

**QUEENSLAND UNIVERSITY OF TECHNOLOGY**  
**QUT Business School**  
**School of Accountancy**

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*AYB225 Management Accounting*  
**SEMESTER ONE 2017**  
**ASSESSMENT ITEM TWO: REPORT**  
**(Weighting Total: 30%)**

<b>Due Date and Time:</b>	<b>19 May 3 p.m.</b>
<b>Submission:</b>	<b>Online submission via Blackboard</b>
<b>Group or Individual:</b>	<b>Individual</b>
<b>Length:</b>	<b>1,000 words</b>

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**This assessment item assesses the following learning outcomes:**

**Knowledge and Technological Skills (KS)**

1.2 Apply technical and technological skills appropriate and effective for real world business purposes and contexts.

**Higher Order Thinking (HO)**

2.2 Exercise independent judgment and initiative in adapting and applying knowledge and skills for effective planning, problem solving and decision making in diverse contexts.

**Professional Communication (PC)**

3.1 Use information literacy skills, and communicate effectively and professionally in written forms and using media appropriate for diverse purposes and contexts.

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**This assignment is an individual assignment. This means you cannot collaborate with anyone in any way in the completion of the Excel schedules and the answers.**

### **Submission Requirements:**

Your submission has two parts. Both parts must be submitted to Blackboard by the due date and time for a complete submission of this assessment item. Refer to the instructions on Blackboard under **Assessment Item 2** regarding uploading of files.

#### **1) Uploading of Files into Blackboard**

- a) Excel file containing the completed Schedules Part A
- b) Answers to management questions using pro-forma Part B & C

Make sure you check your file once uploaded to ensure it is readable.  
No marks will be given for submissions where the file is corrupt and unreadable.

This unit uses the Turnitin software to detect plagiarism. Turnitin compares submissions to other submissions, both current and past, and sources that are available online such as textbooks, scholarly articles, websites and blogs.

#### **2) Entering Your Results to Part A into Blackboard**

You are required to enter the results to Schedules 1-6 into the “Assignment Schedule Answers” forms on Blackboard under Assessment Item 2. You have up to 5 attempts to enter and check your results for each schedule. You do not have to use up all 5 of the attempts. Only the last attempt will count towards your final mark.

#### **Late Assessment and Extensions**

In both your QUT study and your professional life you will be expected to meet deadlines. In keeping with this expectation, assessment submitted after the due date will not be marked and will receive a grade of 1 or 0%. If special circumstances prevent you from meeting the assessment due date, you can apply for an extension. If you don't have an approved extension, you should submit the work you have completed by the due date and it will be marked against the assessment criteria.

## Task Description

You are to assist the review process of Sneakers Unlimited's costing system by providing management with the following items related to the product line "Dance".

- A. Six technical reports with two supporting schedules. Management is considering various costing system options. To facilitate their decision-making they have requested the preparation of these schedules. The data and the schedules are in the Excel file on Blackboard.
- B. Short answers to 2 questions from management. Your answers to each of the questions should be complete, but also should be clear and concise, and in a form that is easy for managers to read and understand. You may use bullet points if they assist in the presentation of your answers. Answers must be written in acceptable Business English.
- C. A discussion based on (i) Schedule 6 (ABC), (ii) the facts of the case (iii) and an article from the literature.

**\*\*The full requirements of the assignment are on pages 5 and 6\*\***

## The Company: Sneakers Unlimited

Sneakers Unlimited is a manufacturer of men's and women's leisure shoes. What began as a small family business has now grown into a firm with a large and very popular product range.

The firm produces three lines in the range – Dance, Run and Walk. The firm's products have a relatively short lifetime and often styles popular in one period are out of fashion by the next period.

### Costing system currently used

The firm accounts for its products using standard absorption job costing, applying overhead to products using a plant-wide rate based on direct labour hours. Materials purchases are recorded at actual cost. Work in process and finished goods inventories are recorded at standard cost. All cost variances in the period are transferred to cost of goods sold at the end of the period.

This existing costing system was established when only one type of sneakers was produced and when overhead was a significantly smaller proportion of total cost than it is now.

Materials for sneakers are fabric, cottons, and depending on the styles, zippers, buttons, Velcro, laces and logos. At the present time the only material which is traced directly to the product is fabric. Cottons, buttons, zippers, laces, Velcro and logos are treated as indirect materials (overhead). All on-costs such as superannuation, payroll tax, provisions for leave on wages are treated as indirect costs (overhead).

Standards are determined at the point when the product is initially designed, and are regularly updated to reflect all changes in the manufacturing process. The firm prides itself on its very efficient labour force, and in the past the company seldom had cost over-runs due to labour inefficiency. Furthermore, to promote efficiency, the firm uses a bonus system based on annual profits.

In the period which is the focus of this review, two changes were made in the manufacturing process. First, a change was made in the layout of the manufacturing space which should reduce the standard time per product in the long run. The direct labour standards have not yet been updated to include this change. Secondly, a new type of material was purchased from the current supplier. The supplier had claimed that the new material (which is of high quality, yet cost a similar price to the old material) is easier to work with in terms of both cutting and sewing. The supplier is known to be reliable in terms of material supply.

## Review of costing system

The firm is commencing an extensive review of its costing system and reporting practices. This review will involve all divisions of the firm. Your task is only a **small part** of the entire review:

- One product only (“Dance” sneakers), and
- Selected tasks only - for example, a discussion on implementing Activity Based Costing

Some of the issues which have prompted the review are:

- Various pressures from competitors have alerted the firm to be more cost conscious. The firm has had a number of issues with their product pricing recently. The firm sets prices based on a mark-up on total cost (i.e. inventoriable (product) cost + period cost for each product). Various inconsistencies have been identified when comparing Sneakers Unlimited prices with those of its major competitors. As a result, the firm wants to have more confidence in the product cost generated by the accounting system, in particular the cost of each individual product (Dance, Run and Walk).
- In addition to product pricing, the costing data provided by the firm is now being used extensively for other decision-making within the firm. This means that the accuracy of costing data is becoming increasingly important.
- In recent times the firm has been faced with limited storage space at their premises. The firm is unable, at this stage, to consider options involving a significant capital outlay to relocate or rebuild. Further, Just in Time inventory is not an option for this firm. (Note: the recent change in factory layout has no impact in any way on storage capacity.)

The requirements of the case begin on the next page. In addition to the tasks management have asked you to complete, they have also indicated that there are a few issues that you are **not to include**:

- Ways of reducing costs - You are to take all costs as given, and at this stage not recommend any particular ways of attempting to reduce or eliminate costs.
- Use all data as given, including all the fixed overhead figures without trying to fine-tune those figures in any way.
- Management has extensively reviewed the budgeting process of the firm and is happy that all budgets have been appropriately set. Therefore you should not include any issues related to the firm’s budgeting process.
- Management has stressed that your responses to the questions should be based only on the facts with which you have been provided. Do not go outside these facts.
- The information you provide will be combined with information relating to the other lines (“Run” and “Walk”) for further analysis. This additional analysis and any issues which may result from combining the information are outside the scope of this case.

## Requirements of the Assignment

### PART A: Completed Schedules in Excel

(10 Marks)

Schedules

(5 marks)

Complete Excel schedules in the appropriate spaces on pro-formas. Do not delete any parts of the pro-forma. Show all required working in the relevant spaces, and only show required working.

- Variance report related to units produced. (Schedule 1)
- Calculation of standard costing cost variances relating to the product “Dance”. The firm calculates price variances for all manufacturing costs, efficiency variances for all variable manufacturing costs, and a fixed overhead volume variance. The material price variance is calculated on usage. (Schedule 2)
- The Normal Absorption Costing Income Statement for the period, with relevant variances expensed to the period and; recast the Income Statement (with relevant variances expensed to the period) assuming Standard Absorption Costing. (Schedules 3 and 4, and a schedule to calculate COGS)
- Show the journal entries for the period under the standard absorption costing system currently used by the firm. Journal entries must be presented in proper form. (Schedule 5)
- Prepare a comparison of overhead costs per product under the existing costing system (a plant-wide rate based on DL hours) with an Activity Based Costing system using the cost pools and cost drivers identified in the data. (Schedule 6 and workings for Schedule 6)

### ENTERING YOUR RESULTS INTO BLACKBOARD AND CHECKING OF FIGURES

Figures in the schedules (1, 2, 3, 4, 5 and 6) can be entered and checked on Blackboard up to 5 times per student. It will indicate if your answer is correct or not. Zero mark will indicate that the answer is wrong.

Excel

(5 Marks)

- If you want to be eligible for up to 5 marks, then use formulas in your calculations. The formulas will have to refer to other cells in the worksheet that either contain the original values, e.g. direct labour cost per hour, machine hours per unit, order times etc. or to formulas from a previous step. This means, every time the values in the data sheet are changed, the results are updated automatically.
- To be clear, all worksheets are to be completed using formulas that draw values from the data provided. In each worksheet, students will be deducted marks for each cell that contains a numerical value that has not been obtained using an Excel formula. You must use an “if” statement to enter the label “U” or “F” in the column next to the relevant variance value (see the example in the worksheet).

**PART B: Answers to management questions (pro-forma provided)**

**(8 Marks)**

- (1) Management is keen to have more confidence in its product costs. One way to achieve this would be to implement Activity Based Costing (as you will discuss in Part C). There are other improvements that this firm could make to the existing standard absorption job costing system that may provide product costs in which management can have more confidence (costs which would be less subjective). Identify (2 Mark) and explain (2 Mark) ONE improvement that can be made to the standard absorption job costing system based on the facts provided in the case.
  - (2) Refer to the variances in Part A, Schedule 2 that you have calculated. Select **ONLY ONE** (1) variance to follow up, i.e. the one that you think needs the most urgent attention (1 Mark)? Explain why you would choose that particular variance to follow up in the light of the facts provided by the case (2 Marks). Furthermore, in the light of the facts provided by the case, what would be the most likely reason that this particular variance has occurred (root cause) (1 Mark)?
- Do not use any citations in your answers to Part B

**PART C: Discussion (pro-forma provided)**

**(12 Marks)**

Based on your analysis in Schedule 6 and the facts of the case, discuss why you would or would not recommend ABC. Also, provide further evidence for your discussion by referring to at least one (maximum three) article(s) from the literature (use the Internet or QUT's database). Articles from professional or scientific journals/magazines that report on costing system (e.g. ABC) experiences will serve this purpose well. Textbooks such as Horngren et al. (2014) do not qualify as an article. Use the AREA critical thinking framework document on Blackboard under Lecture 2 to structure your discussion. Your discussion should be no longer than two pages (1.5 line spacing).

**Research and referencing**

- Use in-text citations in your discussion in Part C. Under references, give the source of the evidence, i.e. name of the author, year, title, and name of source. Please adhere to the APA or Harvard referencing style.
- Your entire assignment must be written in your own words. Students should note that severe penalties are imposed for plagiarism. If you are uncertain about what constitutes plagiarism, refer to the School of Accountancy Blackboard site.

**Errors and omissions:** If you believe there is an error in the assignment, or that an essential instruction has been omitted, please contact the Unit Coordinator.

**Format and presentation of assignment**

All students are required to follow the standardised format for their assignment. You must include the items and setting out described below, and **only** the items requested. Do not add anything, e.g. do not add headers/footers, do not add borders, pictures, extra pages. The assignment must be completed using **pro-formas in Excel and Word** (see Blackboard) **and comply with all instructions on all assignment documents provided.**

**Length of assignment**

- Answers to management questions and the discussion (Pro-forma Part B & C) must be no longer than three (3) single-sided pages, 1.5 line spacing, font 12.
- NOTE: The markers will only mark the first 3 pages; any more pages will be ignored.

## Hints to maximise your assignment mark

### General comments

Make sure that you:

- Answer the question asked, and only the question asked.
- Provide complete answers.
- Be concise
- Do not include unnecessary padding
- Use pro-forma Part B&C on Blackboard to structure your responses
- Do not go over the page limits: B = one page only and C = two pages only
- Make sure you check your file once uploaded that it is readable.
- No marks will be given for submissions where the file is corrupt and unreadable.
- This unit uses the Turnitin software to detect plagiarism. Turnitin compares submissions to other submissions, both current and past, and sources that are available online such as textbooks, scholarly articles, websites and blogs.

### Comments regarding:

#### Part A: Excel

There is plenty of help on Blackboard/Internet regarding the use of Excel formulas. Make sure your Excel model is completely dynamic. This means updating any of the values in the 'Data for current period' worksheet will update the data in all the other worksheets automatically. The formulas do not always have to refer back to the 'Data for current period' sheet but may refer to a cell in a previous worksheet. This will make your formulas more readable and therefore less error-prone.

#### Part B: Question 1 – costing system improvement

Do not suggest an alternative costing system such as variable costing, Activity Based Costing, actual costing etc. There are ways to refine a standard absorption job costing system.

#### Part B: Question 2 –variance to follow up

Do not provide generic reasons from the textbook/lecture. You should link or base your reasons on the facts of the case.

#### Part C: Discussion.

Be convincing and strengthen your argument using evidence from the business (or scientific) press. The evidence should be as specific as possible and **integrated** into your discussion. For example, you could find a case that describes the benefits of implementing a certain costing system in a company. Conversely, you could use a case that documents some of the problems of a costing system, which would then help you to argue against it. Standard textbook descriptions of advantages/disadvantages of certain costing systems will not be as valuable.

Assessment Item 2: Report (Assessment Criteria Sheet)

Weighting: 30%

Grade	7	6	5	4	<4	Marks
<b>PART A SCHEDULES AND USE OF EXCEL (Worth 10%)</b>						
Part A Accuracy of Schedules (K.S. 1.2)	All schedules are completed with total accuracy. All required working is shown throughout.	All schedules are completed with only minor errors. All required working is shown throughout.	All schedules are completed with varying degrees of accuracy some significant errors are evident. Most working is shown.	All schedules are completed with varying degrees of accuracy, many significant errors are evident. Not all working is shown.	Schedules are incomplete or missing and have major inaccuracies. Working is not shown or lacks significant detail.	/5
Part A Correct Use of Excel for Schedules (KS 1.2)	Accurate and complete use of formulas. Clear structure and professional presentation	Accurate and mostly complete use of formulas. Clear structure and professional presentation	Accurate but limited use of formulas and unclear structure with reasonable presentation	Excel used without formulas	No or limited use of Excel	/5
<b>PART B SHORT ANSWERS (Worth 8%)</b>						
Part B Management Question 1. costing system improvement (HO 2.2)	Thorough analysis of the issues related to the facts of the case, demonstrating a high level of judgement and reasoning skills	Very good analysis of the issues related to the facts of the case, demonstrating very good judgement and reasoning skills	Good analysis of the issues related to the facts of the case, demonstrating good judgement and problem solving skills.	Rudimentary analysis of the issues related to the facts of the case, demonstrating fair judgement and problem solving skills.	Unsatisfactory analysis of the issues related to the facts of the case, demonstrating limited judgement and problem solving skills.	/4
Part B Management Question 2. variance (HO 2.2)	Thorough analysis of the issues related to the facts of the case, demonstrating a high level of judgement and reasoning skills	Very good analysis of the issues related to the facts of the case, demonstrating very good judgement and reasoning skills	Good analysis of the issues related to the facts of the case, demonstrating good judgement and problem solving skills.	Rudimentary analysis of the issues related to the facts of the case, demonstrating fair judgement and problem solving skills.	Unsatisfactory analysis of the issues related to the facts of the case, demonstrating limited judgement and problem solving skills.	/4
<b>PART C DISCUSSION (Worth 12%)</b>						

## AYB225 Management Accounting

<p>Part C Discussion Criteria 1 - Activity Based Costing (PC 3.1)</p>	<p>Demonstrates professionalism in the application of critical thinking framework to explore the issue and justify the recommendation. Choice of literature is highly appropriate and provides clear evidence in support of the recommendation.</p>	<p>Solid application of critical thinking framework to explore the issue and justify the recommendation. Choice of literature is appropriate and provides some evidence in support of the recommendation.</p>	<p>A reasonable attempt has been made to apply the critical thinking framework to explore the issue and justify the recommendation. Choice of literature is appropriate and provides some evidence in support of the recommendation.</p>	<p>A cursory attempt has been made to apply the critical thinking framework to explore the issue and justify the recommendation. Choice of literature is adequate but the link to evidence in support of the recommendation is weak.</p>	<p>Little or no attempt has been made to apply the critical thinking framework to the issue or recommendation. Choice of literature is inappropriate or reference is missing altogether.</p>	<p>/8</p>
<p>Part C Discussion Criteria 2 – Communication and Structure (PC 3.1)</p>	<p>Writing and referencing is concise and accurate. Report is of a professional standard and highly appropriate for the intended audience. All formatting requirements have been adhered to.</p>	<p>Writing and referencing is concise and accurate. Report is of a good standard and appropriate for the intended audience. All formatting requirements have been adhered to.</p>	<p>Writing and referencing is mostly concise and accurate. Report is of a reasonable professional standard and somewhat appropriate for the intended audience. All formatting requirements have been adhered to.</p>	<p>Standard of writing and referencing is fair and mostly accurate. Some attempt at writing for the intended audience. Formatting requirements have been mostly adhered to</p>	<p>Inappropriate standard of writing and referencing. Little or no attempt to address the intended audience. Formatting requirements may not have been adhered to.</p>	<p>/4</p>
<b>TOTAL</b>						<p><b>/30</b></p>

Note that it is also possible to be awarded **zero marks** for each of the criteria. Zero would be awarded if the particular element had not been attempted.