

Tenttipäivä / Date: **10.8.2015**

Opintojakson koodi, nimi ja tentin numero / The code and the name of the course and number of the exam:

**Cost Management Systems, Summer exam**

Tentaattori(t) / Examiner(s): **Janne Järvinen, Tiina Henttu-Aho**

Sallitut apuvälineet rastitettu / The devices allowed in the exam marked with a cross:

Laskin (ei graafinen/ohjelmoitava)/Calculator (not graphic, programmable)  Sanakirja/Dictionary

Muu materiaali, tarkennettu alla/Other material, specified below

Voit vastata tenttiin / You may answer the questions  suomeksi/ in Finnish  englanniksi/ in English

Kysymyspaperi on palautettava / Paper with exam questions must be returned:  Kyllä/Yes  Ei/No

*This test has four questions and a maximum of 40 pts. Please use complete sentences when answering the essay questions (no bullets, lists etc.)!*

*Question 4 has a table that helps you to structure your answer. However, do not write on this exam paper, but provide your answer in the answer sheet (points will be subtracted if necessary).*

*Kysymyksiin saa vastata suomeksi*

- 1)** Key principles of *life-cycle costing* and their relation to *target costing* and *kaizen costing* (10 pts)
- 2)** Relating to Activity-based management, ABM (Drury, lectures)
  - a) how does ABM differ from a more traditional ABC model?
  - b) what are the stages of ABM implementation?
  - c) how does the concept of (non) value adding activities relate to ABM? What about the 5-point scale advocated by Cooper and Kaplan (according to Drury)?
  - d) how are capacity-related decisions related with ABM?(10 pts)
- 3)** Pitfalls of the DCF (discounted cash flow) method in evaluating strategic investments (according to Kaplan and Atkinson) (10 pts)

4) Break-even chart with increases in fixed costs

a) Identify and discuss briefly *five* assumptions underlying cost-volume-profit analysis. (2p)

b) A local authority, whose area includes a holiday resort situated on the east coast, operates, for *30 weeks* each year, a holiday home which is let to visiting parties of children in care from other authorities. The children are accompanied by their own house mothers who supervise them throughout their holiday. From *six to fifteen guests* are accepted on terms of £100 per person per week. No differential charges exist for adults and children.

Weekly costs incurred by the host authority are:

	<u>£ per guest</u>
Food	25
Electricity for heating and cooking	3
Domestic (laundry, cleaning etc.) expenses	5
Use of minibus	10

Seasonal staff supervise and carry out the necessary duties at the home at a cost of £11 000 for the 30-week period. This provides staffing sufficient for six to ten guests per week but if eleven or more guests are to be accommodated, additional staff at a total cost of £200 per week are engaged for the whole of the 30-week period.

Rent, including rates for the property, is £4000 per annum and the garden of the home is maintained by the council's recreation department which charges a nominal fee of £1000 per annum.

**You are required to:**

i. Tabulate (calculate and fill in a table) the appropriate figures in such a way as to show the break-even point(s) and to comment on your figures. However, do not make any calculations on this exam sheet, but use the answer sheet instead (5p)

Guests in residence	Income p.a. (£)	Variable costs (£)	Contribution (£)	Fixed costs (£)	Total costs (£)	Surplus (deficit) (£)
6						
7						
8						
etc.						

ii. Draw a break-even chart to illustrate your answer to (b)(i) above. (3p)