ACCT4201\_T00652126\_Varun Bhandari \_Case Assignment

# WESTMOUNT RETIREMENT RESIDENCE

# **Introduction**

Westmount Retirement Residence, established in 1997, is a modern 125-unit retirement residence established for the purpose of providing service to the seniors in its community. The retirement home provides living options such as assisted living as well as independent supportive living.

Westmount’s current clientele is comprised of residents over the age of 75. These residents can further be bifurcated into two categories, independent supportive residents who require no assistance with the tasks of daily living, and assisted living residents who require assistance with the activities of daily living depending on their infirmity. Presently 31 employees work for Westmount who oversee nursing, recreational activities, housekeeping, management and building maintenance. Moreover, volunteers acquire clinical and managerial experience working at Westmount.

Westmount’s pricing model is solely based on the room size. Residents have the option of a studio, one-bedroom or a two-bedroom apartment. This flat rate is inclusive of all the costs pertaining to the common-area amenities as well as the numerous personal services that Westmount provides. However, all of Westmount’s competitors charge additionally for extra services. Moreover, Westmount is the most cost-effective option in the retirement housing industry.

In this case, we will critically analyse Westmount’s current pricing model to be able to develop a new pricing model that better reflects the levelof medical care and service required by and provided to each individual patient. To do so, we will isolate the costs of each of Westmount’s services, and then determine pricing for each individual patient. This individual cost allocation can improve profitability and at the same time ensure that residents are not paying for the services that don’t relate to their medical need or their personal consumption but are a part of the monthly rate due to uniform pricing and cost allocation.

**Well done.**

# **Current Costing Model**

# Merits

Westmount’s current costing system is aggressively competitive. For instance, their monthly rate for a studio apartment is $1,314, whereas their 3 major competitors charge prices somewhere in the ballpark of $2,100-$2,700 and the market rate starts at $1,840. Hence, it can be inferred that Westmount is doing a good job at keeping their costs low. The one- and two-bedroom apartments are equally attractive options for their potential clients as the elderly population generally allocates 21 per cent of their income to overall costs of residency. Moreover, for the vast range of retirement accommodations provided by a retirement facility, such as Westmount, the costs can amount to 85 per cent of the retiree’s income. This indicates that Westmount’s strategy is one of cost leadership as cost savings are passed on to the customer.

# Limitations

The current costing system is flawed as the costs aren’t appropriately segregated. Costs are allocated to patients based on the room size/square footage i.e., a base figure is charged for a studio apartment and a multiplier of 25 per cent and 50 per cent is applied to 1-bedroom and 2-bedroom apartments respectively. These multipliers assume that clients in larger rooms use 25-50 percent more of all services which is not necessarily the case. As the room size increases, only the consumption of utilities and maintenance increases. Moreover, square footage and a flat rate alone aren’t the cost drivers as different clients require varying levels of care and services. For instance, the costs of nursing care and dieticians are distributed evenly across all residents whereas there are some residents who don’t use these services at all as these services pertain to people with serious conditions such as diabetes who rely upon these services quite heavily.

# Challenges faced by the administration

The administration is unable to figure out the correct hourly rate for some services such as Nursing and Dieticians due to their correlation with other departments i.e., administrative services and supplies utilized by them. Therefore, these costs must be incorporated in the hourly rate to facilitate proper segregation amongst the three groups of residents: those with no medical needs, those with moderate medical needs and those with intense medical needs (such as diabetic patients).

Another problem Westmount’s administration is facing is that they are unable to properly allocate overhead costs to service departments due to the disparity between other departments in terms of employees and square feet used by them.

One major issue identified is that some residents shared one-bedroom suites with their spouse and that has created complications for the costing and pricing procedure as it may be possible that the spouse would be receiving same care and services (such as utilities and maintenance) by paying just the flat rate.

# **Developing a new costing and pricing model**

Firstly, the administration should allocate the overhead costs to each department in a way that the departments that provide services to residents directly (e.g., Food services, supporting services, laundry etc.), get a portion of the overhead costs allocated to them by using the appropriate allocation base. Hence, cost of supplies and other costs will be allocated to each department based on the square foot area covered by each department. Cost of wages and benefits will be allocated based on number of employees.

The details belong in an Appendix so that the body of your memo can be concise and easily read.

# **Step 1: Departmental cost allocation using direct method:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Wages and benefits (Based on # of employees) | Supplies (Based on Sq. Ft.) | Others (Based on Sq Ft.) | Total |
| Overhead cost | General and administration | 149,283 | 11,032 | 280,574 | 440,899 |
|  | Fixed operating expenses |  |  | 241,585 | 241,585 |
|  | Managements fees | 217,804 |  |  | 217,804 |
|  | Reserve asset placement |  | 50,889 |  | 50,889 |
| Subtotal |  | 367,087 | 61,921 | 522,159 |  |
| Direct costs | Food services | 257,671 | 252,497 |  | 510,168 |
|  | Supporting services | 538,392 | 10,181 |  | 548,573 |
|  | Laundry | 77,972 | 6,109 | 8,145 | 92,226 |
|  | Recreation | 32,303 | 10,181 |  | 42,484 |
|  | Facility | 37,872 | 8,195 | 160,116 | 206,183 |
|  | Housekeeping | 107,053 | 8,145 |  | 115,198 |
| Total |  |  |  |  | 2,466,009 |

**Wages and benefits overhead cost allocation to all direct costs (Based on # of employees)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cost before overhead Allocation | Proportion | Allocation from Overhead | Cost after Allocation |
| Food services | $ 257,671 | 0.10 | 37,975 | $ 295,646 |
| Supporting services | 538,392 | 0.59 | 215,189 | 753,581 |
| Laundry | 77,972 | 0.07 | 25,316 | 103,288 |
| Recreation | 32,303 | 0.07 | 25,316 | 57,619 |
| Facility | 37,872 | 0.07 | 25,316 | 63,188 |
| Housekeeping | 107,053 | 0.10 | 37,975 | 145,028 |
| Total | $ 1,051,263 |  | 367,087 | $ 1,418,350 |

**Supplies overhead cost allocation to all direct costs (Based on Sq. Ft. per department)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cost before overhead Allocation | Proportion | Allocation from Overhead | Cost after Allocation |
| Food services | $ 252,497 | 6,100/115,900 | 3,259 | $ 255,756 |
| Supporting services | 10,181 | 10,200/115,900 | 5,449 | 15,630 |
| Laundry | 6,109 | 4,500/115,900 | 2,404 | 8,513 |
| Recreation | 10,181 | 35,400/115,900 | 18,913 | 29,094 |
| Facility | 8,195 | 56,500/115,900 | 30,186 | 38,381 |
| Housekeeping | 8,145 | 3,200/115,900 | 1,710 | 9,855 |
| Total | $ 295,308 |  | 61,921 | $ 357,229 |

**Other overhead costs allocated to all direct costs (Based on Sq. Ft. per department)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Cost before overhead Allocation | Proportion | Allocation from Overhead | Cost after Allocation |
| Food services |  | 6,100/115,900 | 27,482 | $ 27,482 |
| Supporting services |  | 10,200/115,900 | 45,954 | 45,954 |
| Laundry | 8,145 | 4,500/115,900 | 20,274 | 28,419 |
| Recreation |  | 35,400/115,900 | 159,486 | 159,486 |
| Facility | 160,116 | 56,500/115,900 | 254,547 | 414,663 |
| Housekeeping |  | 3,200/115,900 | 14,417 | 14,417 |
| Total | $ 168,261 |  | 522,159 | $ 690,420 |

**Summary of overhead cost allocation to each department involved in the direct provision of services and their portion of each overhead cost:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Wages and benefits (Based on # of employees) | Supplies (Based on Sq. Ft.) | Others (Based on Sq Ft.) | Total |
| Direct costs | Food services | 295,646 | 255,756 | 27,482 | 578,884 |
|  | Supporting services | 753,581 | 15,630 | 45,954 | 815,165 |
|  | Laundry | 103,288 | 8,513 | 28,419 | 140,220 |
|  | Recreation | 57,619 | 29,094 | 159,486 | 246,199 |
|  | Facility | 63,188 | 38,381 | 414,663 | 516,232 |
|  | Housekeeping | 145,028 | 9,855 | 14,417 | 169,299 |
| Total |  | 1,418,350 | 357,229 | 690,420 | 2,465,999 |

# **Step 2: Allocating costs to residents and suites**

# (i) Costs allocated based on square footage:

# Facility

Per Roswell’s recommendation, 50 per cent of the total facility’s costs allocated to all residents based on suite size or square footage, is deemed to be reasonable. Hence, the total costs of the facility will be allocated to residents in the following manner:

Total costs of the facility (From the summary in step 1) = $516,232

Allocate 50% of the total cost to all residents: (516,232\*0.5)/160 = $1,613.23/ Resident

The remaining 50% of the total costs are applied to the residents based on the square footage/ size of the room in the following manner:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Cost per square feet (516,232\*0.5)/ (400\*75+500\*35+600\*15) | Total cost for suite type | Cost per suite |
| Studio Suites (400 Sq. Ft.) | 4.57 | 400 | $1,827.37 |
| One-bedroom Suites (500 Sq. Ft.) | 4.57 | 500 | $2,284.21 |
| Two-bedroom Suites (600 Sq. Ft.) | 4.57 | 600 | $2,741.05 |

Cost is allocated to each suite regardless of the number of residents living, and solely based on cost per square feet as shown in the table above.

# Housekeeping

Cost of housekeeping, as previously discussed, must be allocated in a straightforward manner i.e., based on the square footage of the apartment as residents in bigger suites, do utilize maintenance to a greater extent.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Cost per square feet (169,299)/ (400\*75+500\*35+600\*15) | Total cost for suit type | Cost per suit |
| Studio Suites (400 Sq. Ft.) | 2.99 | 400 | $1,196 |
| One-bedroom Suites (500 Sq. Ft.) | 2.99 | 500 | $1,495 |
| Two-bedroom Suites (600 Sq. Ft.) | 2.99 | 600 | $1,794 |

# (ii) Costs allocated based on individual usage of services:

# Food services, Laundry & recreation

The food services department costs, due to the different dietary needs of different residents, must be based on an individual’s usage of these services. For instance, a dietitian would plan a certain diet for a certain group of patients and within that group itself there would be allergies, intolerance towards some foods, personal preferences and so many other factors to be considered before finalising a patient’s diet plan. Moreover, room size doesn’t necessarily increase the usage of this service.

Laundry is another such area which must be allocated to each resident individually as there are some one-bedroom apartments where the occupant lives with their spouse, and it is inevitable for such units to utilize more laundry services.

How much a resident involves in recreational programs has nothing to do with their room size rather it is dependent on their personal preferences i.e., how the like to spend their time. Hence, allocating such expenses based on square footage would be baseless. Therefore, rather than relying on the previously used cookie-cutter approach, such costs must be allocated based on cost per resident and systems must be in place to keep track of the usage of these services. For example, tracking participation in recreational programs using attendance sheets, loads of laundry per unit, etc. These costs, must therefore be allocated in the following manner:

Total cost = $578,884 + $140,220 + $246,199= $965,303

Cost per resident= $965,303/160= $6,033.14/ resident

# Support services

As discussed previously, nursing, and dietary services must be allocated based on hours devoted to each resident as there are some residents who use these services extensively but there are also some residents who don’t use these services at all. Allocating these services based on the hours spent by the supportive services staff on each resident will also ensure a fair allocation of such costs to spouses of people who live in 1-bedroom apartments. These costs will be allocated in the following manner:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Hours of nursing supervision care | | Hours of dietician care | | Hours of attendant care | |  |
| Patient category | # of residents | Per resident per week | Per week | Per resident per week | Per week | Per resident per week | Per week | Total |
| No medical needs | 55 | 0.25 | 13.75 | 0.1 | 5.5 | 1.3 | 71.5 | 90.75 |
| Medium medical need | 65 | 1.5 | 97.5 | 0.4 | 26 | 3 | 195 | 318.5 |
| High medical need | 40 | 2.5 | 100 | 0.9 | 36 | 4.75 | 190 | 326 |
| Total | 160 |  | 211.25 |  | 67.5 |  | 456.5 | 735.25 |

Supporting services cost allocation:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Resident category | Total Cost of supporting services department | Proportion | Allocation of total supporting services departmental costs | Cost per resident |
| No medical needs | $816,165 | 90.75/735.25 | $100,737.13 | $1,831.58 |
| Medium medical need | $816,165 | 318.5/735.25 | $353,551.24 | $5,439.25 |
| High medical need | $816,165 | 326/735.25 | $361,876.63 | $9,046.92 |

# **Scenario analysis**

We will assess costs based on 3 scenarios: resident with no medical needs, residents with medium medical needs and residents with extensive medical needs.

# No medical needs

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Costs allocated to suites (Step 2- i)** | | **Costs allocated per resident (Step 2-ii)** | | | | **Total costs per resident per suite** |
|  | (Facility- 50% & Housekeeping costs) | **Total cost per suite** | Facility- 50% (Not based on square footage) | Food services, laundry, and recreation | Supportive services | **Total cost per resident** | Total cost per suite + Total cost per resident |
| Studio | 1,827.37+  1,196 | 3,023.37 | 1,613.23 | 6,033.14 | 1,831.58 | 9,477.95 | 12,501.32 |
| 1-Bedroom | 2,284.21+  1,495 | 3,779.21 | 1,613.23 | 6,033.14 | 1,831.58 | 9,477.95 | 13,257.16 |
| 2-Bedroom | 2,741.05+  1,794 | 4,535.05 | 1,613.23 | 6,033.14 | 1,831.58 | 9,477.95 | 14,013.00 |

# Medium medical needs

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Costs allocated to suites (Step 2- i)** | | **Costs allocated per resident (Step 2-ii)** | | | | **Total costs per resident per suite** |
|  | (Facility- 50% & Housekeeping costs) | **Total cost per suite** | Facility- 50% (Not based on square footage) | Food services, laundry, and recreation | Supportive services | **Total cost per resident** | Total cost per suite+ Total cost per resident |
| Studio | 1,827.37+  1,196 | 3,023.37 | 1,613.23 | 6,033.14 | 5,439.25 | 13,085.62 | 16,108.99 |
| 1-Bedroom | 2,284.21+  1,495 | 3,779.21 | 1,613.23 | 6,033.14 | 5,439.25 | 13,085.62 | 16,864.83 |
| 2-Bedroom | 2,741.05+  1,794 | 4,535.05 | 1,613.23 | 6,033.14 | 5,439.25 | 13,085.62 | 17,620.67 |

# High medical needs

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Costs allocated to suites (Step 2- i)** | | **Costs allocated per resident (Step 2-ii)** | | | | **Total costs per resident per suite** |
|  | (Facility- 50% & Housekeeping costs) | **Total cost per suite** | Facility- 50% (Not based on square footage) | Food services, laundry, and recreation | Supportive services | **Total cost per resident** | Total cost per suite+ Total cost per resident |
| Studio | 1,827.37+1,196 | 3,023.37 | 1,613.23 | 6,033.14 | 9,046.92 | 16,693.29 | 19,716.66 |
| 1-Bedroom | 2,284.21+1,495 | 3,779.21 | 1,613.23 | 6,033.14 | 9,046.92 | 16,693.29 | 20,472.50 |
| 2-Bedroom | 2,741.05+1,794 | 4,535.05 | 1,613.23 | 6,033.14 | 9,046.92 | 16,693.29 | 21,228.34 |

# To summarize- Scenario analysis

It is evident from the analysis done above that a more precise cost allocation does have a trickle-down effect on the overall costs/ base price per unit (based on the medical care required by an individual). This also ensures that there is an equitable distribution of costs and therefore the final price paid by a resident i.e., an individual doesn’t overpay/ doesn’t pay for services that they aren’t using. Also, if in a suite, there are 2 people residing in which case, they are most likely to have varying levels of medical needs, the cost distribution ensures that they are not over or under paying. Levying an additional occupant charge would work in the favour of Westmount and conducting the above analysis, this charge can be determined by the management i.e., whether to charge the entire per resident charge or some percentage of it.

# **Revenue**

Resident fees are determined by applying a 15% markup on cost. Hence, the new revenue per suite will be:

|  |  |  |  |
| --- | --- | --- | --- |
| Resident category | Studio suite | One-bedroom Suite | Two-bedroom suite |
| No medical needs | $14,376.52 | $15,245.73 | $16,114.95 |
| Medium medical need | $18,525.34 | $19,394.55 | $20,263.77 |
| High medical need | $22,674.16 | $23,543.38 | $21,412.59 |

Since the facility (50 per cent), and housekeeping costs are allocated to all residents, these costs won’t increase by the presence of an additional occupant in a room. Here, we are assuming that people who live in studio apartments don’t have another occupant and those living in 2-bedroom apartments are already paying premium for the size of the room and the occupant living in the 2nd bedroom. Hence the remaining costs which are most likely to increase by the presence of an additional occupant, can be charged as the additional occupant/ spouse fee in the following manner:

|  |  |
| --- | --- |
| Resident category | One-bedroom Suite |
| No medical needs | $10,899.64 |
| Medium medical need | $15,048.46 |
| High medical need | $19,197.28 |

The total number of residents = 160

The total number of suites (studio + 1-bedroom + 2-bedroom) = 125\* 1 resident = 125 Residents

The difference = 35 Residents

This indicates that there are 35 suites in which the occupant resides with their spouse. Going by the assumption that people residing in studio live alone, people residing in 2-bedroom are already paying a premium for the presence of the second occupant, we are left with only 1-bedroom apartments. Hence, the estimation of revenue will be done in the following manner:

Revenue from the 1st occupant:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Patient category | Total 1- bedroom apartments | Allocation proportion based on medical needs | Residents based on medical needs | Revenue per resident (including 15% markup) | Revenue from 1st occupant |
| No medical needs | 35 | 0.34 | 12 | 15,245.73 | 183,425.19 |
| Medium medical need | 35 | 0.41 | 14 | 19,394.55 | 275,766.26 |
| High medical need | 35 | 0.25 | 9 | 23,543.38 | 206,004.58 |
| Total |  |  | 35 |  | 665,196.02 |

Revenue from spouse:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Patient category | Total 1- bedroom apartments | Allocation proportion based on medical needs | Residents based on medical needs | Revenue per resident (including 15% markup) | Revenue from 1st occupant |
| No medical needs | 35 | 0.34 | 12 | 10,899.64 | 131,136.29 |
| Medium medical need | 35 | 0.41 | 14 | 15,048.46 | 213,970.29 |
| High medical need | 35 | 0.25 | 9 | 19,197.28 | 167,976.20 |
| Total |  |  | 35 |  | 513,082.78 |

Hence, total revenue from 1-bedroom apartments, adjusted for medical needs will be:

|  |
| --- |
| Total revenue from 2 occupancy 1- bedroom apartments |
| 314,561.48 |
| 489,736.55 |
| 373,980.78 |
| Total = 1,178,278.8 |

Similarly, revenue for studio and 2-bedroom apartments will be estimated in the following manner:

Studio apartments

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Patient category | Total Studio apartments | Allocation proportion based on medical needs | Residents based on medical needs | Revenue per resident (including 15% markup) | Revenue (including 15% markup) |
| No medical needs | 75 | 0.34 | 26 | 14,376.52 | 370,644.66 |
| Medium medical need | 75 | 0.41 | 30 | 18,525.34 | 564,443.95 |
| High medical need | 75 | 0.25 | 19 | 22,674.16 | 425,140.50 |
|  |  |  | 75 |  | 1,360,229.11 |

2-bedroom apartments

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Patient category | Total Studio apartments | Allocation proportion based on medical needs | Residents based on medical needs | Revenue per resident (including 15% markup) | Revenue (including 15% markup) |
| No medical needs | 15 | 0.34 | 5 | 16,114.95 | 83,092.71 |
| Medium medical need | 15 | 0.41 | 6 | 20,263.77 | 123,482.35 |
| High medical need | 15 | 0.25 | 4 | 21,412.59 | 80,297.21 |
|  |  |  | 15 |  | 286,872.27 |

Hence, the total revenue from all the 3 kinds of suites will be:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Patient category | 1-Bedroom apartments | Studio Apartments | 2-Bedroom Apartments | Total |
| No medical needs | 314,561.48 | 370,644.66 | 83,092.71 |  |
| Medium medical need | 489,736.55 | 564,443.95 | 123,482.35 |  |
| High medical need | 373,980.78 | 425,140.50 | 80,297.21 |  |
| Total | 1,178,278.80 | 1,360,229.11 | 286,872.27 | 2,825,380.18 |

How does this compare with the competition? No matter what model you choose it needs to be competitive.

Note: - The above revenue estimation assumes that the two occupancy rooms are only the 1-bedroom apartments. Another assumption that drives the above calculation is the proportional distribution of patients based on medical needs. The same proportion is used for studio, 1- bedroom and 2- bedroom apartments. However, this might not necessarily be the case. In fact, some residents may choose the 2- bedroom option if they have extensive medical needs and for that reason, they may require additional space for special accommodations pertaining to their case.

# The new income statement

Assuming Westmount’s costs don’t change, we will now assess their profitability considering the new costing and pricing model. The implementation of these costing changes will most likely take some time as the changes will be reviewed by the management and the approval process can be time consuming. Hence, the changes will start to show results in 2006, so the new income statement will be for the year ended 2006.

|  |  |
| --- | --- |
| WESTMOUNT RETIREMENT RESIDENCE | |
| Income Statement | |
| For the year ended December 31, 2006 | |
| **Revenue** |  |
| Resident revenue | $ 2,825,380 |
| Other revenue | 67,876 |
| Total revenue | 2,893,256 |
| **Departmental expenses** |  |
| Food service | 510,168 |
| Supportive departments | 548,573 |
| Laundry | 92,226 |
| Recreation | 42,484 |
| Facility | 206,183 |
| Housekeeping | 115,198 |
| Total departmental expanses | 1,514,832 |
| **Other Expenses** |  |
| General and administrative | 440,899 |
| Fixed operating expenses | 241,585 |
| Management fee | 217,804 |
| Reserve-asset replacement | 50,889 |
|  |  |
| Total Expenses | 2,466,009 |
| **Net profit** | $ 427,247 |

# Conclusion

It is evident from the income statement that the decision to change the current costing and pricing system was a step in the right direction for Westmount. The profitability is expected to go up by 743.74%, which is a huge improvement. This change is attributable to a better cost allocation and the 2nd occupant charge. Moreover, this improvement in profitability doesn’t come at the expense of the residents as Westmount’s costs are still lower than their competition which means that their cost leadership strategy is intact even in light of the costing/pricing changes brought by the new model. However, calling this new system full proof would be very presumptive. A few alternatives to look at would be:

* Hiring more interns for duties that do not require much experience and can be carried out after minimal training. This will reduce the workload of fulltime employees, thereby enabling them to allocate their time to more complex tasks. This will reduce the number of hours worked by the fulltime employees and thereby the costs allocated, ensuring a lower per resident costs of these services.
* Owing to the complexity of the nature of calculations required to arrive at the per resident cost of supportive services, outsourcing these services entirely or partially may lead to lower accounting costs as well as lower costs of these services due to economies of scale arising from such contractual relationships.
* To keep Westmount Retirement Residence the most cost friendly option amongst its peers, a new comprehensive, concessional rate could be considered for 2 occupancy rooms as some people might not be in favor of such pricing keeping in mind the percentage of their disposable income spent towards housing.

CS – 95% (Case Study)

**Excellent work**

Congratulations Varun – you are done the assignments and the Case Study. This case was intended to illustrate complexities that exist in determining a costing system. This case is particularly poignant due to the impact on end-consumer pricing.

As part of this review you needed to:

* Address which costs are direct and which are indirect
* Determine how to allocate the indirect costs – square footage, # of hours, equally, or ???

You have the essence of it. You demonstrated an understanding of the need to move to an activity-based costing system while maintaining

• Competitive pricing

• System that is understandable to the residents

• System that can be monitored / maintained / updated

• Reflect consumption of resources

* Facilities
* Meals
* Recreation
* Medical Services

• 10(10 marks) - Use of language, including grammatical elements

• 15(15 marks) Identification of problems and issues

• 60(65 marks) - Alternatives and analysis and evaluation of these alternatives

• 10(10 marks)- A recommendation—with justification

Final Exam On-Line Using ProctorU

Due to Covid 19 An on-line exam is now the only option for this course and there is a tab in Moodle that explains this. The exam is administered remotely by a company called ProctorU over the computer. You can take the exam largely when and where you want it. You must pay extra for it, but it may be worth it. Also, you will get your final mark more quickly as there is no delay in getting your exam to me for marking as it is emailed to me right away. I have had several students write the exam using Proctor U and it seems to go well. You use your financial calculator to calculate the answers and enter the info using the word processor in Proctor U just the same as you did with the assignments in Word. Please contact the Exams Department (exams@tru.ca) for more info.

Please note the exam format has been adjusted slightly in recognition of it being an online exam. For example, if in the practice exam you see a template or grid lines those typically are provided for you in the on-line version. When preparing for a Proctor U exam you should do the practice work directly on your computer.

It has been a pleasure working with you and I wish you every success with your future studies. Perhaps our paths will cross again in another course.

Note – it is the marks in this system that are used to calculate your grade and not the marks in Moodle. Also, you should be aware there is typically a lag of 3 days between getting your marked assignment back and the marks being recorded into this system.

Regards, Keith Whitmore, M.Sc., MBA, CPA,CGA, P.Eng.

Faculty – Thompson Rivers University – Open Learning