



**ACT502  
Management Accounting, Sem 1, 2017**

**Assignment**

**81 Marks - Weight 30%**

**Due Date**

**12th May 2017, 4pm (Darwin time) (week 10)**

This assignment consists of two (2) case study scenarios.

The due date and time is noted in the unit information document as well as above. It is your responsibility to ensure you factor in any time difference between Darwin and your location when submitting your assignment. For example, for those of you who live on the east coast of Queensland, Darwin time is half an hour behind you.

Please construct your answer in a Word (doc or docx) file and upload using the submission point for the assignment on Learnline.

Assignments submitted via e-mail will NOT be accepted.

There is no need to complete a university cover sheet but DO please include a title page in your document that states your Student Name, Student Number, and your tutor's name.

Do not include the actual question in your submitted assignment, only include your answer to the questions.

You will be graded on the following criteria:

- Accuracy -
  - Content
  - Correct account names etc.
  - Correct values
- Presentation
  - Accounting protocols
  - Spelling

Be very careful that you acknowledge work of others to whom you have drawn information from, a link to the CDU Harvard referencing guide is available on Learnline under student resources. A link is also provided below. Any question found to be plagiarised to any extent will result in a failed assignment. It is understood that correct numerical answers will be identical and show up through safeassign, these will be excluded from plagiarism charges.

<http://www.cdu.edu.au/library/downloads/pdf/CDUHarvardReferencing.pdf>

### **Case Study 1 (31 marks)**

You have recently taken a 12-month leave of absence from your job in Australia and have accepted an AusAid sponsored position as the financial controller of the African Nasal Hospital (ANH) group.

The ANH group was established in 1965 by Sir John Packard and his wife, Lady Julia Packard, with the purpose of providing aid to people suffering from severe nasal issues. While initially this aid was provided from one location, today there are 20 hospitals throughout Africa.

#### **Purpose**

The Packards started ANH in response to a heartfelt need. While this issue was resolved in America as far back as 1890, today more than 300,000 people in Africa suffer from severe nasal issues due to limited access to medical treatment. Based on available resources, ANH is able to treat approximately 25,000 patients per annum.

#### **Funding**

As patients receive free treatment at ANH, all funding for the organisation is based on donations received from overseas organisations, as well as through aid programs run by developed nations such as Australia and New Zealand.

#### **Patient treatment**

The two main causes of nasal issues are a lack of access to medical treatment, and poor education. Patients suffering from severe nasal issues normally undergo a small surgical procedure (with an 85% success rate), and then spend 14 days as an in-patient at the hospital. Below provides a typical in-patient treatment program.

## Typical in-patient program at Abuja Hospital

Day	Details	Resources			
		Administration Assistant	Doctor	Nurse	Other
1	Registration	1 hour	0.5 hours	1 hour	
	Initial check-up				
	Allocation of bed	1 hour			
2	X-rays		0.5 hours	1 hour	
	Second check-up				
3	Operation		1.5 hours	4.5 hours	Anaesthetist (1.5 hours)
4	Third check-up		0.5 hours	1 hour	
5	Rest and recovery				
6	Rest and recovery				
7	Rest and recovery		0.5 hours	1 hour	
	Fourth check-up				
8	Rest and recovery				
9	Rest and recovery				
10	Rest and recovery				
11	Rest and recovery		0.5 hours	1 hour	
	Fifth check-up				
12	Rest and recovery				
13	Rest and recovery				
14	Rest and recovery		1 hour	1 hour	
	Final check-up				
15	Check-out (morning)	2 hours			

### Additional information :

- Currently, all ANH staff are required to work a 40-hour week, with weekly wages as follows: administration assistants \$300, doctors \$750, and nurses \$450. Anaesthetists are paid an hourly rate of \$15. ANH is required to incur on-costs of 20% in relation to all employee salaries and wages.
- Abuja Hospital currently employs three administration assistants, four doctors and seven nurses, with three anaesthetists on call.
- The provision of linen for all patients has been outsourced and costs \$25 per bed per week.
- Patients are provided with all meals during their stay, at a cost of \$15 per day.

- Medical supplies used during operations and for post-operational care have been estimated at \$250 per patient.
- All surgical equipment is cleaned after each operation at a cost of \$100 per operation.
- The annual administration budget for Abuja Hospital (with a 50 bed capacity) is \$195,000.
- The annual corporate level administration budget for ANH is \$750,000, with 975 beds available across the group's 20 hospitals.
- Annual ANH corporate level administrative costs are unlikely to be allocated to the hospital level for the purposes of determining a break-even point as these costs are unlikely to change should Abuja Hospital close. These costs would be relevant if we were calculating the break-even point of the organisation.

**Task:**

ANH has recently been approached by a major US-based charity which has proposed to fund ANH \$1,125 for each patient treated at Abuja Hospital (one of ANH's largest hospitals).

Assuming that ANH accepts this proposal, You will need to:

- 1) Calculate the break-even number of patients for Abuja Hospital, assuming that no other funding will be received.
  - To address the requirement, follow the steps below:
    - a. classify costs into variable and fixed
    - b. calculate the variable costs per patient,
    - c. calculate the contribution per patient
    - d. calculate the fixed costs (to the nearest dollar)
    - e. calculate the break-even number of patients for Abuja Hospital
    - f. calculate the current hospital capacity
- 2) Comment on the break-even point compared to the hospital's capacity.

## **Case Study 2 (50 marks)**

Jet Santiago is the management accountant for the Pizza Gourmet chain of restaurants. Pizza Gourmet is a successful pizza business focused on providing authentic, quality Italian pizza.

It is a popular brand that enjoys a strong reputation for quality food and the restaurants are known for their authentic Italian ambience.

Pizza Gourmet restaurants are popular dining venues and can command a premium price for their pizzas. Service is either dine-in or take-away (pick-up and home delivery).

The following factors are relevant to Pizza Gourmet.

### **1. Business model**

The original Pizza Gourmet restaurant is still proprietor-owned, plus there are 150 franchise outlets. The business was expanded to include franchisees in July 2000 and further expansion is planned.

### **2. Quality control systems**

In order to maintain quality and ensure the brand promise is delivered, strong control is maintained over franchisees. Key ingredients are received into a central hub and premixed to the Pizza Gourmet recipe, then transported to restaurants for final processing. An integrated stock control system is used, with all stock levels being centrally monitored and all orders for ingredients originating only from Head Office.

### **3. Staff recruitment and training**

Staff recruitment and training is controlled from Head Office. Pizza Gourmet manages its staff in line with its slogan, 'Treat your staff the way you would your best customer'. The business uses an internally developed e-recruiting system to source staff and has achieved significant cost savings this way. A centrally controlled enterprise resource planning (ERP) system is used to administer all financial and operational aspects of the business.

### **4. The changing economic situation**

Pizza Gourmet's business is operating well and has consistently earned high returns over the past five years. However, with tight economic conditions many consumers are moving from fine dining to mid-range restaurants, which means that competition in the sector is increasing. Management is assessing options to maintain Pizza Gourmet's competitive advantage.

Task:

Jet has been asked to prepare an analysis using Porter's value chain to assist management in assessing Pizza Gourmet's competitive advantage.

Specifically, she has been asked to:

1. Prepare a value chain analysis for Pizza Gourmet and categorise each activity according to Porter's value chain. (Classify these per the activity types/value chain element provided)

Use the following Activity types/Value chain element for your analysis:

*Primary activities:*

Inbound logistics

Operations

Outbound logistics

Marketing and sales

After-sales services

*Support activities:*

Administrative infrastructure

HR management

Technology development

Procurement

2. Assess whether each activity provided is a key element of Pizza Gourmet's competitive advantage. (Assess whether each activity is a key element by indicating "Yes" or "No")
3. Evaluate which activities Pizza Gourmet could outsource to achieve cost reduction. (Indicate whether each activity could be outsourced by indicating "Yes" or "No" and providing a brief explanation)

Use the template below with headings when answering tasks 2 and 3, one example of value chain element of inbound logistics has been done for you.

<b>Outsource evaluation</b>			
<b>Value chain element</b>	<b>Activity</b>	<b>Key element</b>	<b>Possible to outsource?</b>
Inbound logistics	Receiving key ingredients into central hub	No	No, to protect trade secrets and maintain quality of key ingredients that are centrally processed before being distributed to restaurants

To commence her analysis, Jet wrote down a list of Pizza Gourmet's value chain activities.

### **Pizza Gourmet's value chain activities**

- Cooking and mixing of core ingredients within restaurants.
- Creating brochures.
- Delivering pizza to customer's residence.
- Developing advanced tracking system (for costs, sales, margins and replenishment).
- Developing and setting up new restaurants.
- Developing new products.
- Developing strategy.
- Developing website and potential mobile applications.
- Maintaining restaurant facilities.
- Negotiating access to premises for company and franchise restaurants.
- Negotiating supply arrangements with ingredient suppliers.
- Negotiating supply arrangements with packaging suppliers.
- Performing finance functions.
- Performing reporting functions.
- Preparing and cooking pizzas.
- Providing nutritional information of food to customers.
- Providing training programs for staff and franchisees.
- Receiving key ingredients into central hub.
- Recruiting staff, including e-recruitment.
- Replenishing store supplies.
- Running TV, newspaper and radio campaigns.
- Serving pizzas at customer tables.
- Storing key ingredients in central hub.
- Taking customer orders.
- Transferring ingredients to restaurants.