

Intermediate Level

Management Accounting –
Decision Making

9

IDEC

26 May 2004

Wednesday afternoon

INSTRUCTIONS TO CANDIDATES

Read this page before you look at the questions

You are allowed three hours to answer this question paper.

Answer the ONE question in section A (this has 7 sub-questions, and is on pages 2 – 7).

Answer the ONE question in section B (this is on pages 8 and 9).

Answer ONE question ONLY from section C (these questions are on pages 10 – 12).

Answer ONE question ONLY from section D (these questions are on pages 14 and 15).

Maths tables and formulae are provided on pages 17 to 21.

Write your full examination number, paper number and the examination subject title in the spaces provided on the front of the examination answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.

Write your examination number on the special answer sheet for section A which is on page 3 of this question paper booklet.

Detach the sheet from the booklet and insert it into your answer book before you hand this in.

Tick the appropriate boxes on the front of the answer book to indicate which questions you have answered.

TURN OVER

SECTION A — 20 MARKS
ANSWER ALL SEVEN SUB-QUESTIONS

Each of the sub-questions numbered from 1.1 to 1.7 inclusive, given below, has only ONE correct answer.

Required:

On the SPECIAL ANSWER SHEET opposite, place a circle "O" around the letter that gives the correct answer to each sub-question.

If you wish to change your mind about an answer, block out your first answer completely and then circle another letter. You will not receive marks if more than one letter is circled.

Please note that you will not receive marks for any workings to these sub-questions.

You must detach the special answer sheet from the question paper and attach it inside the front cover of your answer book before you hand it to the invigilators at the end of the examination.

Question One

The following data relate to both questions 1.1 and 1.2 which is on page 5

TT Ltd has been asked to quote for a special contract. The following information is available.

Material X:

| <i>Book value</i> | <i>Scrap value</i> | <i>Replacement cost</i> |
|-------------------|--------------------|-------------------------|
| £5.00 per kg | £0.50 per kg | £5.50 per kg |

The special contract would require 10 kgs of Material X. There are 250 kgs of this material in stock which was purchased in error over two years ago. It has just been noticed that if Material X is modified, at a cost of £2 per kg, it could then be used as a substitute for Material Y which is in regular use and currently costs £6 per kg.

Labour

The special contract would require 100 hours of labour. However, the labourers, who are each paid £15 per hour, are working at full capacity. There is a shortage of labour in the market and therefore the labour required to undertake this special contract would have to be taken from another contract, Z, which currently utilises 500 hours of labour and generates £5,000 worth of contribution. If the labour were taken from contract Z, then the whole of contract Z would have to be delayed, and such delay would invoke a penalty fee of £1,000.

1.1 The relevant cost of the materials for the special contract is

- A £5
- B £35
- C £40
- D £50
- E £55

(2 marks)

**Management Accounting
Decision Making**

Write your full examination number below:

| | | | | |
|--------------|--|--|--|--|
| Centre Code: | | | | |
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MAY 2004 EXAMINATION

| | | | |
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| Venue Code: | | | |
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SPECIAL ANSWER SHEET FOR SECTION A

| | | | | |
|--------------|--|--|--|--|
| Desk Number: | | | | |
|--------------|--|--|--|--|

| | | | | | |
|------------|----------|----------|----------|----------|----------|
| 1.1 | A | B | C | D | E |
| 1.2 | A | B | C | D | E |
| 1.3 | A | B | C | D | E |
| 1.4 | A | B | C | D | E |
| 1.5 | A | B | C | D | E |
| 1.6 | A | B | C | D | E |
| 1.7 | A | B | C | D | E |

You must detach the special answer sheet from the question paper and attach it to the inside front cover of your answer book before you hand it in to the invigilators at the end of the examination.

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1.2 The relevant cost of the labour for the special contract is:

- A** £1,500
- B** £2,500
- C** £3,500
- D** £6,500
- E** £7,500

(2 marks)

1.3 Market research has revealed that the maximum demand for Product P is 100,000 units per annum and that demand will reduce by 1,000 units for every £20 increase in selling price. The profit maximising level of sales for Product P for the coming year is 70,000 units.

The selling price of each of the units at the profit maximising level of sales will be

- A** £400
- B** £600
- C** £900
- D** £1,100
- E** £1,300

(3 marks)

Section A continues on the next page

TURN OVER

The following data relate to questions 1.4 and 1.5

TM sells theatre tickets. The data below relate to four different ticket prices that the company sold during the last year.

| | <i>Ticket type J</i> | <i>Ticket type K</i> | <i>Ticket type L</i> | <i>Ticket type M</i> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Standard information: | | | | |
| Selling price per ticket | £12 | £15 | £17 | £21 |
| Budgeted ticket sales (units) | 5,000 | 7,500 | 6,000 | 4,000 |
| Actual results for the year: | | | | |
| Ticket sales (units) | 5,500 | 5,625 | 6,500 | 4,750 |

It was forecast that TM would have 25% of the estimated total market of 90,000 tickets.

The actual market size was 85,000 tickets.

1.4 The total sales mix revenue variance is nearest to

- A** £695 Favourable
- B** £1,881 Favourable
- C** £3,781 Favourable
- D** £4,117 Favourable
- E** £5,681 Favourable

(3 marks)

1.5 The market size revenue variance is nearest to

- A** £13,541 Adverse
- B** £19,917 Adverse
- C** £20,313 Adverse
- D** £20,709 Adverse
- E** £21,125 Adverse

(3 marks)

1.6 Data relating to the production of the first sixteen batches of a new product are as follows:

| <i>Cumulative number of batches</i> | <i>Cumulative total hours</i> |
|-------------------------------------|-------------------------------|
| 1 | 1,562.5 |
| 16 | 12,800 |

The percentage learning effect is closest to:

- A** 45%
- B** 55%
- C** 65%
- D** 75%
- E** 85%

(3 marks)

- 1.7 A company produces two products: X and Y. The standard variable costs per unit of the products are as follows

| | X | Y |
|-----------------------|-----------|-----------|
| | £ | £ |
| Materials (£3 per kg) | 15 | 12 |
| Other variable costs | <u>45</u> | <u>50</u> |
| Total variable costs | <u>60</u> | <u>62</u> |

The Management Accountant determined the optimal production plan by using graphical linear programming. He noticed that the optimal plan was given at any point on the part of the feasible region that was formed by the constraint line for the availability of materials.

If the selling price of Product X is £100, the selling price of Product Y is

- A £44
- B £50
- C £80
- D £94
- E £104

(4 marks)

(Total = 20 marks)

End of section A

Section B is on the next two pages

TURN OVER

SECTION B – 30 MARKS

ANSWER THIS QUESTION, showing supporting calculations where appropriate

Question Two

SS Ltd is an internet service provider and also stores and transmits client data over the Internet via its server infrastructure. SS Ltd generates approximately £100,000 in contribution each year from these services to clients.

Because of technical advances in information technology, the existing server infrastructure will shortly become obsolete, and the company is considering what to do. The maintenance of this server infrastructure costs £24,000 per annum and is paid in advance at the beginning of each year. The server infrastructure has been fully written off but has a scrap value of £3,000. A technical consultant hired at a cost of £5,000, prepared a report outlining that two possible replacement server infrastructures are available on the market. The details of each alternative are as follows:

| | <i>Alternative 1</i> | <i>Alternative 2</i> |
|---------------------------------------|----------------------|----------------------|
| Initial cost | £100,000 | £100,000 |
| Estimated useful life | 3 years | 5 years |
| Scrap value | £5,000 | £3,000 |
| Annual maintenance costs (in advance) | £24,000 | £30,000 |
| Annual contributions | £100,000 | £105,000 |

SS Ltd incurs 30% tax on corporate profits. Writing down allowances are allowed at 25% each year on a reducing balance basis. At the end of the server infrastructure's life, a balancing charge or allowance will arise equal to the difference between the scrap proceeds and the tax written down value. Corporation tax is to be paid in two equal instalments: one in the year that profits are earned and the other in the following year.

SS Ltd's after tax nominal (money) discount rate is 12%.

You can assume that all cash flows occur at the end of each year unless otherwise stated.

[question two continues on the next page]

Required:

- (a) Calculate for each alternative the net present value and annual equivalent cost. Advise senior management which server infrastructure to purchase, stating any assumptions you have made.

(15 marks)

- (b) Discuss the limitations of the net present value approach and the equivalent annual cost approach when appraising this type of investment.

(5 marks)

- (c) (i) Briefly explain the purpose and limitations of sensitivity analysis in relation to investment appraisal.

(4 marks)

- (ii) Calculate the sensitivity of your recommendation to changes in the contribution generated by Alternative 1, and discuss its relevance to the decision.

(6 marks)

(Total = 30 marks)

End of section B

Section C starts on the next page

TURN OVER

SECTION C – 25 MARKS

ANSWER ONE QUESTION ONLY, showing supporting calculations where appropriate

Question Three

BG manufacture bicycles. It decided to sponsor a cycling team and as part of the sponsorship deal it agreed to manufacture 120 custom-built bicycles for the team.

The following information was collated in order to estimate the cost of the bicycles:

Labour

Specialist labour would be used to build the bicycles. Based on previous experience of this type of order, it was estimated that labour was subject to a learning curve effect of 80%. The labour requirement for the first batch of 30 bicycles was estimated to be 720 hours. Employees are each paid at \$25 per hour.

Materials

The direct material cost per bicycle was estimated to be \$7,500. It was expected that due to the improved efficiency with which the materials are used, this cost would fall by 2.5% for every 30 bicycles made after the initial batch.

Variable overhead

This was estimated at 75% of labour cost.

Fixed overhead

The budgeted allocated fixed production overheads for the bicycles were \$25,000.

Actual cost

BG has now manufactured the 120 custom-built bicycles for the cycling team and the actual costs of the bicycles were as follows:

| | |
|----------------------------|---------|
| | \$ |
| Material cost | 850,000 |
| Labour cost – 1,600 hours | 38,400 |
| Variable overhead incurred | 36,000 |
| Fixed overhead incurred | 22,000 |

You can assume there were no opening or closing stocks of materials during the period.

BG operates a standard marginal costing system.

[the requirements for question three are on the next page]

Required:

- (a) (i) Prepare a statement, detailing the variances, which reconciles the expected cost and the actual cost of producing 120 bicycles if the standard cost had been based on the average time to build a bicycle in the first batch, that is 24 hours per bicycle.
(5 marks)
- (ii) For operational control reasons, management wishes to incorporate the learning curve effect into the labour variance calculations. Recalculate the labour variances to show both the planning and operational elements.
(10 marks)
- (b) Calculate the total labour cost expected for producing the third batch of the custom-built bicycles, taking into account the learning curve effect.
(5 marks)
- (c) Discuss the implications of the learning and experience curves for planning, control and decision making within BG.
(5 marks)
- (Total = 25 marks)
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Section C continues on the next page

TURN OVER

Question Four

RY Ltd, a transatlantic airline company, has recently launched a low-cost airline company providing flights within Europe. The market is highly competitive and two other low-cost airlines, B Ltd and G Ltd, together hold 98% of the market.

RY Ltd commissioned some market research to help with the pricing decision for one route, London to Paris, which it is thinking of offering. The research identified three possible market states and the likely number of passengers that would be attracted at three price levels on this route.

| <i>Ticket price</i> | | <i>£80</i> | <i>£90</i> | <i>£100</i> |
|---------------------|--------------------|------------------------|------------------------|------------------------|
| <i>Market</i> | <i>Probability</i> | <i>Passenger seats</i> | <i>Passenger seats</i> | <i>Passenger seats</i> |
| Pessimistic | 0.2 | 80 | 60 | 30 |
| Most likely | 0.6 | 100 | 90 | 80 |
| Optimistic | 0.2 | 150 | 150 | 120 |

Airport charges are incurred for each customer and these are expected to be either £5 or £6 per customer depending on the negotiations with the airports involved. The probabilities for the airport charges are 0.6 for an airport charge of £5 per passenger and 0.4 for an airport charge of £6 per passenger.

The fixed costs of a flight from London to Paris are £4,422.

Required:

- (a) Use decision tree analysis to advise RY Ltd on the optimum selling price to set. (10 marks)
- (b) (i) If RY Ltd knew that there would be a pessimistic market, which price should it charge in order to maximise profit? (3 marks)
- (ii) The market research company has now stated that by performing further analysis, it will be able to accurately predict the state of the market. What is the maximum price that RY Ltd should pay for this further analysis? (7 marks)
- (c) Discuss the limitations of basing this decision on expected value calculations. (5 marks)

(Total = 25 marks)

End of section C

Section D starts on the next page

TURN OVER

SECTION D – 25 MARKS

ANSWER ONE QUESTION ONLY

Question Five

PQR is a company that develops bespoke educational computer software. The company is based in Germany. It has recently acquired two companies: W and Z.

W is a well-established company that is also based in Germany. It develops educational computer software and was a direct competitor of PQR.

Z, which is based in Malaysia, is a new but rapidly growing company that develops off the shelf educational software and also produces CD ROMs. Z was acquired so that it could produce CD ROMs for PQR and W.

The Managing Director of PQR has now realised that the acquisition of these two companies will cause problems for him in terms of planning, control and decision making. He is thinking of implementing a decentralised structure but is unsure of the advantages and disadvantages of such a structure, of how much autonomy to grant the new companies, and also which performance measure to use to appraise their performance. Consequently he has contacted you, the Finance Director of PQR, for help.

Required:

Write a report to the Managing Director which:

- (i) explains the advantages and disadvantages that would be experienced by PQR in operating a decentralised structure;
(6 marks)
- (ii) explains which types of responsibility centres you would recommend as being most appropriate for W and Z in a decentralised structure;
(6 marks)
- (iii) critically evaluates the possible use of the financial performance measures "return on capital employed" and "residual income" for the decentralised structure of PQR;
(8 marks)
- (iv) discusses the issues that need to be considered in relation to setting transfer prices for transfers made from Z to PQR and W.
(5 marks)

(Total = 25 marks)

Section D continues on the next page

Question Six

Organisations have embraced new technologies and manufacturing strategies to maintain and improve their competitive advantages. In order to provide appropriate information for planning, control and decision making in these modern environments, new costing systems and techniques have evolved. These new systems and techniques have challenged many of the assumptions that underpinned traditional systems and include:

- throughput accounting;
- target costing;
- life cycle costing

Required:

Discuss the relevance and value of each of these techniques for providing appropriate information for planning, control and decision making.

(Total = 25 marks)

End of paper

Maths tables and formulae follow

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LOGARITHMS

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|----|------|------|------|------|------|------|------|------|------|------|---|---|----|----|----|----|----|----|----|
| 10 | 0000 | 0043 | 0086 | 0128 | 0170 | | | | | | 4 | 9 | 13 | 17 | 21 | 26 | 30 | 34 | 38 |
| | | | | | | 0212 | 0253 | 0294 | 0334 | 0374 | 4 | 8 | 12 | 16 | 20 | 24 | 28 | 32 | 37 |
| 11 | 0414 | 0453 | 0492 | 0531 | 0569 | | | | | | 4 | 8 | 12 | 15 | 19 | 23 | 27 | 31 | 35 |
| | | | | | | 0607 | 0645 | 0682 | 0719 | 0755 | 4 | 7 | 11 | 15 | 19 | 22 | 26 | 30 | 33 |
| 12 | 0792 | 0828 | 0864 | 0899 | 0934 | 0969 | | | | | 3 | 7 | 11 | 14 | 18 | 21 | 25 | 28 | 32 |
| | | | | | | | 1004 | 1038 | 1072 | 1106 | 3 | 7 | 10 | 14 | 17 | 20 | 24 | 27 | 31 |
| 13 | 1139 | 1173 | 1206 | 1239 | 1271 | | | | | | 3 | 7 | 10 | 13 | 16 | 20 | 23 | 26 | 30 |
| | | | | | | 1303 | 1335 | 1367 | 1399 | 1430 | 3 | 7 | 10 | 12 | 16 | 19 | 22 | 25 | 29 |
| 14 | 1461 | 1492 | 1523 | 1553 | | | | | | | 3 | 6 | 9 | 12 | 15 | 18 | 21 | 24 | 28 |
| | | | | | 1584 | 1614 | 1644 | 1673 | 1703 | 1732 | 3 | 6 | 9 | 12 | 15 | 17 | 20 | 23 | 26 |
| 15 | 1761 | 1790 | 1818 | 1847 | 1875 | 1903 | | | | | 3 | 6 | 9 | 11 | 14 | 17 | 20 | 23 | 26 |
| | | | | | | | 1931 | 1959 | 1987 | 2014 | 3 | 5 | 8 | 11 | 14 | 16 | 19 | 22 | 25 |
| 16 | 2041 | 2068 | 2095 | 2122 | 2148 | | | | | | 3 | 5 | 8 | 11 | 14 | 16 | 19 | 22 | 24 |
| | | | | | | 2175 | 2201 | 2227 | 2253 | 2279 | 3 | 5 | 8 | 10 | 13 | 15 | 18 | 21 | 23 |
| 17 | 2304 | 2330 | 2355 | 2380 | 2405 | 2430 | | | | | 3 | 5 | 8 | 10 | 13 | 15 | 18 | 20 | 23 |
| | | | | | | | 2455 | 2480 | 2504 | 2529 | 2 | 5 | 7 | 10 | 12 | 15 | 17 | 19 | 22 |
| 18 | 2553 | 2577 | 2601 | 2625 | 2648 | | | | | | 2 | 5 | 7 | 9 | 12 | 14 | 16 | 19 | 21 |
| | | | | | | 2672 | 2695 | 2718 | 2742 | 2765 | 2 | 5 | 7 | 9 | 11 | 14 | 16 | 18 | 21 |
| 19 | 2788 | 2810 | 2833 | 2856 | 2878 | | | | | | 2 | 4 | 7 | 9 | 11 | 13 | 16 | 18 | 20 |
| | | | | | | 2900 | 2923 | 2945 | 2967 | 2989 | 2 | 4 | 6 | 8 | 11 | 13 | 15 | 17 | 19 |
| 20 | 3010 | 3032 | 3054 | 3075 | 3096 | 3118 | 3139 | 3160 | 3181 | 3201 | 2 | 4 | 6 | 8 | 11 | 13 | 15 | 17 | 19 |
| 21 | 3222 | 3243 | 3263 | 3284 | 3304 | 3324 | 3345 | 3365 | 3385 | 3404 | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 16 | 18 |
| 22 | 3424 | 3444 | 3464 | 3483 | 3502 | 3522 | 3541 | 3560 | 3579 | 3598 | 2 | 4 | 6 | 8 | 10 | 12 | 14 | 15 | 17 |
| 23 | 3617 | 3636 | 3655 | 3674 | 3692 | 3711 | 3729 | 3747 | 3766 | 3784 | 2 | 4 | 6 | 7 | 9 | 11 | 13 | 15 | 17 |
| 24 | 3802 | 3820 | 3838 | 3856 | 3874 | 3892 | 3909 | 3927 | 3945 | 3962 | 2 | 4 | 5 | 7 | 9 | 11 | 12 | 14 | 16 |
| 25 | 3979 | 3997 | 4014 | 4031 | 4048 | 4065 | 4082 | 4099 | 4116 | 4133 | 2 | 3 | 5 | 7 | 9 | 10 | 12 | 14 | 15 |
| 26 | 4150 | 4166 | 4183 | 4200 | 4216 | 4232 | 4249 | 4265 | 4281 | 4298 | 2 | 3 | 5 | 7 | 8 | 10 | 11 | 13 | 15 |
| 27 | 4314 | 4330 | 4346 | 4362 | 4378 | 4393 | 4409 | 4425 | 4440 | 4456 | 2 | 3 | 5 | 6 | 8 | 9 | 11 | 13 | 14 |
| 28 | 4472 | 4487 | 4502 | 4518 | 4533 | 4548 | 4564 | 4579 | 4594 | 4609 | 2 | 3 | 5 | 6 | 8 | 9 | 11 | 12 | 14 |
| 29 | 4624 | 4639 | 4654 | 4669 | 4683 | 4698 | 4713 | 4728 | 4742 | 4757 | 1 | 3 | 4 | 6 | 7 | 9 | 10 | 12 | 13 |
| 30 | 4771 | 4786 | 4800 | 4814 | 4829 | 4843 | 4857 | 4871 | 4886 | 4900 | 1 | 3 | 4 | 6 | 7 | 9 | 10 | 11 | 13 |
| 31 | 4914 | 4928 | 4942 | 4955 | 4969 | 4983 | 4997 | 5011 | 5024 | 5038 | 1 | 3 | 4 | 6 | 7 | 8 | 10 | 11 | 12 |
| 32 | 5051 | 5065 | 5079 | 5092 | 5105 | 5119 | 5132 | 5145 | 5159 | 5172 | 1 | 3 | 4 | 5 | 7 | 8 | 9 | 11 | 12 |
| 33 | 5185 | 5198 | 5211 | 5224 | 5237 | 5250 | 5263 | 5276 | 5289 | 5302 | 1 | 3 | 4 | 5 | 6 | 8 | 9 | 10 | 12 |
| 34 | 5315 | 5328 | 5340 | 5353 | 5366 | 5378 | 5391 | 5403 | 5416 | 5428 | 1 | 3 | 4 | 5 | 6 | 8 | 9 | 10 | 11 |
| 35 | 5441 | 5453 | 5465 | 5478 | 5490 | 5502 | 5514 | 5527 | 5539 | 5551 | 1 | 2 | 4 | 5 | 6 | 7 | 9 | 10 | 11 |
| 36 | 5563 | 5575 | 5587 | 5599 | 5611 | 5623 | 5635 | 5647 | 5658 | 5670 | 1 | 2 | 4 | 5 | 6 | 7 | 8 | 10 | 11 |
| 37 | 5682 | 5694 | 5705 | 5717 | 5729 | 5740 | 5752 | 5763 | 5775 | 5786 | 1 | 2 | 3 | 5 | 6 | 7 | 8 | 9 | 10 |
| 38 | 5798 | 5809 | 5821 | 5832 | 5843 | 5855 | 5866 | 5877 | 5888 | 5899 | 1 | 2 | 3 | 5 | 6 | 7 | 8 | 9 | 10 |
| 39 | 5911 | 5922 | 5933 | 5944 | 5955 | 5966 | 5977 | 5988 | 5999 | 6010 | 1 | 2 | 3 | 4 | 5 | 7 | 8 | 9 | 10 |
| 40 | 6021 | 6031 | 6042 | 6053 | 6064 | 6075 | 6085 | 6096 | 6107 | 6117 | 1 | 2 | 3 | 4 | 5 | 6 | 8 | 9 | 10 |
| 41 | 6128 | 6138 | 6149 | 6160 | 6170 | 6180 | 6191 | 6201 | 6212 | 6222 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 42 | 6232 | 6243 | 6253 | 6263 | 6274 | 6284 | 6294 | 6304 | 6314 | 6325 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 43 | 6335 | 6345 | 6355 | 6365 | 6375 | 6385 | 6395 | 6405 | 6415 | 6425 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 44 | 6435 | 6444 | 6454 | 6464 | 6474 | 6484 | 6493 | 6503 | 6513 | 6522 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 45 | 6532 | 6542 | 6551 | 6561 | 6571 | 6580 | 6590 | 6599 | 6609 | 6618 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 46 | 6628 | 6637 | 6646 | 6656 | 6665 | 6675 | 6684 | 6693 | 6702 | 6712 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 7 | 8 |
| 47 | 6721 | 6730 | 6739 | 6749 | 6758 | 6767 | 6776 | 6785 | 6794 | 6803 | 1 | 2 | 3 | 4 | 5 | 5 | 6 | 7 | 8 |
| 48 | 6812 | 6821 | 6830 | 6839 | 6848 | 6857 | 6866 | 6875 | 6884 | 6893 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 7 | 8 |
| 49 | 6902 | 6911 | 6920 | 6928 | 6937 | 6946 | 6955 | 6964 | 6972 | 6981 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 7 | 8 |

LOGARITHMS

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|----|------|------|------|------|------|------|------|------|------|------|---|---|---|---|---|---|---|---|---|
| 50 | 6990 | 6998 | 7007 | 7016 | 7024 | 7033 | 7042 | 7050 | 7059 | 7067 | 1 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 8 |
| 51 | 7076 | 7084 | 7093 | 7101 | 7110 | 7118 | 7126 | 7135 | 7143 | 7152 | 1 | 2 | 3 | 3 | 4 | 5 | 6 | 7 | 8 |
| 52 | 7160 | 7168 | 7177 | 7185 | 7193 | 7202 | 7210 | 7218 | 7226 | 7235 | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 7 | 7 |
| 53 | 7243 | 7251 | 7259 | 7267 | 7275 | 7284 | 7292 | 7300 | 7308 | 7316 | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 6 | 7 |
| 54 | 7324 | 7332 | 7340 | 7348 | 7356 | 7364 | 7372 | 7380 | 7388 | 7396 | 1 | 2 | 2 | 3 | 4 | 5 | 6 | 6 | 7 |
| 55 | 7404 | 7412 | 7419 | 7427 | 7435 | 7443 | 7451 | 7459 | 7466 | 7474 | 1 | 2 | 2 | 3 | 4 | 5 | 5 | 6 | 7 |
| 56 | 7482 | 7490 | 7497 | 7505 | 7513 | 7520 | 7528 | 7536 | 7543 | 7551 | 1 | 2 | 2 | 3 | 4 | 5 | 5 | 6 | 7 |
| 57 | 7559 | 7566 | 7574 | 7582 | 7589 | 7597 | 7604 | 7612 | 7619 | 7627 | 1 | 2 | 2 | 3 | 4 | 5 | 5 | 6 | 7 |
| 58 | 7634 | 7642 | 7649 | 7657 | 7664 | 7672 | 7679 | 7686 | 7694 | 7701 | 1 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 7 |
| 59 | 7709 | 7716 | 7723 | 7731 | 7738 | 7745 | 7752 | 7760 | 7767 | 7774 | 1 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 7 |
| 60 | 7782 | 7789 | 7796 | 7803 | 7810 | 7818 | 7825 | 7832 | 7839 | 7846 | 1 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 6 |
| 61 | 7853 | 7860 | 7868 | 7875 | 7882 | 7889 | 7896 | 7903 | 7910 | 7917 | 1 | 1 | 2 | 3 | 4 | 4 | 5 | 6 | 6 |
| 62 | 7924 | 7931 | 7938 | 7945 | 7952 | 7959 | 7966 | 7973 | 7980 | 7987 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 6 | 6 |
| 63 | 7993 | 8000 | 8007 | 8014 | 8021 | 8028 | 8035 | 8041 | 8048 | 8055 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 5 | 6 |
| 64 | 8062 | 8069 | 8075 | 8082 | 8089 | 8096 | 8102 | 8109 | 8116 | 8122 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 5 | 6 |
| 65 | 8129 | 8136 | 8142 | 8149 | 8156 | 8162 | 8169 | 8176 | 8182 | 8189 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 5 | 6 |
| 66 | 8195 | 8202 | 8209 | 8215 | 8222 | 8228 | 8235 | 8241 | 8248 | 8254 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 5 | 6 |
| 67 | 8261 | 8267 | 8274 | 8280 | 8287 | 8293 | 8299 | 8306 | 8312 | 8319 | 1 | 1 | 2 | 3 | 3 | 4 | 5 | 5 | 6 |
| 68 | 8325 | 8331 | 8338 | 8344 | 8351 | 8357 | 8363 | 8370 | 8376 | 8382 | 1 | 1 | 2 | 3 | 3 | 4 | 4 | 5 | 6 |
| 69 | 8388 | 8395 | 8401 | 8407 | 8414 | 8420 | 8426 | 8432 | 8439 | 8445 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 6 |
| 70 | 8451 | 8457 | 8463 | 8470 | 8476 | 8482 | 8488 | 8494 | 8500 | 8506 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 6 |
| 71 | 8513 | 8519 | 8525 | 8531 | 8537 | 8543 | 8549 | 8555 | 8561 | 8567 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 5 |
| 72 | 8573 | 8579 | 8585 | 8591 | 8597 | 8603 | 8609 | 8615 | 8621 | 8627 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 5 |
| 73 | 8633 | 8639 | 8645 | 8651 | 8657 | 8663 | 8669 | 8675 | 8681 | 8686 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 5 |
| 74 | 8692 | 8698 | 8704 | 8710 | 8716 | 8722 | 8727 | 8733 | 8739 | 8745 | 1 | 1 | 2 | 2 | 3 | 4 | 4 | 5 | 5 |
| 75 | 8751 | 8756 | 8762 | 8768 | 8774 | 8779 | 8785 | 8791 | 8797 | 8802 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 5 |
| 76 | 8808 | 8814 | 8820 | 8825 | 8831 | 8837 | 8842 | 8848 | 8854 | 8859 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 5 | 5 |
| 77 | 8865 | 8871 | 8876 | 8882 | 8887 | 8893 | 8899 | 8904 | 8910 | 8915 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 78 | 8921 | 8927 | 8932 | 8938 | 8943 | 8949 | 8954 | 8960 | 8965 | 8971 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 79 | 8976 | 8982 | 8987 | 8993 | 8998 | 9004 | 9009 | 9015 | 9020 | 9025 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 80 | 9031 | 9036 | 9042 | 9047 | 9053 | 9058 | 9063 | 9069 | 9074 | 9079 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 81 | 9085 | 9090 | 9096 | 9101 | 9106 | 9112 | 9117 | 9122 | 9128 | 9133 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 82 | 9138 | 9143 | 9149 | 9154 | 9159 | 9165 | 9170 | 9175 | 9180 | 9186 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 83 | 9191 | 9196 | 9201 | 9206 | 9212 | 9217 | 9222 | 9227 | 9232 | 9238 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 84 | 9243 | 9248 | 9253 | 9258 | 9263 | 9269 | 9274 | 9279 | 9284 | 9289 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 85 | 9294 | 9299 | 9304 | 9309 | 9315 | 9320 | 9325 | 9330 | 9335 | 9340 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 86 | 9345 | 9350 | 9355 | 9360 | 9365 | 9370 | 9375 | 9380 | 9385 | 9390 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 | 5 |
| 87 | 9395 | 9400 | 9405 | 9410 | 9415 | 9420 | 9425 | 9430 | 9435 | 9440 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 88 | 9445 | 9450 | 9455 | 9460 | 9465 | 9469 | 9474 | 9479 | 9484 | 9489 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 89 | 9494 | 9499 | 9504 | 9509 | 9513 | 9518 | 9523 | 9528 | 9533 | 9538 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 90 | 9542 | 9547 | 9552 | 9557 | 9562 | 9566 | 9571 | 9576 | 9581 | 9586 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 91 | 9590 | 9595 | 9600 | 9605 | 9609 | 9614 | 9619 | 9624 | 9628 | 9633 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 92 | 9638 | 9643 | 9647 | 9652 | 9657 | 9661 | 9666 | 9671 | 9675 | 9680 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 93 | 9685 | 9689 | 9694 | 9699 | 9703 | 9708 | 9713 | 9717 | 9722 | 9727 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 94 | 9731 | 9736 | 9741 | 9745 | 9750 | 9754 | 9759 | 9763 | 9768 | 9773 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 95 | 9777 | 9782 | 9786 | 9791 | 9795 | 9800 | 9805 | 9809 | 9814 | 9818 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 96 | 9823 | 9827 | 9832 | 9836 | 9841 | 9845 | 9850 | 9854 | 9859 | 9863 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 97 | 9868 | 9872 | 9877 | 9881 | 9886 | 9890 | 9894 | 9899 | 9903 | 9908 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 98 | 9912 | 9917 | 9921 | 9926 | 9930 | 9934 | 9939 | 9943 | 9948 | 9952 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |
| 99 | 9956 | 9961 | 9965 | 9969 | 9974 | 9978 | 9983 | 9987 | 9991 | 9996 | 0 | 1 | 1 | 2 | 2 | 3 | 3 | 4 | 4 |

Present value table

Present value of \$1, that is $(1-r)^{-n}$ where r = interest rate; n = number of periods until payment or receipt.

| Periods (n) | Interest rates (r) | | | | | | | | | |
|--------------------|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% |
| 1 | 0.990 | 0.980 | 0.971 | 0.962 | 0.952 | 0.943 | 0.935 | 0.926 | 0.917 | 0.909 |
| 2 | 0.980 | 0.961 | 0.943 | 0.925 | 0.907 | 0.890 | 0.873 | 0.857 | 0.842 | 0.826 |
| 3 | 0.971 | 0.942 | 0.915 | 0.889 | 0.864 | 0.840 | 0.816 | 0.794 | 0.772 | 0.751 |
| 4 | 0.961 | 0.924 | 0.888 | 0.855 | 0.823 | 0.792 | 0.763 | 0.735 | 0.708 | 0.683 |
| 5 | 0.951 | 0.906 | 0.863 | 0.822 | 0.784 | 0.747 | 0.713 | 0.681 | 0.650 | 0.621 |
| 6 | 0.942 | 0.888 | 0.837 | 0.790 | 0.746 | 0.705 | 0.666 | 0.630 | 0.596 | 0.564 |
| 7 | 0.933 | 0.871 | 0.813 | 0.760 | 0.711 | 0.665 | 0.623 | 0.583 | 0.547 | 0.513 |
| 8 | 0.923 | 0.853 | 0.789 | 0.731 | 0.677 | 0.627 | 0.582 | 0.540 | 0.502 | 0.467 |
| 9 | 0.914 | 0.837 | 0.766 | 0.703 | 0.645 | 0.592 | 0.544 | 0.500 | 0.460 | 0.424 |
| 10 | 0.905 | 0.820 | 0.744 | 0.676 | 0.614 | 0.558 | 0.508 | 0.463 | 0.422 | 0.386 |
| 11 | 0.896 | 0.804 | 0.722 | 0.650 | 0.585 | 0.527 | 0.475 | 0.429 | 0.388 | 0.350 |
| 12 | 0.887 | 0.788 | 0.701 | 0.625 | 0.557 | 0.497 | 0.444 | 0.397 | 0.356 | 0.319 |
| 13 | 0.879 | 0.773 | 0.681 | 0.601 | 0.530 | 0.469 | 0.415 | 0.368 | 0.326 | 0.290 |
| 14 | 0.870 | 0.758 | 0.661 | 0.577 | 0.505 | 0.442 | 0.388 | 0.340 | 0.299 | 0.263 |
| 15 | 0.861 | 0.743 | 0.642 | 0.555 | 0.481 | 0.417 | 0.362 | 0.315 | 0.275 | 0.239 |
| 16 | 0.853 | 0.728 | 0.623 | 0.534 | 0.458 | 0.394 | 0.339 | 0.292 | 0.252 | 0.218 |
| 17 | 0.844 | 0.714 | 0.605 | 0.513 | 0.436 | 0.371 | 0.317 | 0.270 | 0.231 | 0.198 |
| 18 | 0.836 | 0.700 | 0.587 | 0.494 | 0.416 | 0.350 | 0.296 | 0.250 | 0.212 | 0.180 |
| 19 | 0.828 | 0.686 | 0.570 | 0.475 | 0.396 | 0.331 | 0.277 | 0.232 | 0.194 | 0.164 |
| 20 | 0.820 | 0.673 | 0.554 | 0.456 | 0.377 | 0.312 | 0.258 | 0.215 | 0.178 | 0.149 |

| Periods (n) | Interest rates (r) | | | | | | | | | |
|--------------------|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 11% | 12% | 13% | 14% | 15% | 16% | 17% | 18% | 19% | 20% |
| 1 | 0.901 | 0.893 | 0.885 | 0.877 | 0.870 | 0.862 | 0.855 | 0.847 | 0.840 | 0.833 |
| 2 | 0.812 | 0.797 | 0.783 | 0.769 | 0.756 | 0.743 | 0.731 | 0.718 | 0.706 | 0.694 |
| 3 | 0.731 | 0.712 | 0.693 | 0.675 | 0.658 | 0.641 | 0.624 | 0.609 | 0.593 | 0.579 |
| 4 | 0.659 | 0.636 | 0.613 | 0.592 | 0.572 | 0.552 | 0.534 | 0.516 | 0.499 | 0.482 |
| 5 | 0.593 | 0.567 | 0.543 | 0.519 | 0.497 | 0.476 | 0.456 | 0.437 | 0.419 | 0.402 |
| 6 | 0.535 | 0.507 | 0.480 | 0.456 | 0.432 | 0.410 | 0.390 | 0.370 | 0.352 | 0.335 |
| 7 | 0.482 | 0.452 | 0.425 | 0.400 | 0.376 | 0.354 | 0.333 | 0.314 | 0.296 | 0.279 |
| 8 | 0.434 | 0.404 | 0.376 | 0.351 | 0.327 | 0.305 | 0.285 | 0.266 | 0.249 | 0.233 |
| 9 | 0.391 | 0.361 | 0.333 | 0.308 | 0.284 | 0.263 | 0.243 | 0.225 | 0.209 | 0.194 |
| 10 | 0.352 | 0.322 | 0.295 | 0.270 | 0.247 | 0.227 | 0.208 | 0.191 | 0.176 | 0.162 |
| 11 | 0.317 | 0.287 | 0.261 | 0.237 | 0.215 | 0.195 | 0.178 | 0.162 | 0.148 | 0.135 |
| 12 | 0.286 | 0.257 | 0.231 | 0.208 | 0.187 | 0.168 | 0.152 | 0.137 | 0.124 | 0.112 |
| 13 | 0.258 | 0.229 | 0.204 | 0.182 | 0.163 | 0.145 | 0.130 | 0.116 | 0.104 | 0.093 |
| 14 | 0.232 | 0.205 | 0.181 | 0.160 | 0.141 | 0.125 | 0.111 | 0.099 | 0.088 | 0.078 |
| 15 | 0.209 | 0.183 | 0.160 | 0.140 | 0.123 | 0.108 | 0.095 | 0.084 | 0.079 | 0.065 |
| 16 | 0.188 | 0.163 | 0.141 | 0.123 | 0.107 | 0.093 | 0.081 | 0.071 | 0.062 | 0.054 |
| 17 | 0.170 | 0.146 | 0.125 | 0.108 | 0.093 | 0.080 | 0.069 | 0.060 | 0.052 | 0.045 |
| 18 | 0.153 | 0.130 | 0.111 | 0.095 | 0.081 | 0.069 | 0.059 | 0.051 | 0.044 | 0.038 |
| 19 | 0.138 | 0.116 | 0.098 | 0.083 | 0.070 | 0.060 | 0.051 | 0.043 | 0.037 | 0.031 |
| 20 | 0.124 | 0.104 | 0.087 | 0.073 | 0.061 | 0.051 | 0.043 | 0.037 | 0.031 | 0.026 |

Cumulative present value of £1 per annum, Receivable or Payable at the end of each year for n years $\frac{1-(1+r)^{-n}}{r}$

| Periods (n) | Interest rates (r) | | | | | | | | | |
|--------------------|------------------------|--------|--------|--------|--------|--------|--------|-------|-------|-------|
| | 1% | 2% | 3% | 4% | 5% | 6% | 7% | 8% | 9% | 10% |
| 1 | 0.990 | 0.980 | 0.971 | 0.962 | 0.952 | 0.943 | 0.935 | 0.926 | 0.917 | 0.909 |
| 2 | 1.970 | 1.942 | 1.913 | 1.886 | 1.859 | 1.833 | 1.808 | 1.783 | 1.759 | 1.736 |
| 3 | 2.941 | 2.884 | 2.829 | 2.775 | 2.723 | 2.673 | 2.624 | 2.577 | 2.531 | 2.487 |
| 4 | 3.902 | 3.808 | 3.717 | 3.630 | 3.546 | 3.465 | 3.387 | 3.312 | 3.240 | 3.170 |
| 5 | 4.853 | 4.713 | 4.580 | 4.452 | 4.329 | 4.212 | 4.100 | 3.993 | 3.890 | 3.791 |
| 6 | 5.795 | 5.601 | 5.417 | 5.242 | 5.076 | 4.917 | 4.767 | 4.623 | 4.486 | 4.355 |
| 7 | 6.728 | 6.472 | 6.230 | 6.002 | 5.786 | 5.582 | 5.389 | 5.206 | 5.033 | 4.868 |
| 8 | 7.652 | 7.325 | 7.020 | 6.733 | 6.463 | 6.210 | 5.971 | 5.747 | 5.535 | 5.335 |
| 9 | 8.566 | 8.162 | 7.786 | 7.435 | 7.108 | 6.802 | 6.515 | 6.247 | 5.995 | 5.759 |
| 10 | 9.471 | 8.983 | 8.530 | 8.111 | 7.722 | 7.360 | 7.024 | 6.710 | 6.418 | 6.145 |
| 11 | 10.368 | 9.787 | 9.253 | 8.760 | 8.306 | 7.887 | 7.499 | 7.139 | 6.805 | 6.495 |
| 12 | 11.255 | 10.575 | 9.954 | 9.385 | 8.863 | 8.384 | 7.943 | 7.536 | 7.161 | 6.814 |
| 13 | 12.134 | 11.348 | 10.635 | 9.986 | 9.394 | 8.853 | 8.358 | 7.904 | 7.487 | 7.103 |
| 14 | 13.004 | 12.106 | 11.296 | 10.563 | 9.899 | 9.295 | 8.745 | 8.244 | 7.786 | 7.367 |
| 15 | 13.865 | 12.849 | 11.938 | 11.118 | 10.380 | 9.712 | 9.108 | 8.559 | 8.061 | 7.606 |
| 16 | 14.718 | 13.578 | 12.561 | 11.652 | 10.838 | 10.106 | 9.447 | 8.851 | 8.313 | 7.824 |
| 17 | 15.562 | 14.292 | 13.166 | 12.166 | 11.274 | 10.477 | 9.763 | 9.122 | 8.544 | 8.022 |
| 18 | 16.398 | 14.992 | 13.754 | 12.659 | 11.690 | 10.828 | 10.059 | 9.372 | 8.756 | 8.201 |
| 19 | 17.226 | 15.679 | 14.324 | 13.134 | 12.085 | 11.158 | 10.336 | 9.604 | 8.950 | 8.365 |
| 20 | 18.046 | 16.351 | 14.878 | 13.590 | 12.462 | 11.470 | 10.594 | 9.818 | 9.129 | 8.514 |

| Periods (n) | Interest rates (r) | | | | | | | | | |
|--------------------|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 11% | 12% | 13% | 14% | 15% | 16% | 17% | 18% | 19% | 20% |
| 1 | 0.901 | 0.893 | 0.885 | 0.877 | 0.870 | 0.862 | 0.855 | 0.847 | 0.840 | 0.833 |
| 2 | 1.713 | 1.690 | 1.668 | 1.647 | 1.626 | 1.605 | 1.585 | 1.566 | 1.547 | 1.528 |
| 3 | 2.444 | 2.402 | 2.361 | 2.322 | 2.283 | 2.246 | 2.210 | 2.174 | 2.140 | 2.106 |
| 4 | 3.102 | 3.037 | 2.974 | 2.914 | 2.855 | 2.798 | 2.743 | 2.690 | 2.639 | 2.589 |
| 5 | 3.696 | 3.605 | 3.517 | 3.433 | 3.352 | 3.274 | 3.199 | 3.127 | 3.058 | 2.991 |
| 6 | 4.231 | 4.111 | 3.998 | 3.889 | 3.784 | 3.685 | 3.589 | 3.498 | 3.410 | 3.326 |
| 7 | 4.712 | 4.564 | 4.423 | 4.288 | 4.160 | 4.039 | 3.922 | 3.812 | 3.706 | 3.605 |
| 8 | 5.146 | 4.968 | 4.799 | 4.639 | 4.487 | 4.344 | 4.207 | 4.078 | 3.954 | 3.837 |
| 9 | 5.537 | 5.328 | 5.132 | 4.946 | 4.772 | 4.607 | 4.451 | 4.303 | 4.163 | 4.031 |
| 10 | 5.889 | 5.650 | 5.426 | 5.216 | 5.019 | 4.833 | 4.659 | 4.494 | 4.339 | 4.192 |
| 11 | 6.207 | 5.938 | 5.687 | 5.453 | 5.234 | 5.029 | 4.836 | 4.656 | 4.486 | 4.327 |
| 12 | 6.492 | 6.194 | 5.918 | 5.660 | 5.421 | 5.197 | 4.988 | 4.793 | 4.611 | 4.439 |
| 13 | 6.750 | 6.424 | 6.122 | 5.842 | 5.583 | 5.342 | 5.118 | 4.910 | 4.715 | 4.533 |
| 14 | 6.982 | 6.628 | 6.302 | 6.002 | 5.724 | 5.468 | 5.229 | 5.008 | 4.802 | 4.611 |
| 15 | 7.191 | 6.811 | 6.462 | 6.142 | 5.847 | 5.575 | 5.324 | 5.092 | 4.876 | 4.675 |
| 16 | 7.379 | 6.974 | 6.604 | 6.265 | 5.954 | 5.668 | 5.405 | 5.162 | 4.938 | 4.730 |
| 17 | 7.549 | 7.120 | 6.729 | 6.373 | 6.047 | 5.749 | 5.475 | 5.222 | 4.990 | 4.775 |
| 18 | 7.702 | 7.250 | 6.840 | 6.467 | 6.128 | 5.818 | 5.534 | 5.273 | 5.033 | 4.812 |
| 19 | 7.839 | 7.366 | 6.938 | 6.550 | 6.198 | 5.877 | 5.584 | 5.316 | 5.070 | 4.843 |
| 20 | 7.963 | 7.469 | 7.025 | 6.623 | 6.259 | 5.929 | 5.628 | 5.353 | 5.101 | 4.870 |

Formulae:

Time series

Additive model:

$$\text{Series} = \text{Trend} + \text{Seasonal} + \text{Random}$$

Multiplicative model:

$$\text{Series} = \text{Trend} * \text{Seasonal} * \text{Random}$$

Regression analysis

The linear regression equation of Y on X is given by:

$$Y = a + bX \text{ or } Y - \bar{Y} = b(X - \bar{X}),$$

where:

$$b = \frac{\text{Covariance}(XY)}{\text{Variance}(X)} = \frac{n \sum XY - (\sum X)(\sum Y)}{n \sum X^2 - (\sum X)^2}$$

and

$$a = \bar{Y} - b\bar{X}$$

or solve

$$\sum Y = na + b \sum X$$

$$\sum XY = a \sum X + b \sum X^2$$

Exponential $Y = ab^x$

Geometric $Y = aX^b$

Learning curve

$$Y_x = aX^b$$

where:

Y_x = the cumulative average time per unit to produce X units;

a = the time required to produce the first unit of output;

X = the cumulative number of units;

b = the index of learning.

The exponent b is defined as the log of the learning curve improvement rate divided by log 2.

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IDEC

*Management Accounting –
Decision Making*

Wednesday afternoon