

UNIVERSITY OF BOLTON

RAK ACADEMIC CENTRE

BUSINESS MANAGEMENT

SEMESTER TWO EXAMINATIONS 2018/2019

FINANCIAL REPORTING FOR MANAGEMENT

MODULE NO: BAM6008

Date: 24th May 2019

Time: 1:00pm - 4:00pm

INSTRUCTIONS TO CANDIDATES:

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

Answer **THREE** questions:

One from Section A (30 marks each),
One from Section B (30 marks each),
and One from Section C (40 marks each).

This is an **open book** exam and you are able to bring with you 2 x A4 pages (4 sides) of notes. Text books and reference materials are NOT allowed.

You must hand in your notes with your exam paper.

University of Bolton
RAK Academic Centre
Business Management
Semester Two Examination 2018/2019
Financial Reporting for Management
Module No. BAM6008

SECTION A

ANSWER EITHER A1 or A2

QUESTION A1

A Factory produces bags, which are sold for £100 each. The factory can make up to 1,000 bags a month. Each month, the factory incurs total fixed costs of £16,000 in rent, security costs, transport and salaries. In addition, the factory incurs variable costs of £60 per bag manufactured and sold.

Required:

- (i) Breakeven level of output and Breakeven level of revenue
(5 marks)
- (ii) How many bags would Factory A need to produce and sell, in order to make a monthly profit of £20,000
(5 marks)
- (iii) Using your knowledge of C-V-P analysis, clearly explain how they may be useful in assessing business plans and in particular use in management control.
(15 marks)
- (iv) Explain the limitations of C-V-P analysis for planning and decision making.
(5 marks)

TOTAL 30 MARKS

Please turn the page

University of Bolton
 RAK Academic Centre
 Business Management
 Semester Two Examination 2018/2019
 Financial Reporting for Management
 Module No. BAM6008

QUESTION A2

Purple plc manufactures one product, and the entire product is sold as soon as it is produced. There are no openings or closing inventories and work in progress is negligible. The company operates a standard costing system and analysis of variances is made every month. The standard cost card for a product is as follows.

Direct Materials	0.5 kilos at £4 per kilo	2.00
Direct Wages	2 hours at £8.00 per hour	16.00
Variable Overheads	2 hours at £0.30 per hour	.60
Standard Variable Cost		18.60
Standard Contribution		13.40
Standard Selling Price		32.00

Budgeted output for the month of June 2015 was 5,100 units.

Actual results for June 2015 were as follows:

Production of 4,850 units was sold for £150,350.

Materials consumed in production amounted to 2,300 kgs at a total cost of £9,800.

Labour hours paid for amounted to 8,500 hours at a cost of £67,800.

Actual operating hours amounted to 8,000 hours.

Variable Overheads amounted to £2,600.

Required:

Calculate all variances and prepare an operating statement for the month Ended June 2015.

TOTAL 30 MARKS

Please turn the page

University of Bolton
 RAK Academic Centre
 Business Management
 Semester Two Examination 2018/2019
 Financial Reporting for Management
 Module No. BAM6008

SECTION B**ANSWER EITHER B1 or B2****QUESTION B1**

Brown Limited is considering which of two projects it should undertake. The initial investment will be £15,000, and the cost of capital is 8 %. The scrap/residual value at the end of the project period will be £2,000.

The net after tax cash inflows of the projects are as follows:

	Project A (£)	Project B (£)
Year 1	5000	4000
Year 2	5000	5000
Year 3	4000	3000
Year 4	3600	5000
Year 5		1400

- a. Calculate the Accounting Rate of Return, the Payback Period, the Net Present Value and Internal Rate of Return for each project.

(20 marks)

- b. For each of the above methods of project appraisal recommend which project should be taken up (giving reasons for each).

(10 marks)**TOTAL 30 MARKS**

Please turn the page

University of Bolton
 RAK Academic Centre
 Business Management
 Semester Two Examination 2018/2019
 Financial Reporting for Management
 Module No. BAM6008

QUESTION B2

Sunrise Enterprises produces three products: A, B and C. The products are manufactured using the same material. The company is planning on shifting from traditional absorption costing system to activity-based costing system as it is believed to be a more efficient cost allocation system. Information for the three products is given below:

	A	B	C
Production and sales (units)	15,000	12,000	18,000
Selling price per unit	\$7.50	\$12	\$13
Raw material usage per unit	2Kg	3Kg	4
Direct labour hours per unit	0.1	0.15	0.2
Machine hours per unit	0.5	0.7	0.9
Number of production runs	16	12	8
Number of purchase orders	24	28	42
Number of deliveries to retailers	48	30	62

The direct labour cost for the entire workforce was \$14.80 per hour and likewise the price for raw materials remained constant throughout the year at \$1.20 per Kg. The annual overhead costs are given below:

	\$
Machine set up costs	26,550
Machine running costs	66,400
Procurement costs	48,000
Delivery costs	54,320
Total	195,270

- (a) Calculate the full cost per unit for products A, B and C under traditional absorption costing using direct labour hours as the basis for allocation. **(10 Marks)**
- (b) Calculate the full cost per unit for products A, B and C using activity based costing. **(10 Marks)**
- (c) Critically evaluate the importance of Activity-based Costing as the basis for decision making. **(10 Marks)**

TOTAL 30 MARKS

Please turn the page

University of Bolton
RAK Academic Centre
Business Management
Semester Two Examination 2018/2019
Financial Reporting for Management
Module No. BAM6008

SECTION C

ANSWER EITHER C1 or C2

QUESTION C1

- a) What is working capital? Explain the importance of working capital management.
(10 Marks)
- b) Discuss the various motives of holding cash for a business firm and critically evaluate various cash management techniques that the firm may use.
(10 marks)
- c) Evaluate and detail the significant steps involved in setting a budget in a large organisation.
(20 marks)

TOTAL 40 MARKS

QUESTION C2

- a) Critically evaluate the use of the 'Balanced Score Card' and give examples of its use in the business environment.
(20 marks)
- b) Using a business of your choice as an example, identify one corporate goal for each of the 4 perspectives and give examples of one performance indicator for each performance goal. Give reasons justifying your selection of each performance indicator.
(20 marks)

TOTAL 40 MARKS

END OF QUESTIONS