and valves, there is an apprehension within the company. The net income has dropped by 2 percent. The initial level was 10 percent. The production is taking place with semi furnished components from different suppliers. All three products use the same equipment, labor and resources. The manufacturing process of valves is similar to that of pumps. The flow controller prices of Mahir industries have increased by 10 percent with no effect on demand. The company only has one production department. This analysis requires preparing a business report on the behalf of the labor force. This report will help in a better understanding of the situation with Mahir Industrial and steps that are necessary for implying in the future. The further Section will include details analysis of various aspects of this company.

Part B. Analysis.

- The present system Mahir has adopted is the traditional system.

Under traditional costing method, the firm will use one volume based cost

driver. The basic assumption is that production in any firm will generate costs irrespective of the nature and the product the costs relate to.

In some occasions, the overheads assigned to a product might have been incurred in the production of another of product hence providing misleading information.

On critical analysis of product profitability, using traditional costing approach will not produce the exact cost of production but rather approximated value.

The major weakness of such an approach is that all costs are calculated on the basis of a unique factor like labour hours or machine hours. In real environment, there are many factors of manufacturing overhead. These factors are setup of machines, inspections, handling, special storage of a particular type of goods and more. As the company decides to diversify in its product base, the bigger the problem is in the allocation of such costs. Mahir industrial will also undergo a similar issue in the future if it continues to adapt the traditional method of costing. One cost pool is not suitable for analysis of all diverse activities, and machine hours or labour hours are not appropriate measures to specify the costs for all activities. Costs of many activities do not correlate with the production of machine hours. The resulting information will be misleading.

- Activity based costing.

The costing technique uses many cost drivers to apportion costs to the products.

For Mahir Industrial, it will help in identifying relationship between costs, products, processes and activities. Such allocation is less random as compared to traditional costing method. Activity based costing method has

its niche in manufacturing sector and. Hence, it will be beneficial for Mahir Industry. It will give a more accurate and trustworthy measure. It focuses on the cause-effect relation of activities and costs. It will help in fixing the selling price of a unit of a product as all overheads as the calculations become fair and correct. If this method is used in, Mahir Industrial will allocate on the basis of significant cost factors. Activity based costing will help in linking cost and activities and hence, help in better control and monitoring. This costing will then help in fairly allocated overheads that presently occupy a large portion of Mahir Industrial expenses.

- The biggest challenge for Mahir Industrial is the preparation of a list of activities before implementing this system. This list needs to be in excellent detail. The first step for Mahir Industrial will be an administrative challenge and classifying activities so that redundant activities are done away with. Adding more details will not be enough for Mahir international. Hence, categorizing and classification of activities will also be necessary. Activity-based modelling also requires a combination of linked tasks at different levels. Such procedure will be a lengthy process. Another challenge that Mahir Industrial will experience is in identifying and selecting appropriate drivers. Finally, the issue for Mahir Industrial will be a selection of an appropriate tool for implementing this costing system. Selection of proper software for data will be a significant decision.

Under the current costing set up, it will be the wrong move for the company to diversify, simply because they are working with approximated costs and not the exact costs the products incur. It will be wise for the firm to start off by optimizing on the products they have, then seek to replace the ones with

negative contribution. Mr Siva Krishnan was on point.

- Ms. Tan faces a dilemma on how the case must be taken care of immediately. In no circumstance, an employee is allowed to take funds for personal use. Even if Ms Yeti repays the fund at month's end, she is not allowed to take funds without giving information to senior staff. Ms. Yeti is a reputed, liked and a long-term employee. Hence, seeing the reputation of Ms Yeti, she must get a stern warning about her activities and given a chance. Ms Tan also must recommend a strict vigilance for all senior staff including Ms Yeti so that any other member does not repeat such behaviour.

- Recommendations to Mahir international

a). There is a need of a meeting for Mahir industrial immediately so that the employees and people are aware of the crisis that Mahir Industrial is facing in the present day.

b) A workshop must be done following the meeting to make the employees aware of the need of Activity Based Cost system and how it will affect the financial management process. It will also educate the employees on the use and keeping track of information.

- A careful involvement of managers and executives is there so that they take care of their responsibilities.

- Mahir Industrial also needs a careful watch on all its senior officials so that any case like Ms Yeti does not happen again.

- Mahir international requires a strong ethical orientation programme.

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