

UNIVERSITY OF BOLTON
INSTITUTE OF MANAGEMENT
BA (HONS) ACCOUNTANCY
SEMESTER 2 EXAMINATIONS 2021/2022
MANAGEMENT ACCOUNTING FUNDAMENTALS
MODULE NO: ACC4016

Date: Thursday 19 May 2022

Time: 10.00 – 1.00

INSTRUCTIONS TO CANDIDATES:

There are **SIX** questions on this paper.

Answer **BOTH** questions in section A, **ONE** question from section B and **ONE** question from section C

This is a closed book examination.

University of Bolton
 Institute of Management
 BA(Hons) Accountancy
 Semester 2 Examination 2021/22
 Management Accounting Fundamentals
 Module No. ACC4016

Section A
Both questions are compulsory

Question 1

Sadiq Ltd has three production departments – X, Y and Z – and a service department known as the Maintenance which works for the production departments in the ratio of 45%, 45% and 10% respectively.

The following costs and relevant data, which represent normal activity levels, have been budgeted for the period ended 31st December 2016.

	X 000's	Y 000's	Z 000's	Maintenance 000's	Totals 000's
Direct Wages	30	40	50	0	120
Direct Materials	80	60	10	0	150
Indirect Materials	20	25	10	60	115
Depreciation					270
Rates					80
Power					300
Personnel					60
Insurance					80

Relevant Data for the business to be used in overhead apportionments

Direct Labour Hrs	8,000	9,000	15,000	0	32,000
Machine Hours	15,000	20,000	3,000	2,000	40,000
Floor area (m)	1,000	2,000	1,000	3,000	7,000
Fixed Assets	£260,000	£240,000	£80,000	£120,000	£700,000
Employees	50	60	100	50	260

Required:

- a) Prepare an overhead apportionment sheet for Sadiq Ltd for the period ended 31st December 2022. **(20 Marks)**
- b) Calculate appropriate overhead absorption rates for departments X, Y and Z. **(5 Marks)**

Question 1 continued over the page

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Question 1 continues

- c) The following data is available for the actual results for department X for the period ending 31st December 2020: -

Actual Overheads £300,000

Actual Labour Hours 20,000

Actual Machine Hours 30,000

Calculate the under/over recovery of overheads for department X.

(5 Marks)

- d) Sadiq wants to price up a one-off job for a prestigious client. Information received from the production manager is as follows: -

Direct Material Incurred for the job £15,000

Direct Labour Incurred for the job £25,000

Overheads allocated

Department 1 10 machine hours

Department 2 15 machine hours

Department 3 20 Labour hours

The company's policy is that all jobs must make a profit margin on sales of 25%.

You are required to calculate the selling price for this one-off job based on the information above.

(10 Marks)

(Total 40 Marks)

Please turn the page

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Question 2

Burrin Ltd produces and sells one product only, the squash racket, the standard cost of one unit being as follows: -

Direct Material S - 3 kg @ £20 per kg

Direct Material T - 2 kg @ £15 per litre

Direct Wages - 1 hr @ £5 per hr

Budgeted production is 5,000 units

During June 2020 the actual results were as follows: -

Production in Units 5,200

Material S - 15,000 kg costing £320,000

Material T - 10,000 kg costing £140,000

Direct Wages - 5,000 hrs costing £20,000

Required:

A. Calculate the following variances for June 2020: -

Direct Materials Price Variances

Direct Materials Usage Variances

Direct Labour Rate Variance

Direct Labour Efficiency Variance

(16 marks)

Question 2 continued over the page

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Question 2 continued

- B. Identify the main reasons why variances provide useful management information. **(5 Marks)**
- C. Analyse the different types of standards a business may use when setting up a standard costing system for management control purposes. **(4 Marks)**

(Total 25 Marks)

END OF SECTION A

Please turn the page

University of Bolton
 Institute of Management
 BA(Hons) Accountancy
 Semester 2 Examination 2021/22
 Management Accounting Fundamentals
 Module No. ACC4016

Section B
Answer 1 question from this section

Question 3

The following data has been extracted from the budgets and standard costs of Glasgow Ltd, a company which manufactures and sells a single product.

Selling Price	£ per unit 100.00
Direct Material costs	40.00
Direct Wages cost	10.00
Variable overhead cost	5.00

Fixed production overhead costs are budgeted at £800,000 per annum. Normal production levels are thought to be 640,000 units per annum.

Budgeted selling and distribution costs are as follows: -

Variable	£1.80 per unit sold
Fixed	£90,000 per annum

Budgeted administration costs are £160,000 per annum.

The following patterns of sales and production are expected during the first six months of 2022.

	Jan – Mar	Apr - June
Sales (units)	80,000	100,000
Production (units)	90,000	110,000

There is no opening stock

Question 3 continued over page

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Question 3 continued

Required:

Prepare profit statements for each of the two quarters using: -

- A. Marginal Costing
- B. Absorption Costing

(20 Marks)

Question 4

Randles Ltd has two processes

Material for 24,000 items was put into process K. There were no opening stocks and no process losses. Other relevant information is: -

Transfers to process L	18,000 items
Direct material cost	£72,000
Direct labour cost	£64,000
Overheads	£17,060

The unfinished items were complete as to materials and 60% complete as to conversion costs:

Information for process L is as follows: -

Transfers from process K 18,000 items (at a cost determined above)

Items	
Completed	16,400 items
Labour Cost	£69,192
Overhead Cost	£30,600

The unfinished items were deemed to be 25% complete as regards conversion costs.

Question 4 continued over the page

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Question 4 continued

A. Prepare the Process K Account

B. Prepare the process L Account

(20 Marks)

END OF SECTION B

Please turn the page

PAST EXAMINATION PAPER

University of Bolton
Institute of Management
BA(Hons) Accountancy
Semester 2 Examination 2021/22
Management Accounting Fundamentals
Module No. ACC4016

Section C
Answer 1 question from this section

Question 5

Discuss the Investment appraisal techniques available to the modern-day businesses who are contemplating a significant investment in new buildings and machinery.

(Total 15 Marks)

Question 6

Discuss the purpose of Limiting Factor Analysis when deciding on whether to invest in a short-term business opportunity. What are the advantages and limitations of this management accounting technique?

(Total 15 Marks)

END OF QUESTIONS