Lessons

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### 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)

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##### [**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** | 1 left to complete |

Workshop in house or at hotels? & should we accept the offer?



by [ayshah.a.mulhim@gmail.com](mailto:ayshah.a.mulhim@gmail.com)

Submitted on June 13, 2016

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## 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.

**Problem 1:**

GOODAT is a company that rents meeting halls from hotels to conduct workshops. Average attendance per workshop is 20 persons

Renting the room for one day costs the company $3500.

The company has an option to expands its office space by 100 Square meter. 1 sqm costs $500 annually

Usually the company needs the room 60 days per year.

If the company is going to expand its office space, it will require the following costs:  
- Additional space rent ($500 per square meter)  
- Labor cost 1800 annually  
- $160 for food and beverage per workshop day  
- transportation cost from downtownt to the hotel is $15 and from downtown to the office is $20 (for guests to attend workshops)

**Problem 2:**

Our company GOODAT conducts workshops in hotels. The maximum capacity for a workshop is 25 persons. On average, the company hosts 20 persons. Each person pays $2000 per workshop.  
There was a special request from an organization to have 8 of their employees to attend a workshop for only half the price, which is 1000$.  
These are the costs and numbers we could provide for this case:  
Original Price per person: $2000Variable Cost: $460Total Fixed Cost: $1200

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).

Problem 1:

1- Should the company rent the additional space?

2- what is the minimum meeting days in a year to make renting additional space is feasible?

3- What differences on company image can this decision make ?

Problem 2:  
1- Should the company accept or reject the offer? and why?  
2- What is the minimum price that GOODAT company can accept to host the 8 employees to be profitable?  
3- Does rejecting or accepting the offer have other impacts than the cost?

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

Problem 1:  
It has both relevant and irrelevant costs. All of the costs are relevant except for transportation cost. It seems as allocated fixed cost. However, it is irrelevant because this cost is not related to company's cost.

Problem 2:Total fixed cost in the problem is helpful to calculate total profit. However, it is not relevant to the decision. As the decision is based on contribution marging between the two decisions (Accept or reject an offer).

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.

Problem 11- Yes. total cost if additional space is rented will be: $50,000 (Rent Cost) + $1,800 + (160X60) = 61,400While renting a meeting room from a hotel will cost3,500 X 60 = 210,000 The company will save: 148,600 if they used 60 days of workshops   
2- The only variable cost if the company rented additioanl space is 160.Deducting 160 from 3500 will give us 3340. This is the average cost per day (Without variable cost) should not exceed if the company rent the space.Therefore, the minimum number of days is: (50,000 + 1800) / 3340 = 15.5   
The company should conduct at least 16 days of workshops to be renting the additional office space is feasible.  
3- Having workshops in a hotel will give the company a prestigious look which might increase its brand value and the positive reputation. The company should consider this impact and evaluate the option. Also, in hotels it will be more convenient for the facilitators and guests.   
  
Problem 2:1- It should reject. Profit margin of the three regular people attending is (2000 - 460) X 3 = $4,620While profit margin of 8 persons attending for $1000 is (1000 - 460) X 8 = 4,320Which is less than the 3 regular price people attending the workshop  
2- If the profit margin of three people attending is $4,620, then the profit margin of 8 people attending with special price should equal or exceed this number.Therefore, 4620 / 8 =577.5 Adding variable cost: 577.5 + 460 = 1,037.5. The minimum price should be $1,037.5  
3- Yes, the company with the offer may become a potential loyal customers and attend many workshops in the future. In addition, if the company is well known in the market and people trust it, accepting the offer may increase the credibility and publicity of the company. Management should consider such factors.

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

[**ayshah.a.mulhim@gmail.com**a](mailto:ayshah.a.mulhim@gmail.coma) month ago

Thank you Shikuku Orudo, Your feedback is valuable. Just one point to clarify, which is regarding your point "Also could aggressively step up marketing to diversify customers instead of seemingly relying on one which may negatively affect the business incase of disatisfaction of the client" The company is not relying in one customer. That customer offered 8 employees to attend. There were not the only ones. Usually the company have 20 persons per workshop.