Discussion Question:

“Labor”

Ballpoints Manufacturing Company (BMC) located in an Asian country, is a market leader in manufacturing and selling of executive class ballpoints. The company produces only one brand – Executive Qalam bearing the brand name of *Extv*. These high class ballpoints are used by senior corporate executives only. Major sales of the company go across the Globe. A thin amount of quantity is sold in the country only to the big corporations on the orders received from them.

In order to serve the niche, BMC enjoys outclass research facilities at its headquarter. To stimulate the workers, the company offers many incentive plans. Due to these lucrative incentive plans, the workers prefer to work hard and stay happily in the company even during calendar holidays. One of such plans has recently been developed by the core management team working at the company’s factory.

During the month of February, BMC has received a special export order from Corporate Executives International (CEI) of a European country of 150 Qalams to be delivered in the month of March. These Qalams are to be used by the corporate executives to be gathered at the coming Corporate Executive Conference on “Corporate Financial Leadership” held by CEI.

Mr. Management Accountant – BMC’s management accountant with consultation of the company’s Core Management Team has estimated a special wage rate of Rs. 300 per hour per worker for special group of workers to be worked on this order. The workers will remain for the normal working hours - 8 hours a day for the complete 30 days period.

The company’s Core Management Team is planning to introduce an Incentive Bonus Plan. Under which, the company expects its workers to complete their daily work 2 hours earlier than the normal 8 hours job. As per the plan, each of the workers working on this special order, in addition to the regular earnings, will be given the bonus as follows:

- 40% of 20% of the total time saved;
- 25% of the next 30% of the total time saved; &
- 15% of the remaining time saved.

Requirement

By considering the above information you are required to answer the following:

- Determine effective hourly earnings of each worker under the new incentive plan; &
- Does this incentive plan suits the company? Support you answer with logical reason not exceeding two lines.

Solution :

AoA,

Dear Fellows, I am student of MBA executive semester 2.
Subjects are

ENG301 - Business Communication
MGT201 - Financial Management
MGT301 - Principles of Marketing
MGT402 - Cost & Management Accounting
MGT502 - Organizational Behaviour
STA630 - Research Methods

I am looking for some good Study Fellow for exchanging GDB, Assign. Quizs can be discussed online or on phone, as we have to go through these things daily and if we are well organized 2, 3,4,or 5 persons we can help each other with responsibility and also are not at chance and risk of getting the plegiarism and missing of assignment and GDB's etc.
If you are serious and willing so please contact me on this online ID's or cell.
I did recent ongoing GDB's n assignments and we can share them.

Gmail ID : the1newton
Skype ID: the1newton
0345 7510048

Special wage rate = Rs. 300 per hour per worker

Working hours - 8 hours a day

No. of Days = 30

Total working hours = 30*8= 240

Per day Regular earning of worker = 300*8 =2400

Under new Plan,

total time saved

per day time saved = 8-6 = 2 hours

per day worked time = 6 hours

per day earning for saved time = (6*300) + 40% of 20% of the total time saved+25% of the next 30% of the total time saved+15% of the remaining time saved.

Total time saved = (2 hours daily * 30 days)= 2*30 = 60 hours

20% of the total time saved = 60*20% =12

40% of 20% of the total time saved = 40% * 12 *300 =48*3= 1440

- next 30% of the total time saved = 60*30% =18
- 25% of the next 30% of the total time saved = 25% * 18 *300 =48*3= 1350
- 15% of the remaining time saved = 15% * (60-12-18) *300 =15% * 30 *300 =1350

per day earning for saved time = 1800+ 1440+1350+1350 = 5940

Determine effective hourly earnings of each worker under the new incentive plan

Effective hourly earnings per worker per hour = total earning / effective working hours = 5940 /(6) = 990

Does this incentive plan suits the company? Support you answer with logical reason not exceeding two lines.

No , the incentive plan dose not suits the company as under the new plan time saving occurs but effective hourly earnings becomes very high i.e. 990 as compared to per hour earning of 300.