

4 SP Limited owns a hotel and a leisure centre.

The business is split into three working divisions: Accommodation, Leisure and Conferences.

The business also has one service centre: Support.

Labour, food and materials are allocated direct to the relevant division. The remaining overheads cannot be directly allocated.

The following budgeted information for the year ended 31 March 2018 is available:

	\$
Rent and rates	86 000
Light and heat	48 000
Advertising	40 000
Equipment depreciation	60 000
Office costs	150 000

The following cost centre information is available.

	Accommodation	Leisure	Conferences	Support
Floor space (m ²)	25 000	4 000	10 000	1 000
Equipment value (\$)	10 000	45 000	5 000	–
Number of employees	23	5	5	2
Kilowatt hours	7 000	4 000	3 000	1 000
Budgeted guest days	12 000	3 000	5 000	–

Advertising and office costs are apportioned on the basis of budgeted guest days.

REQUIRED

- (a) Apportion the budgeted overheads to the four divisions using a suitable basis for each.
Re-apportion the support costs to the three working divisions on the basis of guest days.

	Total \$	Accommodation \$	Leisure \$	Conferences \$	Support \$
Labour cost	345 000	194 000	86 000	60 000	5 000
Food and materials	81 000	42 000	11 000	26 000	2 000
Rent and rates	86 000				
Light and heat	48 000				
Advertising	40 000				
Equipment depreciation	60 000				
Office costs	150 000				
Total apportioned overheads					
Reapportionment of Support					
Total					

- | | Accommodation
\$ | Leisure
\$ | Conferences
\$ |
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[3]

The actual results for the year ended 31 March 2018 were as follows:

REQUIRED

- [illegible]

Additional information

The company's policy is to charge customers a price to achieve a profit margin of 60%.

A business customer wishes to register five employees for a three day conference to include four days' accommodation, one day's leisure and three days' conference facilities for each employee.

REQUIRED

(d) Prepare a statement to calculate the price to be quoted to the customer.

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Additional information

The directors have been informed that a competitor has quoted a price \$600 **more** for the same conference. They are considering revising their own pricing policy to increase accommodation prices by 20%.

REQUIRED

(e) Advise the directors whether or not they should increase their accommodation prices. Give reasons for your answer.

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Additional information

A company has recently employed a new assistant accountant with only limited knowledge of budgetary control procedures.

REQUIRED

(f) State **two** benefits to a company of operating a system of budgetary control.

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(g) State **two** limitations to a company of operating a system of budgetary control.

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