

22FAGOK – Calculation, operating accounts and operating budget counting individual submission task

The assignment is individual and must be submitted in Canvas according to the stated submission deadline. The maximum permitted length of the answer is 2,000 words. The minimum font size must be Times New Roman 11 points and line spacing 1.15. The entire answer, including attachments, must be submitted in a combined PDF document.

Assessment of the answer will place emphasis on the student's ability to analyze and assess as well as academic understanding. There is no need for a cover page and table of contents. The answer is marked with the following: "Final thesis in economics", class and the student's name.

As this is a final exam, only one grade will be given without justification. However, a proposed solution will be published after the submission deadline.

Business case:

Rørleggeren AS is an old and well-reputed company that supplies services and products within the heating and sanitary area. The company is based in one of the inland towns in Eastern Norway and sees the inland region as its primary market area. The market is segmented into new construction and rehabilitation for private households, business and the public sector respectively. In appendix 1 there are profit and loss accounts, balance sheet accounts and calculating key figures for the period 2018 to 2022. In addition, interest costs and annual investments are specified.

Operationally, the business is divided into a:

- craft/service department that handles all work assignments and development projects
- shop where the company sells equipment and furnishings for bathrooms as well as hot tubs and smaller swimming pools for both outdoor and indoor use.

The craft/service department, which is led by the general manager, consists of a:

- planning department with 4 engineers who also handle sales of work assignments and projects.
- operations department with an operations manager and 31 plumbers. The most experienced plumbers act as working foremen on larger jobs. The company calculates 1,750 hours per man-year for the plumbers and that they have an invoicing rate of 74%. The latter includes time working foremen spend on management. The average hourly wage for a plumber in the last financial year is NOK 190.

Since the general manager works mostly with the craft/service department, the person's salary is charged to this department. The store has a manager directly under the general manager. Finance and personnel are organized as a staff function with two and a half man-years.

For 2022, income and costs were distributed across the company's departments as follows:

| Operating accounts 2022 in NOK 1,000 | | | | | | | |
|--------------------------------------|-----------------------------------|---------------|---------------|---------------|-----------------------------------|---------------|---------------|
| <i>Rørleggeren AS</i> | <i>craft</i> <i>department</i> | | <i>Shop</i> | | <i>Adminis-</i> <i>tration</i> | <i>Total</i> | |
| Total operating income | 55,551 | 100.0% | 32,399 | 100.0% | | 87,950 | 100.0% |
| Cost of goods (material cost) | 21,852 | 39.3% | 23,489 | 72.5% | | 45,341 | 51.6% |
| Personnel costs plumbers | 18 110 | 32.6% | | 0.0% | | 18 110 | 20.6% |
| Personnel costs other | 4,500 | 8.1% | 3,383 | 10.4% | 1,464 | 9,347 | 10.6% |
| employees Depreciation | 2 184 | 3.9% | 757 | 2.3% | 76 | 3,017 | 3.4% |
| Total other operating costs | 4 192 | 7.5% | 2,978 | 9.2% | 789 | 7,959 | 9.0% |
| Total operating costs | 50,838 | 91.5% | 30,607 | 94.5% | 2,329 | 83,774 | 95.3% |
| Operating profit | 4,713 | 8.5% | 1 792 | 5.5% | - 2,329 | 4 176 | 4.7% |
| Net financial items | | 0.0% | | 0.0% | 1,047 | 1,047 | 1.2% |
| Result before taxes | 4,713 | 8.5% | 1 792 | 5.5% | - 3,376 | 3 129 | 3.6% |

The company's personnel costs include 42% in social costs and the cost of goods includes 3.5% in material waste.

Adm (administration) includes the finance and personnel function in the company.

Task:

1. Based on the accounting figures for 2022, calculate what hourly price (invoice price per hour excluding materials and VAT) Rørleggeren AS should invoice the customer for assignments carried out by the craft/service department. In the craft department, a profit of 5% is added to the materials used in the service delivery. Explain how you have calculated and why and refer to theory.

Tip: Sort out what information you train. As the administration does not have its own income, the costs must be distributed in a reasonable way between the crafts department and the shop.

2. Rørleggeren AS has received a request for a work assignment. You calculate material consumption (including wastage) at NOK 48,000 ex VAT and a time consumption of 185 hours. Based on task 1, show and describe how you think the Plumber should calculate this request.
3. In the store, the plumber uses a fixed gross profit on all products. A bathtub has an input cost of NOK 5,000, what is the retail price in a shop including VAT. Explain how you have calculated and why and refer to theory.
4. You will start creating a profit budget for 2022 for Rørleggeren AS. Briefly describe how you will begin the budget process and organize it.
 - What will you use as a starting point and data basis for budgeting the various income and costs?
 - What kind of information do you need to obtain and how will you use this information in the budget work