

INDIVIDUAL COURSEWORK (25%)

BE111 -MANAGEMENT ACCOUNTING 1

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Objectives and expectations

This assignment has three components (Part A, Part B and Part C):

- a) Performing technical calculations to support certain business decisions, namely to calculate and interpret the management accounting information resulting from cost-volume-profit (CVP) analysis. This part is weighted 30%.
- b) Engaging with a business case: understanding the implications of management accounting information given the context of the case and suggesting a possible solution to a business problem. This part is weighted 40%.
- c) A reflective and theoretical exercise: Moving beyond the case analysis, linking the practical aspects of management accounting covered in this module to businesses operating in the services sector, such as hotels, consultancy or banking. This part is weighted 30%.

NB: The assignment must be answered in a **maximum of 1,500 words in total** (excluding calculative section in part A, pictures, footnotes, appendices and list of references). In each case, address the questions mentioned at the end of each part. To obtain high marks you need to engage in the descriptive, analytical and reflective/critical requirements of the question. Please use Harvard referencing style.

Read the case below:

The holiday resort 'Dream Land', based in Colchester, lets its facility to guests visiting the area. At the moment, the resort charges £100 per person per week and remains open for 30 weeks each year. No differential charges exist for adults and children.

Weekly costs incurred by the holiday resort are: (£ per guest)

○ Food	25
○ Electricity for heating and cooking	3
○ Domestic (laundry, cleaning etc.) expenses	5
○ Use of minibus	10

In addition to the expenses mentioned above, 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 upto 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 contracted in for the whole of the 30-week period. Rent, including rates for the property, is £4 000 per annum and the garden of the holiday resort is maintained by the council's recreation department which charges a nominal fee of £1000 per annum. The holiday resort is concerned about profitability and is also thinking about breaking away from current fixed pricing model. In order to create commercial visibility and for offering prices based on occupancy, management is also thinking of creating a website. [Adapted from Colin Drury (2015) Management and Cost Accounting, Cengage Learning]

Required (Part A):

- i. Identify variable and fixed costs and provide the reasons why they are variable or fixed. (15 marks)
- ii. Calculate the break even point(s) in number of guests. (15 marks)

Required (Part B):

- i. Please evaluate the implications of your calculations (in part A), for the profitability of the holiday resort (10 marks).
What would be your recommendations for management to improve the profitability of the resort? (15 marks)
- ii. The holiday resort website shows different prices depending on the seasons. Explain the possible reasons for this variability. (10 marks)
- iii. To what extent can the holiday resort manager slash the price during the low season when the occupancy is very low? (5 marks)

Required (Part C):

How does the development of the service sector raise new challenges for management accounting whose principles and practices largely refer to the paradigm of manufacturing? Your discussion should integrate the findings of **at least 5 academic papers** that have been published on this topic. (30 marks)

Suggested Readings:

- Cinquini, L., & Tenucci, A. (2016). Challenges to management accounting in the new paradigm of service (pp. 49-71). In Choi, T. M. (Ed.). (2016). *Service Supply Chain Systems: A Systems Engineering Approach* (Vol. 8). CRC Press.
- Cugini, A., Carù, A. and Zerbini, F. (2007) "The Cost of Customer Satisfaction: A Framework for Strategic Cost Management in Service Industries", *European Accounting Review*, Vol. 16, pp. 499-530.
- Kerr, S. G. (2008) "Service Science and Accounting", *Journal of Service Science* 1, 17-26.
- Laine, T., Paranko, J. and Suomala, P., (2012) "Management accounting roles in supporting servitisation. Implications for decision making at multiple levels", *Managing Service Quality*, Vol. 22 No. 3, pp. 212-232.
- Modell S. (1996) "Management accounting and control in services: structural and behavioural perspectives", *International Journal of Service Industry Management*, Vol. 7 No. 2, pp. 57-80.

A few suggested guidelines for critical reading and reading academic papers:

We expect you to engage in critical reading of the overall claim/argument to enhance your understanding of management accounting issues in a broader and inter-disciplinary way. This will help you analyse problems - some might be familiar to you but some totally new - suggest and account for possible 'solutions' but also to define new problem areas. Below you find some suggested questions that can help you conduct critical reading and to help you summaries the article.

- What is the main research focus/question?
- What is the knowledge gap the article tries to fill? (e.g. What is lacking or not fully explored in previous research?)
- What kind of references does the article draw on?
- What are the main arguments developed in the article?
- What evidence does the article use to support its claims?
- What connections or 'hooks' are constructed to link evidence to claims?
- What are the main results from the research?
- What are the limitations of the findings?

Essay Format Writing (PART C)

- **Title**
- **Introduction**
- **Review of Literature**
- **Discussion & Conclusion**
- **References**

IMPORTANT

- Ensure that you provide complete references for articles, books and other sources that you have cited in the body of your essay. Harvard referencing system is preferable.
- The essay must be submitted to the Online Course Submission (OCS) Server (FASER) latest by 09:00hrs, **November 27, 2017**. See further submission details on Moodle.
- More information concerning late submission of coursework or absence from in-class tests, can be found here: <https://www1.essex.ac.uk/students/exams-and-coursework/late-submission.aspx>
- University Regulation 6.21: It is an academic offence for a student to engage in unfair academic practices or to cheat in any examination, or in any other submitted part of his or her University work, whether or not such work is formally assessed. A student may be found guilty of an academic offence whether or not there has been intention to deceive; that is, a judgement that negligence has occurred is sufficient to determine guilt. See more information of academic offences here: <http://www.essex.ac.uk/about/governance/regulations/affairs.aspx#cheating>