

78

by 78 78

Submission date: 10-Dec-2020 05:41PM (UTC+0500)

Submission ID: 1470878025

File name: BUS1AFB_Individual_assignment.docx (15.35K)

Word count: 1121

Character count: 5589

BUS1AFB

Name

Date:

Question one

A. The various factors that needs consideration before making price decision other than the preference of customers are as follow;

Position: Your location is a matter to be considered much keenly. You have to consider you place in the market. You need to clearly have consideration of the quality of the items you want to sell. After making decision on all these, then you will be able to have an idea of the ideal price of your community.

Cost: One has to be informed financially before making a decision on the pricing. Working on the total cost that will be involved in running the entire business is much important before deciding on the ideal price of the commodities.

Competitors: I personally think this is a factor to consider because, being aware of their type of services and products, their type of customers and what attracts customers to them. So all is are key consideration to consider.

Profit: Always, any business owner has to ask himself or herself of the profit he or she will be able to make when deciding price of the various commodities. This will help them place a more competitive price in relation to what they will get as profit as well as what their competitors charge on the same commodity.

B. It is important to understand the preference of customers since it helps know what they need.

It will as well help you know if you are selling the right commodities or not.

C. No. There is no need because customer's choice is paramount.

It is marked based.

Question Two.

A. Business Name: ANK Furniture LTD

Description of the products: Office and Household Furniture

Business Purpose: Design, Manufacture, Distribute and selling of decorative and functional office and household furniture as well as business equipment.

1 Name of the cost	Fixed/Variable	\$ value per item	Explanation as to why fixed or variable
Rent	Fixed	\$15000	Fixed because it does not vary in relation to output
Raw materials (Plywood, Natural wood, adhesives, laminates, plastics etc.)	variable	\$1000 per part	Vary with volume of services and goods generated by the business
Cost of labor	Variable	\$20000	Vary with volume of services and goods generated by the business.

The cost variables are always based on the output delivered. They include commissions, cost of labor and material used. They change over time and is directly associated with business.

Fixed cost on the other hand, always remain in the same stated regardless of the amount of output produced. This includes rent, interest and insurance among others.

B. with the plan of producing about 100 units,

So; to determine the selling price of the produces, I applied the formula;

Selling Price= Total cost + Profit (20%)

Material = 20 per hour

Labor= 20 per hour

$$(20/60 \text{ min}) * 5 = \$1.67 \text{ per unit}$$

Fixed OH= Rent= \$15000, administration=\$50000, expenses=\$20000

Here, will consider fixed OH allocation based on the units number reason being, Number of units is the cost drivers.

Fixed cost per Unite= $(\$ 85000/2000) = \42.5 per unit

So total cost per unit = $\$20 + \$1.67 + \$42.5$

$$= \$64.7$$

Selling price= Total cost + Profit (20%)

Question Three.

Analysis

Based on the ratio profitability of both the Air New Zealand and the Qantas, as well as the data provided, Qantas has higher and better profitability compared to the Air New Zealand. The Qantas compared to the Air New Zealand has appealing activity (Current Assets - Utilization) with the exception in the Inventory conversion to the sales. Has increased profit and investment return and also, the Qantas liquidity compared to that of the Air New Zealand, it is far much better. Qantas has relatively higher debt within the capital structure compared to the Air New Zealand and Consequent less interest covered within the operation income. On the other hand, the market perception concerning the Air New Zealand is far better compared to the Qantas which is the price reflected by digit of the times of the earnings more than the Air New Zealand.

In relation to current and quick ratio, the Air New Zealand performs much better compared with the Qantas at the increased ratio of the liquid assets than the liquid liabilities.

In summation, The Earned price of the Air New Zealand considered as the market cost per share compared to the earning of the Qantas. I can be able to recommend Air New Zealand because, the score is more than that of Qantas in huge parameters and ratios. It is also the preference by investors. Thus showing the increased capitalization of the Air New Zealand in relation to the Qantas earning implying that, its performance are far better regarding this.

Question Four.

A.

Account Rate of return.

The account Rate of return (APR), helps in measuring the profitability expected from the capital investment or the assets in comparison with the cost of the investment initially. The Account Rate of Return is usually useful when making decisions on the capital budgeting.

Decision Rule: It accepts the project if only the ARR matches or it greater compared with the required rate of accounting of return.

Advantage: It is easy and simple to understand.

Disadvantage: It always ignores period when profit earned is twenty percent return rate in the 10 years which might be considered better than the eighteen percent rate of six years.

Payback Period. This is the total time required to recover cost of any investment. In simple terms, it is the period it takes an investment to get to the break-even point. Decision Rule: when the payback is longer, then the risk is as well much higher.

Advantage: when it is short, then the risk is lower.

Disadvantage: Fails considering money flow from subsequent years.

Net present Value: This is the difference between the current cash value of money flow and the current value of money outflow over a certain period. Decision rule: Investors and managers should always just invest on projects.

Advantage: Makes decisions for various companies

Disadvantage: Is not used when comparing different sizes of projects.

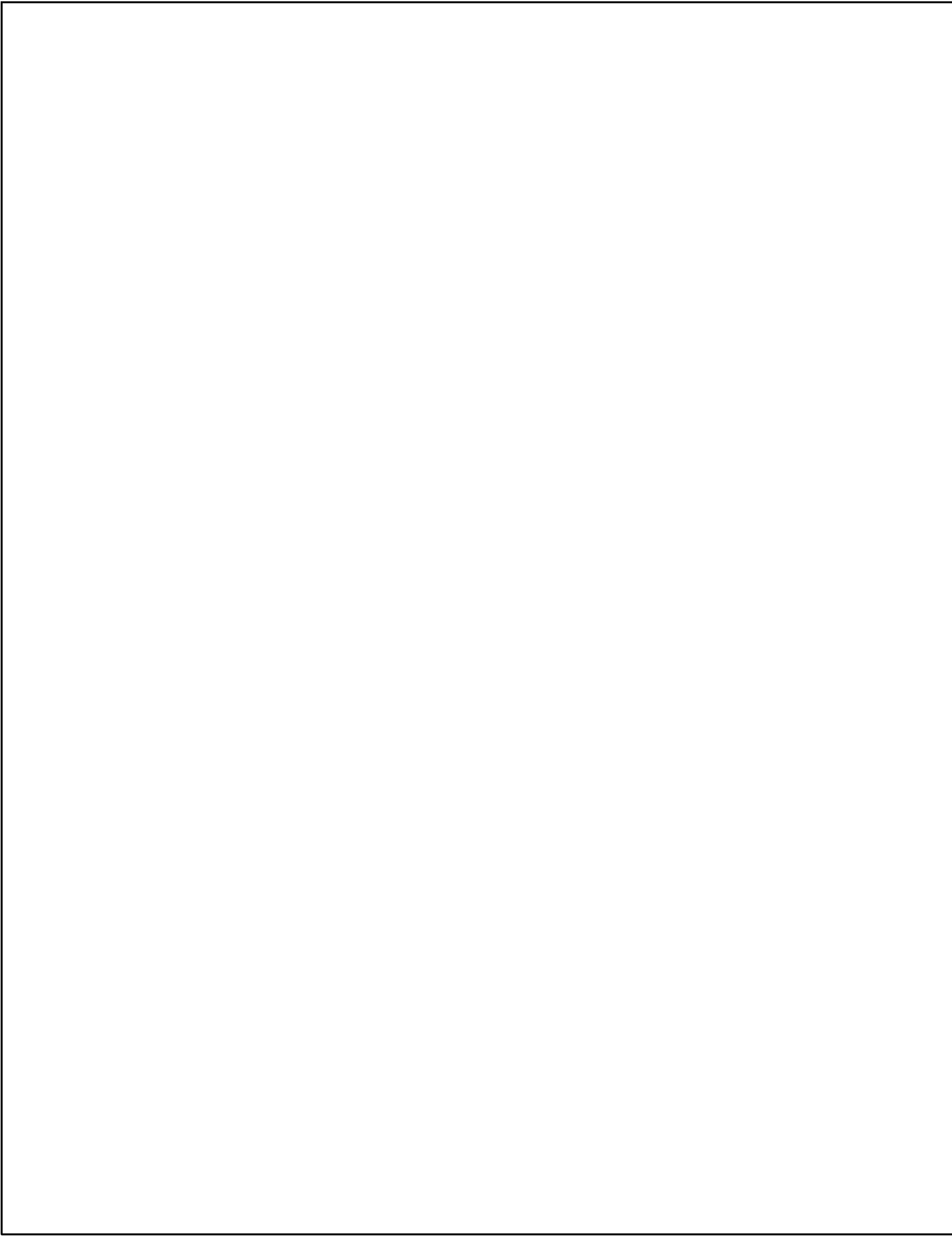
B.

Account Rate of return is accepted reason being, it is based on the information related to accounting.

Payback period is as well accepted because it allows companies to compare various investment opportunities.

Net present Value is useful since its rule assists management to use the Net present Value mathematics when making decision to acquire accompany.

C. Method of payback period used in the estimation of the cost of the business to generate once it starts being operational. Also, the same Net Present value relies on assumptions it makes, this means, any error might lead to an incorrect calculations and this might be very different to recognize until the projects becomes a huge loser of cash.



ORIGINALITY REPORT

2%

SIMILARITY INDEX

0%

INTERNET SOURCES

0%

PUBLICATIONS

2%

STUDENT PAPERS

PRIMARY SOURCES

1

Submitted to La Trobe University

Student Paper

2%

Exclude quotes On

Exclude bibliography On

Exclude matches Off