**THE INSTITUTE OF FINANCE MANAGEMENT**

**FACULTY OF ACCOUNTING, BANKING AND FINANCE**

**BACHELOR OF ACCOUNTING WITH INFORMATION TECHNOLOGY**

**AFU\_08503:** **MANAGEMENT ACCOUNTING**

**ACADEMIC YEAR; 2023/2024**

**STREAM B**

**GROUP ASSIGMENT**

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**A) FIXED AND VARIABLE COSTS.**

* **Fixed Cost**

Are expenses that do not vary with the level of production or sales within a relevant range., regardless of whether a company produces more or fewer units of a product, the fixed costs remain the same or constant.

**Fixed Costs in April 2023:**

- Rent: TZS 96,000,000

- Depreciation: TZS 12,000,000

- Administrative costs: TZS 52,000,000

* **Variable Cost**

Are expenses that change in direct proportion to the level of production or sales. As production increases, variable costs increase, and as production decreases, variable costs decrease.

**Variable Costs in April 2023:**

- Cost of sales (food cost): TZS 210,000,000

- Salaries, wages, and benefits: TZS 150,000,000

- Telephone: TZS 1,275,000

- Utilities: TZS 25,000,000

- Maintenance and repairs: TZS 10,000,000

**B)** **MIXED COST.**

Are also known as semi-variable costs, refer to expenses that contain both fixed and variable components. In other words, mixed costs consist of a combination of elements that do not strictly fit into the categories of either fixed or variable costs.

**Mixed Cost in April 2023:**

- Energy: TZS 25,000

- Staff: TZS 10,000

- Depreciation: TZS 25,000

- Ingredients: TZS 15,000

- Rent: TZS 15,000

**C) Linear Cost Equation:**

The linear cost equation can be represented as follows:

Y= a + bx

Total Cost = Fixed Cost + (Variable Cost per Guest \* Number of Guests)

TC = 96,000,000 + (210,000,000/5,000 \* x)

**⸫ TC = 96,000,000 + 42,000 \* x**

**D) Total Cost for 15,000 Guests:**

Y= a + bx

TC = 96,000,000 + 42,000 \* 15,000

= 96,000,000 + 630,000,000

**⸫ TC =** **726,000,000**

Two assumptions in this calculation:

1. The cost behavior remains linear within the relevant range.

2. The number of guests is the only driver affecting the variable cost.

**E**) Management accountants play a crucial role in the strategic management accounting framework by providing information and analysis to support decision-making and strategic planning. Here are three common techniques used by management accountants in this context:

**Activity-Based Costing (ABC)**, is a costing method that assigns costs to products or services based on the actual activities and resources used in their production. It helps in understanding the true cost drivers and allocates indirect costs more accurately than traditional costing methods. ABC assists management accountants in identifying areas of cost inefficiencies and opportunities for cost reduction.

**Benchmarking**, it involves comparing an organization's performance metrics, processes, and outcomes against industry standards or best practices. It helps identify areas of improvement and allows organizations to set realistic and competitive performance targets. Management accountants use benchmarking to assess how well the organization is performing relative to competitors or industry leaders. This information is crucial for strategic planning, goal-setting, and implementing performance improvement initiatives. Benchmarking can highlight areas where the organization is lagging and guide the allocation of resources for strategic improvement.

**Balanced Scorecard**, is a performance measurement and management system that considers 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. Management accountants use the Balanced Scorecard to align the organization's activities with its strategic objectives. By measuring performance across various dimensions, the Balanced Scorecard helps management understand the impact of decisions on both financial and non-financial aspects.

**F) Evaluation of Vendor Offer (at TZS 260,000):**

Savings per Goose = In-House Cost - Outsourced Cost

Savings per Goose = 90,000 - 260,000 = **-170,000**

**⸫** Since the result is negative, the vendor offer of TZS 260,000 is not a cost-saving measure, and it would be more expensive than in-house preparation.

**G) Qualitative Reasons to support and object Outsourcing.**

* **Support for Outsourcing.**

i) Focus on Core Competencies:

Outsourcing allows the business to focus on core activities while external specialists handle non-core functions.

* **Objections to Outsourcing.**

i) Quality Control:

In-house preparation may provide better control over the quality of the product.

ii) Customer Perception:

Customers may have a preference for in-house prepared products, and outsourcing could impact the restaurant's brand in the market.