

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BA(HONS) ACCOUNTANCY

SEMESTER 2 RESIT EXAMINATIONS 2022-23

MANAGEMENT ACCOUNTING FUNDAMENTALS

MODULE NO: ACC4016

Date: Thursday 20 July 2023

Time: 2pm – 5pm

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

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Section A
Both questions are compulsory

Question 1

Burrin decided to commence business manufacturing a single product. As a Matter of business policy she set the following conditions for his first two years of trading:

Year one: To break even

Year two: To achieve a profit of £80,000

His projected costs per unit in year are:

	£
Direct materials	22
Direct labour	14
Variable production overheads	8
Variable sales overheads	6

She expects that in the first year she will sell the product for £64 and that her fixed costs will be £112,000 in each year.

Initial market research has indicated that in year one his maximum sales volume will be 11,000 units. She is looking to devise a strategy which will lead to an increased demand for his product in year two and has identified a number of options:

- (i) to reduce selling price by £2
- (ii) to use an inferior material which would reduce direct material cost by £1.50
- (iii) to spend an extra £10,000 on advertising

Required:

(a) Calculate the number of units that Burrin will have to sell in year one in order to break even.
(5 marks)

(b) Calculate the margin of safety in year one and explain the meaning of this margin
(5 marks)

Question 1 continues...
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Question one continued...

(c) Calculate the number of units that Burrun will have to sell in year two in order to achieve his required profit based on the original costing and on each scenario (i) to (iii) identified above.

(12 marks)

(d) Comment on your answer to part (c) advising Burrun on the most appropriate course of action

(8 marks)

(e) Identify and discuss the assumptions underlying break-even analysis and comment on the validity of each assumption.

(10 marks)

(Total 40 marks)

Question 2

Nalbandh Limited Manufactures hand crafted eggs. The budgeted production cost for 25,000 boxes of eggs for May 2023 was as follow:

Direct materials
10,000 kilos at £6 per kilo £60,000

Direct labour
1,000 hours at £7.00 per hour £7,000

Actual results were as follows:

No. of boxes of eggs produced: 26,500

Direct material
11,300 kilos at £5.00 per kilo £56,500

Direct labour
980 hours at £7.80 per hour £7,644

**Question 2 continues over...
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Question 2 continued...

Required:

(a) Calculate the following variances for May 2023 :

- (i) total material variance
- (ii) direct material usage
- (iii) direct material price
- (iv) total labour variance
- (v) direct labour efficiency
- (vi) direct wage rate

(14 marks)

(b) Identify two different levels of activity that may be used when setting standards and identify the strengths and weaknesses of each

(6 marks)

(Total 20 marks)

Section B

Answer 1 question from this section

Question 3

Bolu Ltd has three production departments – A, B and C – 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 2023.

	A 000's	B 000's	C 000's	Maintenance 000's	Totals 000's
Direct Wages	60	70	80	0	210
Direct Materials	40	30	20	0	90
Indirect Materials	20	25	10	60	115
Depreciation					170
Rates					50
Power					400
Personnel					50
Insurance					100

**Question 3 continues over...
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Question 3 continued....

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 Bolu Ltd for the period ended 31st December 2012.** (20 Marks)
- b) **Calculate appropriate overhead absorption rates for departments A, B and C.** (5 Marks)

Question 4

Javed Ltd has two processes

Material for 20,000 items was put into process A. There was no opening stocks and no process losses. Other relevant information is:-

Transfers to process B	15,000 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:

**Question 4 continues...
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Question 4 continued

Information for process B is as follows:-

Transfers from process A	15,000 items (at a cost determined above)
Items Completed	12,000 items
Labour Cost	£69,192
Overhead Cost	£30,600

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

Required:

A. Prepare the Process A Account

(25 Marks)

B. Prepare the process B Account

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Section C
Answer 1 question from this section

Question 5

Discuss the format and purpose of marginal costing and absorption costing statements, and analyse why there may be profit differences between the two profit statements.

(15 marks)

Question 6

Discuss the different ways a modern public and private sector business may want to classify their costs.

(15 marks)

**END OF QUESTIONS
END OF EXAM PAPER**

PAST EXAMINATION