UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE

BSC(HONS) BUSINESS MANAGEMENT

TRIMESTER ONE EXAMINATIONS 2021/2022

FINANCIAL REPORTING FOR MANAGEMENT

MODULE NO: BAM6008

Date: Friday 7th January 2022　　　　**Time: 10:00 – 13:00**

INSTRUCTIONS TO CANDIDATES:

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

Answer **ALL** questions.

This is an **open book** exam and you can 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**.**

Present value table is attached at the end of the question paper.

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Q1

Polly Ltd is considering investing in the following projects. They have been presented with two start-up investment opportunities. Project Titan costing £1,500,000 and Project Apollo costing £1,000,000. Both will have a lifespan of 5 years. The expected cash inflows for the projects are as follows:-

Year	Project Titan (£)	Project Apollo (£)
1	337,500	400,000
2	425,000	200,000
3	425,000	100,000
4	425,000	100,000
5	400,000	250,000

a. Calculate the payback period, the accounting rate of return, the net present value and internal rate of return for both the projects. **(Assume a discount rate of 10% per annum)**

(20 marks)

b. Advise Polly Ltd which alternative to adopt, with reasons.

(5 marks)

Total 25 marks

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Q2

Sundip 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

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Q2 continued…..

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.

(5 marks)

c) Critically evaluate the importance of Activity-based Costing as the basis for decision making.

(10 marks)

Total 25 marks

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Q3

a) Analyse the use of the "Balanced Score Card" and evaluate its strengths and weaknesses.

(15 marks)

b) Analyse the usefulness of Break-Even Analysis for a manufacturing organisation.

(10 marks)

Total 25 marks

Q4

a) Critically evaluate various costs of holding inventory.

(15 marks)

b) Justify various motives of holding cash for a business firm and critically evaluate various cash management techniques that the firm may use.

(10 marks)

Total 25 marks

END OF QUESTIONS

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Present Value Table

Present value of 1 i.e. $(1 + r)^{-n}$
Where r = discount rate and n = number of periods until payment

Periods (n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239

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(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.594	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065

END OF FORMULA SHEETS

END OF PAPER