



IND421, generell informasjon

Emnekode: IND421

Emnenavn: Bedriftsøkonomisk analyse 2

Dato: 10. april 2019

Varighet: 4 timer

Tillatte hjelpemidler:

Non-programmable calculator
Norwegian-English Dictionary

Merknader:

PART I: Open Questions (40 Points)

PART II: Calculations & Interpretation (60 Points)

Good Luck!

Det forekommer av og til spørsmål om bruk av eksamensbesvarelser til undervisnings- og læringsformål. Universitetet trenger kandidatens tillatelse til at besvarelsen kan benyttes til dette. Besvarelsen vil være anonym.

Tillater du at din eksamensbesvarelse blir brukt til slikt formål?

Velg et alternativ

☐ Ja

☐ Nei

1 1.

Define platform business models and the sharing economy. Give an example each and discuss the control challenges of platform business models.

Fill in your answer here

Format | **B** | *I* | U | \times_2 | \times^2 | \mathcal{I}_x | | | | | | | Ω | | | Σ |

Words: 0

Maximum marks: 10

2 2.

Why do financial statements do not create good representations of the digital companies? What are key challenges? And how could these challenges be solved?

Fill in your answer here

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Words: 0

Maximum marks: 10

3 3.

Discuss the functions of budgets, its dysfunctionalities and problems and what could be an alternative for corporate practice.

Fill in your answer here

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Words: 0

Maximum marks: 10

Fill in your answer here

Maximum marks: 10

5

Fill in your answer here

5/7

Fill in your answer here

Maximum marks: 10

7

Fill in your answer here

8 4.

Replace with question text.

Fill in your answer here

Maximum marks: 10

Question 5
Attached



Case study: The role of management accounting information in decision making

An entrepreneurial firm considers producing a new product, Hammers.

- Please interpret table 1 and make a recommendation to the firm whether to produce Hammers or not.
- Which other factors should be taken into consideration for making this decision?
- The new product adds additional fixed costs to the firm (Table 2). Please compute how long it takes to recover the additional fixed costs and interpret the data.

TABLE 1	Per unit		In Total		
	Pitons	Hammers	Pitons	Hammers	Total
Price	10,50	61,00	529.200	256.200	785.400
DM	1,45	10,44			
Variable Power	0,18	0,46			
Supplies	0,11	0,14			
Delivery	0,00	1,00			
Total VC	1,74	12,04	87.696	50.568	138.264
CM	8,76	48,96	441.504	205.632	647.136
CM %	83,4 %	80,3 %			82,4%
DL					460.000
Fixed Power					21.600
Depreciation					19.355
Occupancy					33.000
Admin. costs					7.200
Admin. salary					63.250
Operating profit					42.731

Table 2: New fixed costs (FC)	\$
New machine	35.000
New labor (2x57.500)	115.000
New FC related to power	864
Depreciation costs (7 years)	5.000
Total	155.864

Question 6

Attached



The Magill Repair Shop repairs and services machine tools. A summary of its costs (by activity) for 2017 is as follows:

a.	Materials and labor for servicing machine tools	\$ 1,100,000
b.	Rework costs	\$ 90,000
c.	Expediting costs caused by work delays	\$ 65,000
d.	Materials-handling costs	\$ 80,000
e.	Materials-procurement and inspection costs	\$ 45,000
f.	Preventive maintenance of equipment	\$ 55,000
g.	Breakdown maintenance of equipment	\$ 75,000

- a) Classify each cost as value-added, non-value-added, or in the gray area between.
- b) For any cost classified in the gray area, assume 70% is value-added and 30% is non-value-added. How much of the total of all seven costs is value-added and how much is non-value-added?
- c) Magill is considering the following changes: (1) introducing quality-improvement programs whose net effect will be to reduce rework and expediting costs by 40% and materials and labor costs for servicing machine tools by 5%; (2) working with suppliers to reduce materials-procurement and inspection costs by 20% and materials-handling costs by 30%; and (3) increasing preventive-maintenance costs by 70% to reduce breakdown-maintenance costs by 50%. Calculate the effect of programs (1), (2), and (3) on value-added costs, non-value-added costs, and total costs. Comment briefly.

Question 7

Attached



Company A is a large manufacturer of oil tanks, located in Tromsø, Norway. Since the firm has been established in the 1970s the firm has seen a steady growth in both sales and profits. The founder's daughter Anna joined the company after graduating with a MSc in Industrial Economics and Technology Management at University of Agdar.

One of her first tasks was to revise the costing system, as there was a need for more precise product cost information to support company's strategy of offering keen prices in a highly competitive market dominated by a few large firms.

Anna had faced considerable opposition to the changes she had suggested, with several managers being willing to accept the shortcomings of the old system because they had "learned to live with it". Anna on the fight because of her father's support as the latter was convinced to "learned to live with" was a euphemism from "learn to manipulate to your own advantage".

Anna's father has now retired so that Anna is now conscious of the need to prove herself. Accordingly, the last thing she wants to present is the upset of another major change in the costing system. However, profits are below budget and the Head Controller is critical of the current costing system, saying that it is hopelessly out of line with the company's updated manufacturing methods and also with the current theories in product costing. He says, "we are still absorbing overheads on labor-hours and we have an absurdly high overhead absorption rate of \$ 150 per labor-hour. We are pricing ourselves out of the market on our old established products. Product costs would be more meaningful if we absorbed overheads on machine-hours."

Anna decides she must look deeper into this issue. Over the past five years, overhead costs had risen to \$ 800,000 per month, a 46 % increase, while direct labor-hours have risen from \$ 168,200 to \$ 170,000, a negligible amount. The product processes are now largely automated. Direct labor-hours are 4000 compared with machine-hours of 6500 (however, it is possible that some labor is still being classed as direct when in fact changes in technology have altered its nature to indirect).

She asks her product manager about the rise in overhead costs, causing him to virtually explode: "How can I keep costs down when marketing ignore our standard specification and insists on 23 different version of every product? I need more specialized engineers to monitor the changes and this is not cheap! Also there are completely new parts coming through from design with huge material costs, materials handling is really a nightmare. And the number of specials going through on small production runs continues to increase. I need many more set-ups per shift that is skilled work, but you can't pick up the sort of skilled labor easily, so overtime is through the roof."

Anna talks to the marketing manager next: "We are facing fierce competition for your bread and butter, high volume lines and we just can't match the low process in the market. However, we have successfully increased our sales of more specialized tanks despite an increase in process forced on us by production. So we are meeting our overall sales targets and as we encourage this trend towards the higher margin specialist products, our profits will rise. I don't see any problem here at present but there will be if you don't make product get control of the cost increases."

Anna puts the information together and gets frustrated by the inconsistencies: "We are meeting our sales targets but product costs are rising because of the switch to specialist products. However, as these are sold at high margins, we should be improving profits. I don't understand why profits are failing."

As Anna designed the costing system, she is reluctant to admit that it is at fault and

she remembers clearly the opposition she had when she last recommended changes. She no longer has her father's support, so she decides to call a former friend from studies at UiA – Peter - who is now a consultant specialized in cost and control systems in Oslo. Peter should help identify the problem and to advice on the necessary changes and on a suitable implementation policy. Anna supplies Peter with the following information:

Budgeted overhead costs per month:	\$
Machines	400,000
Set-up and engineering support	250,000
Materials handling	150,000
Total overhead	800,000
Direct labor	170,000
Total manufacturing cost excl. direct materials	970,000
Further details:	
Budgeted labor rate (based on budgeted direct labor hours of 4000)	42.5
Budgeted overhead burden (based on budgeted direct labor hours of 4000)	200.00
Total cost per labor hour	192.325

	Labor hours	Machine hours	No. of set ups	No of stores orders
Standard products (high volume)	2500	3500	80	160
Specialised products (low volume)	1500	3000	200	300
Total	4000	6500	280	460

Please answer the following questions by showing your calculations and by commenting on it – make a suggestion to the management:

- Analyze the problem and give advice to the advantages of switching to machines hours as the overhead recovery base.*
- Show how an ABC-system would change the analysis of the costs between the standard and the specialist products.*
- Advice on the implementation of an ABC system. How can Anna's fears be allayed? Make a suggestion to Anna how to deal with the problem.*

Question 8
Attached



YomYom: Please recall our pricing case study. From Chris & Peter you receive the following info.:

The Predictive Costs: Despite the positive and creative flow of the project, Chris became more and more concerned with the costs and time spent on YomYom. Chris talked to Peter, and they agreed to put the project “on the back burner” since no marketing, cost, or profitability analyses had been done for YomYom. Some days later, Chris visited his alma mater’s library to borrow books on cost management. After reviewing them, he started to collect and predict some cost items for YomYom. He titled the first cost item as Production-Related Costs—namely, printing samples, printing the cookbook, and the editing/proofreading. Getting an overview of the production costs for 3.000 YomYom cookbooks was rather straightforward, according to Chris. He called a couple of printing offices and, for the editing/proofreading, he approached a handful of editors/lectors. Peter and Chris calculated only 4,000 Euro for ingredients/food; however, prices for ingredients tend to be quite volatile. Chris struggled the most when making an estimate on his own costs, the graphic design and photography. Although he managed to come up with some numbers, he is not entirely satisfied. Sales costs are defined by the monthly sales charges from Amazon, some social media marketing costs, and freight costs for direct book sales. Chris and Peter estimate giving away approximately 50 cookbooks for promotional purposes.

Production Costs	Euros
Printing samples	200
Printing	15,000
Editing/proofreading	1,200
Own Costs	
Graphic design	32,000
Photography	10,000

Sales	
Amazon charge	40 (month)
Social media campaigns	150 (month)
Freight cost (300 books)	110
Free items	50
Ingredients	4,000

Printing costs for estimated for 2000 cookbooks.

- a) What are relevant costs Chris and Peter should consider as well?
- b) Chris and Peter want to learn more about pricing the YomYom cookbook. Please outline different approaches to pricing, their pros and cons, their implications as well as which approach seems to be most suitable for YomYom
- c) Calculate the break-even point of YomYom based on the cost information, you find in the above-mentioned table? (Assumption: Selling Price: 49.50).
- d) Please describe how Chris & Peter could take advantage of different sales channels and using social media for their marketing campaign from a controller point of view.

