

# Master of Business Administration

## MANAGEMENT ACCOUNTING Cost Strategy and Financial Interpretation COA9X01

---

### LAST ASSESSMENT OPPORTUNITY CASE STUDY ASSIGNMENT

---

**Due date: Submit 5 June 2021 at 12:00 with the exam answer sheet**

**Examiner:** Dr Adele Oosthuizen (UJ)  
**External Moderator:** Mr Ian Short (NWU)

#### INSTRUCTIONS:

- You must research and answer the questions relating Eazy Sleep case study.
- Your assignment, excluding the front page and list of references, is not allowed to exceed 5 pages (Arial 11, 1.15 spacing)
- The assignment must be submitted with the exam answer sheet on 5 June.
- Sources must be referenced, and a list of references provided.
- The assignment will be checked for plagiarism.

**SECTION 2 – CASE STUDY ASSIGNMENT****[50 MARKS]****QUESTION ONE – STRATEGIC MANAGEMENT ACCOUNTING AND DASHBOARDS**

Stephan Landsdown, the accountant at Eazy Sleep, provides the management team with monthly management reporting packs. Stephan takes two weeks to prepare the packs containing the following:

- A profit and loss statement printed from the company's software package. The document provides the profit and loss for the month, the year to date figures and the budget;
- A monthly cash flow statement and the statement of financial position;
- A sales variance report which details the actual sales, cost of sales, and gross margin per type of bed and mattress versus the budget and the variance to date;
- A production cost and inventory schedules. These are lengthy printouts from the financial information system providing all standard cost variances for the month.

You recently attended a presentation on cloud-based accounting software and dashboards as part of your MBA programme. Impressed with the reporting capabilities of the software presented, you concluded that the content and the way in which the management information of Eazy Sleep is reported should be revised.

The following day you scheduled a meeting with Stephan and Thabo to discuss possible changes to the management reporting practices at Eazy Sleep. During the meeting, you are required to:

- 1.1 Critically discuss why the current reporting practice may not provide Eazy Sleep's management with sufficient benefit? **(5 marks)**
- 1.2 Given the company's strategic objectives, business model and industry, recommend what should be included in the reporting pack and how it should be presented. (Use the template below to structure your answer. Include both financial and non-financial indicators)

<b>Strategic area to be managed (Critical success factors)</b>	<b>Justification of why this area should be monitored</b>	<b>How should the CSFs be monitored? (KPIs)</b>	<b>How should the indicators be reported using dashboards or visual aids</b>

**(20 marks)****(TOTAL FOR QUESTION ONE = 25 MARKS)**

## **QUESTION TWO – COST ACCOUNTING**

The company operates a standard absorption costing system using a facility-wide overhead absorption rate based on direct labour-hours for both variable and fixed production overheads. During your meeting, Thabo suggests that Eazy Sleep should investigate activity-based costing as an alternative to standard absorption costing system.

- 2.1 Critically evaluate the appropriateness of Eazy Sleet Beds' current costing system versus an activity-based costing system. **(10 marks)**

**(TOTAL FOR QUESTION TWO = 10 MARKS)**

## **QUESTION THREE – BUDGETING**

After the discussion on the appropriateness of the current costing system, Stephan Landsdown initiated a discussion on developments in budgeting. He mentioned that, to his knowledge, organisations aiming to be more agile utilises a method known as "Beyond budgeting". Beyond budgeting is a concept promoting the radical idea that the shortcomings of the traditional budgeting process can only be overcome by abandoning budgeting altogether" (Beyond Budgeting Round Table, 2003)

Eazy Sleep uses a traditional incremental approach to produce their annual budgets. Although the company operates a participative approach to budgeting, and functional managers are given budget responsibility for their respective areas, the method is not without its flaws. Stephan suggested you investigate the concept for discussion at the next meeting. He referred you to the Beyond Budgeting Round Table website for more information.

You are required to:

- 3.1 Discuss the main criticisms of Eazy Sleep's current budgeting approach. **(5 marks)**
- 3.2 Briefly explain the fundamental principles of the beyond budgeting approach and advise how it could be applied in an organisation such as Eazy Sleep. **(10 marks)**

**(TOTAL FOR QUESTION THREE = 15 MARKS)**

**TOTAL FOR THIS SECTION = 50 MARKS**