

Case study assignment



**ASSIGN
BUSTER**

In this activity, you will solve a case out of your textbook, *Managerial Accounting*. The intent of the Case Studies is to show how to analyze module related managerial accounting financial data in an organizations setting. For this case study, you will be able to demonstrate your ability to correctly calculate costs using the high-low method and least-square method. Your second Case Study will be Case 6-49: Comparing Multiple Cost Estimation Methods: Ethics. This case can be found at the ND of Chapter 6.

The primary focus of this case study is the understanding and application of fixed costs, variable costs, the least-squares method, and the high-low method. Your assignment is to complete the requirements identified for Case 6-49: 1-4. . High-low method: Variable administrative cost per patient = Total cost at 1, 500 patients-\$16, 100 Variable cost at 1, 500 patients? 1 5, 000 Fixed cost per month=\$1 , 100 Cost formula: Total monthly administrative cost = \$1, 100 + \$XX, where X is the number of patients for the month.

The variable cost per patient is \$10. A. Variable cost per patient= . 957909 or \$10 rounded. B. RE or correlation of the coefficient is . 91759. Since it is very close to one it means that my model is a good one. 3. Memorandum
Date: November 3, 2013 To: Jeffrey Mahoney, Administrator From: Valerie Delayers Subject: Cost comparison of estimates for clinic administrative
Using three alternative cost-estimation methods to estimate the pediatric clinic's administrative cost behavior it is determined that in the first year the fluctuation was too great.

The results of these three approaches are shown below. Be advised in each formula, X denotes the number of patients in a month. (a) Least-squares

regression method: Total monthly administrative cost = \$2,671 + \$7.81 X

(b) High-low method: Total monthly administrative cost = \$1,100 + \$XX (c)

Scatter Diagram and Visual-fit method: Total monthly administrative cost = \$7,000 + \$3.XX It is expected that the patient loads will be in the range of 600 to 1,200 patients per month.

The cost estimates differ so greatly because two of the methods (least-squares and high-low) used data from outside the relevant range of activity.

In this instance, the visually-fitted cost line probably provides the best estimate. It is my recommendation to proceed using the visual-fit method.

31st Regards, I would advise her to be up Toronto about all the methods that were used and present them maybe in a discreet way to those in power; if she was nervous to go against Mahoney. If she was not nervous, then I would advise her to present the full findings in front of him.