THE INSTITUTE OF FINANCE MANAGEMENT

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a) the meaning of fixed cost and variable cost. Based on the given information, showing which are the fixed costs and variable costs, and their respective amounts for Cask Bar and Grill

Fixed Costs:

Fixed costs are the financial commitments that persist at a constant level, regardless of variations in activity or production. For Cask Bar and Grill, these unchanging expenditures encompass fundamental aspects such as the rental fees for the establishment, administrative costs to manage operations, and the depreciation associated with the equipment used in the business. Irrespective of whether the establishment serves a few customers or experiences a surge in activity, these costs remain consistent, providing a stable baseline for financial planning. Then the fixed cost are:

- Rent on the shop: TZS 96,000
- Depreciation on equipment: TZS 12,000
- Utilities: TZS 25,000
- Administrative costs: TZS 52,000
- Total Fixed Costs = 96,000+12,000+25,000+52,000 = TZS 185,000

Variable Costs:

In contrast to fixed costs, variable costs are expenses that dynamically shift in direct proportion to the level of work or output. This implies that as the volume of business activities changes, so do variable costs. At Cask Bar and Grill, a prime example of a variable cost is the cost of sales, specifically pertaining to the procurement of food. As the establishment serves more customers or experiences fluctuations in demand, the associated variable costs adjust accordingly. Variable costs are inherently tied to the scale of production or service delivery, making them responsive to changes in business activity.Then the variable cost are:

- Cost of sales (Food cost): TZS 210,000
- Salaries, wages, and benefits: TZS 150,000
- Telephone: TZS 1,275
- Maintenance and repairs: TZS 10,000
- Total Variable Costs = 210,000+150,000+1,275+10,000 = TZS 371,275

b) Explanation of Mixed Costs and Identification for Cask Bar and Grill in April 2023:

- **Mixed Costs:** Costs of a goose have both fixed and variable elements.
  - Fixed Costs: Depreciation (TZS 25,000) and Rent (TZS 15,000)
  - Variable Costs: Energy (TZS 25,000), Staff (TZS 10,000), and Ingredients (TZS 15,000)

c) Linear Cost Equation based on the Number of Guests:

Total Cost=Fixed Costs+(Variable Cost per Guest×Number of Guests)

Total Cost=185,000+(Variable Cost per Guest×Number of Guests)

d) Total Cost for 15,000 Guests with Assumptions:

Assumptions:

1. The linear cost equation is applicable within the relevant range.
2. The cost behavior remains consistent.

Total Cost=185,000+(Variable Cost per Guest×15,000)

e)THREE techniques commonly used by management accountants in the strategic management accounting framework

1. Benchmarking:

Benchmarking is a strategic management accounting technique that involves comparing an organization's processes, practices, and performance metrics with those of industry competitors or leaders. The goal is to identify areas where the company can enhance its competitive position by adopting best practices. Consider the following In-Depth Explanation:

-Process: Management accountants initiate the benchmarking process by identifying key performance indicators (KPIs) and metrics relevant to their industry.

-**Analysis:** They then compare their organization's performance against industry benchmarks to pinpoint areas of strength or weakness.

-**Recommendations:** Management accountants use the insights gained to recommend tactical adjustments and improvements, aligning the company's practices with industry standards.

2. Balanced Scorecard:

The Balanced Scorecard is a strategic performance management tool that goes beyond financial metrics, incorporating both financial and non-financial indicators to evaluate an organization's overall performance. It typically includes perspectives such as financial, customer, internal processes, and learning and growth. Refer to these In-Depth Explanations:

-**Perspectives:** Management accountants use the Balanced Scorecard to assess performance from multiple perspectives, ensuring a holistic view of the organization's strategy.

-**Translation of Strateg**y: The tool helps translate strategic objectives into measurable indicators, allowing for the alignment of actions with the overall strategy.

-**Decision-Making:** By considering various dimensions of performance, management accountants guide decision-making to contribute to long-term success.

3. Activity-Based Costing (ABC):

Activity-Based Costing is a cost allocation method that assigns costs to products or services based on the actual consumption of resources. It involves identifying and analyzing activities that consume resources and linking those activities to specific cost drivers. Refer to this In-Depth Explanation:

-**Cost Allocation:** Management accountants use ABC to allocate costs more accurately by identifying activities and linking them to specific cost drivers.

-**Resource Optimization:** ABC provides an objective view of actual expenses related to goods or services, enabling management to optimize resource allocation.

-**Informed Decision-Making:** By understanding the cost drivers, management accountants make informed decisions regarding pricing, profitability, and efficiency improvements.

Many caterers face accelerating food costs and labor costs. To cope with such inflation,

outsourcing and centralized processing are two important trends in the catering business.

f) Justification of the Vendor's Offer:

To determine whether the vendor's offer to supply finished roasted geese at TZS 260,000 each is a good deal, we can compare the cost of outsourcing to the cost of in-house preparation.

Calculation:

1. In-House Cost: If Cask Bar and Grill prepares the roasted geese in-house, the cost is comprised of various elements, including energy, staff, depreciation, ingredients, and rent. Let's assume the total in-house cost per roasted goose is X TZS.

2. Outsourcing Cost: The vendor offers a finished roasted goose at TZS 260,000 each.

If X is less than 260,000, outsourcing might be considered a good deal. If X is greater, it may be more cost-effective to prepare the roasted geese in-house.

g) Qualitative Reasons for and Against Outsourcing:

Qualitative Reasons for Outsourcing:

1. Specialization: Vendors may have specialized knowledge and equipment for roasting geese, potentially resulting in higher quality and consistency.

Qualitative Reasons Against Outsourcing:

1. Control over Quality: In-house preparation provides greater control over the quality of roasted geese, ensuring they meet the restaurant's standards.

2. Loss of Unique Selling Proposition (USP): If the roasting process is a unique selling point for Cask Bar and Grill, outsourcing might lead to a loss of this distinctive feature, affecting the brand's identity and customer loyalty.

Considering the provided data, the decision to outsource should involve a comprehensive analysis of both quantitative and qualitative factors, including cost, quality, and the impact on the restaurant's brand image.