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**Note: Higher level questions are marked with an asterisk\***

**\*16.4 Melior Health's key performance measures**

a)

Melior data			
	South East	South West	Midlands
Operating profit to revenue %	8.3%	3.0%	4.6%
Total operating profit per bed	£2,970	£1,393	£1,385
Revenue per member of staff	£227,368	£121,905	£256,842
Ratio of medical staff : total staff	63%	57%	37%

The South East hospital is out-performing both the South West and Midlands hospitals, in terms of operating profit. This is shown by both the percentage of operating profit to sales, and the operating profit per bed.

A comparison of the South West to the other two hospitals suggests that the reason for poor performance in the South West could be due to high staff levels, as the revenue per staff member is significantly lower than the other two.

On the other hand, the Midlands hospital is only achieving a slightly better performance in operating profit than the South West. This could be due to the low ratio of medical staff to

total staff. A review of the tasks carried out by non-medical staff may suggest where efficiency improvements could be made.

**b)** Other key performance measures could include bed occupancy levels, waiting times for appointments, patient satisfaction levels, cleanliness, number of operations per surgeon, or staff turnover.

### 16.5 Bakewell

	Supermarkets £	Health food shops £	Café £
Gross revenue	1,250,000	18,800	34,450
Discount	250,000	940	0
Net revenue	1,000,000	17,860	34,450
Cost of sales	650,000	9,200	6,890
Gross profit	350,000	8,660	27,560
Bad debts	0	357	1,723
Delivery costs	15,625	3,750	2,344
Contribution	334,375	4,553	23,494
Contribution per cake	0.07	0.11	0.44

### 16.6 Bakewell balanced scorecard

This will largely depend on students' individual strategies but a suggested solution could include the following:

**Financial**

Objective	Measure
Improve ROCE	ROCE %
Cut costs	Cost per cake compared to previous year

**Customer**

Objective	Measure
Set supermarket prices competitively	Average price per cake compared to competitors
Increase market share of health food cakes	% market share in health food market compared to previous year

**Internal processes**

Objective	Measure
Improve wastage	% number of reject cakes to total cakes
Improve production line efficiency	Cakes produced per hour, compared to previous year

**Learning and growth**

Objective	Measure
Improve health and safety training	Number of employees attending training courses
Ensure the workforce is satisfied	Staff turnover

**\*16.3 Jabu**

Jabu's customer profitability data		
	Supermarkets rand '000	Corner shops rand '000

Carey & Knowles: Accounting - A Smart Approach  
 Chapter 16 - Performance Measurement  
 Solutions to practice questions

Gross revenue	324.0 (270 x 1,200/1,000)	189.0
Discount	97.2	–
Manufacturing cost	129.6 (108 x 1,200/1,000)	75.6
In-store promotion	40.0	nil
Cost of customer visits	18.0 (3 x 6,000/1,000)	72.0
Bad debts	–	9.5
Delivery cost per annum	31.25 (100 x 1.25 x 250/1,000)	45.0
Total profit	7.95	(13.1)

Jabu should discontinue his business with the corner shops or renegotiate his prices unless he can make operational savings elsewhere. If the corner shops are not prepared for a price increase, then Jabu should consider reducing the number of customer visits and having fewer deliveries with larger quantities of boxes of sweets. Customer visits to corner shops are costing 103 rand per box compared to 15 rand per box for the supermarkets. The delivery cost per box of sweets to the corner shops is 64 rand, compared to 26 rand for the supermarkets.