

**THE INSTITUTE OF FINANCE MANAGEMENT (IFM)**

**FACULTY OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**



**MANAGEMENT ACCOUNTING**

**PROGRAMME: BACC & BAIT 3**

**GROUP ASSIGNMENT**

## **REQUIREMENT**

You are required to create groups of ten (10) students for this assignment in your **tutorial class** with the assistance and guidance of **Tutorial Instructors**. Individual work is highly discouraged.

The assignment report will be evaluated based on the quality of the analysis, clarity, organization, and persuasiveness.

**Submission Deadline: 20/12/2023 and all assignments will be submitted to your Tutorial Instructor and signed to evidence that your assignment has been submitted**

**Note: This assignment contains 20 marks in your total coursework of 40 marks**

## ASSIGNMENT QUESTION

Cask Bar and Grill operates a bar and restaurant at Rock City Mall in Mwanza City. It maintains a good transaction processing system and has the following record regarding costs at different levels of monthly sales in the number of guests served.

Monthly Sales in number of Guests Served	Year 2023		
	April	May	June
	5,000 TZS '000'	8,000 TZS '000'	10,000 TZS '000'
Cost of sales (Food cost)	210,000	336,000	420,000
Salaries, wages, and benefits	150,000	156,000	160,000
Telephone	1,275	1,635	1,875
Rent on the shop	96,000	96,000	96,000
Depreciation on equipment	12,000	12,000	12,000
Utilities	25,000	32,500	37,500
Maintenance and repairs	10,000	14,800	18,000
Administrative costs	52,000	52,000	52,000

Though the business is small, the owner of Cask Bar and Grill Mr. Joe has a good management accounting system. To better manage the costs, Mr. Joe separates the costs into fixed costs and variable costs. After that, he makes use of a cost equation to predict the cost behaviour and formulate the prices of the products. In addition, he is aware of the importance of strategic management techniques.

One of the popular foods offered by Cask Bar and Grill is roast goose. Cask Bar and Grill prepares roast geese in its kitchen. A fresh goose costs TZS 250,000 after special treatment and the roasting process, it is sold in a restaurant for TZS 400,000. Detailed studies give the following information about the costs of a goose:

	TZS
Energy	25,000
Staff	10,000
Depreciation	25,000
Ingredients	15,000
Rent	15,000

Due to accelerating operating costs, Mr. Joe is considering outsourcing the preparation of the roast geese to an external vendor. If it is outsourced, energy and ingredient costs can be saved. Since the related equipment cannot be sold immediately, depreciation cannot be reduced. In addition, the rent for the storage of equipment and for raw and finished geese will remain the same. Staff will be deployed to perform other duties.

### REQUIRED

- Explain the meaning of fixed cost and variable cost. Based on the given information, state which are the fixed costs and variable costs, and their respective amounts for Cask Bar and

Grill in April 2023. **(15 marks)**

- b) Explain the meaning of mixed costs. Based on the given information, state the mixed costs and their values for Cask Bar and Grill in April 2023. **(20 marks)**
- c) Using the results from parts (a) and (b), work out a linear cost equation based on the number of guests. Show your workings clearly. **(20 marks)**
- d) What is the total cost in a month if the number of guests is 15,000? Provide TWO assumptions in this calculation and show your workings clearly. **(15 marks)**
- e) State THREE techniques commonly used by management accountants in the strategic management accounting framework **(10 Marks)**

Many caterers face accelerating food costs and labour costs. To cope with such inflation, outsourcing and centralized processing are two important trends in the catering business.

- f) If a vendor offers to supply finished roasted geese at TZS 260,000 each, justify whether this is a good deal. Show your calculations. **(10 marks)**
- g) State ONE qualitative reason to support outsourcing and TWO qualitative reasons to object to outsourcing **(10 Marks)**