Lessons

# [Back to Week 1](https://www.coursera.org/learn/managerial-accounting-tools/home/week/1)

Lesson 6 of 6:

### Module 1 Review

##### [**Quiz:**](https://www.coursera.org/learn/managerial-accounting-tools/exam/CqTbo/module-1-quiz) [Module 1 Quiz](https://www.coursera.org/learn/managerial-accounting-tools/exam/CqTbo/module-1-quiz)

[12 questions](https://www.coursera.org/learn/managerial-accounting-tools/exam/CqTbo/module-1-quiz)

##### [**Peer Graded Assignment:**](https://www.coursera.org/learn/managerial-accounting-tools/peer/OlRDP/module-1-mini-project) [Module 1 Mini-Project](https://www.coursera.org/learn/managerial-accounting-tools/peer/OlRDP/module-1-mini-project)

[Grading in progress](https://www.coursera.org/learn/managerial-accounting-tools/peer/OlRDP/module-1-mini-project)

##### [**Review Your Peers:**](https://www.coursera.org/learn/managerial-accounting-tools/peer/OlRDP/module-1-mini-project/give-feedback) [Module 1 Mini-Project](https://www.coursera.org/learn/managerial-accounting-tools/peer/OlRDP/module-1-mini-project/give-feedback)

[Previous Lesson](https://www.coursera.org/learn/managerial-accounting-tools/quiz/2FkNJ/lesson-1-3-practice-quiz)

[Next Week](https://www.coursera.org/learn/managerial-accounting-tools/home/week/2)

## Review Classmates: Module 1 Mini-Project

Review by July 13, 11:59 PM PDT

|  |  |
| --- | --- |
| **Reviews** | 2 left to complete |

Business decisions SO



by Stijn Overkamp

Submitted on June 11, 2016

like Flag this submission

## Part 1

For **each of the two decisions** you choose:

Describe a specific setting, the decision, decision alternatives, and any other information that would comprise an interesting and challenging problem.

**Decision 1: Keep or drop division**  
Woodstock Company produces tabels and chairs and sels them directly to consumers. There are two divisions as well: tables and chairs.  
Sales revenues of chairs are $600,000 and sales revenues of tables are $400,000. Variable costs of chairs are $200,000 and variable costs of tables are $300,000. Total fixed costs are $300,000. 50% of fixed costs are assigned to the tables division and 50% to chairs division. Assume all fixed costs of a division are eliminated if the company drops a division, since both divisions have their own building and overhead. Woodstock Company is thinking about dropping the tables divisions.   
1) Is dropping the tables division a good idea from a financial perspective?  
2) What other aspects should a management accountant include from a more strategic point of view? Like what will probably happen to sales of chairs if Woodstock stops producing tables?  
  
**Desicion 2: Retain or replace project planning software**  
Building Pro's is a big contracter. They build houses and offices. Their project planning software is 15 years old and not very user friendly and very slow. I was once puchased for $50,000. Construction workers (direct labour and variable costs) all have to use the software. The average costs of construction workers to build one standard house are $40,000. Since they have to use old planning software, it is estimated that construction workers spend 1 hour a day on administrative tasks. By purchasing and implementing new fast and user friendly planning software, they only have to spend 0.5 hour a day on administrative taskts. The new software will provide annual cost saving of $50,000 a year. Purchasing and implementation costs of new software are $40,000 for a year with a contract for 4 year The old sofware is useless if dropped and cannot be sold.   
1) Should Building Pro's purchase the new software?  
2) What other aspects should a management accountant include from a more strategic point of view? Like what will happen to the work satisfaction of their construction workers.

Read the response to Part 1 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent

## Part 2

For **each of the two decisions** you choose:

Create a "deliverable" list for the person who would be completing the problem. This deliverable list should be comprised of (at least) two calculations and (at least) one qualitative discussion deliverable (i.e., requiring explanation, additional considerations, etc).

**Decision 1: Keep or drop business line**   
**-**Calculation of net income for both divisions.  
-Calculation of assigned fixed costs.  
-Qualitative analyses of what will happen to sales if one product/division will be dropped.  
  
**Desicion 2: Retain or replace project planning software**  
-Calculation of costs of the new software for 4 years.  
-Calculation of the savings for 4 years.  
-Qualitative analyses of strategic aspects of purchasing and implementing new fast and user-friendly software.

Read the response to Part 2 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent

## Part 3

For **each of the two decisions** you choose:

In general, ensure that your exercise tests the person's knowledge related to the use of relevant information in decision making. That is, your exercise should contain some relevant and some "irrelevant" information, so that the person must distinguish between the two types of information. Further, your exercise should allow the person to demonstrate their understanding related to at least two of the following items:

* Opportunity costs
* Sunk costs
* Allocated fixed costs
* Fixed-cost per unit information

**Decision 1: Keep or drop division**  
-Fixed costs  
  
**Desicion 2:**  
-Opportunity costs  
-Sunk costs

Read the response to Part 3 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent.

## Part 4

Finally, provide a solution for your exercise.

**Decision 1: Keep or drop business line**  
Net income for tables are: -$50,000 ($400,000 - $300,000 - $150,000)  
Net income for tables are: $250,000 ($600,000 - $200,000 - $150,000)  
  
Since all fixed costs for tables can be eliminated if divisions is dropped, the net income will increase $50,000 if tables division is dropped. So profitability will go up for Woodstock Company a a whole if tables division is dropped (from a strictly financial perspective).  
  
More strategic and from a qualitative point of view dropping the tables division and products is probably not a very wise decisions, since most consumers buy tables and chairs at the same time (and as a bundle). Therefore sales of chairs are also very likely to drop.   
  
**Desicion 2: Retain or replace project planning software**  
The answer to this questions is very easy. A lot of information is given but most is not relevant.   
costs savings for 4 years are $200,000 (4 \* $50,000)  
costs of new software is $160,000 (4 \* $40,000)  
  
So replacing the sofware will return $ 40,000 in 4 years and is a good decision.   
  
From a qualitative strategic point of view replacing software can be wise, because it can improve job satisfaction for workers, reduce risks of 'down time' of software and it is probably more future proof with ongoing digitalization.

Read the response to Part 4 and assign points below. Be sure to see the detailed rubric on the Instructions tab before assigning points.

* 0 pts - 0 points: No answer, completely irrelevant answer.
* 5 pts - 5 points: Insufficient, incomplete, lacks supporting evidence.
* 7 pts - 7 points: Passing, meets expectations.
* 9 pts - 9 points: Well above average, exceeds expectations.
* 10 pts - 10 points: Superior performance, excellent.

Please share constructive comments about the responses. What is one strength of the submissions? What is one area of improvement that you would like to suggest?

Submit Review

### Comments

Visible to classmates