

**UNIVERSITY OF BOLTON**  
**INSTITUTE OF MANAGEMENT**  
**BSC (HONS) BUSINESS MANAGEMENT**  
**SEMESTER 1 EXAMINATION 2021/22**  
**FINANCIAL REPORTING FOR MANAGEMENT**  
**MODULE NO: BMP6015**

Date: Friday 14 January 2022

Time: 10.00 – 1.00

---

**INSTRUCTIONS TO CANDIDATES:**

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

Answer **THREE** questions.

All questions carry equal marks.

Candidates may bring two sheets of A4 paper with personal notes. Sheets must be submitted and show the candidates 'student number'.

Candidates will require graph paper.

Silent calculators may be used.

---

Institute of Management  
BSc (Hons) Business Management  
Semester 1 Examination 2021/2022  
Financial Reporting for Management  
Module No. BMP6015

### QUESTION A1

Taylor Ltd manufactures a single product. They use one material and one grade of labour. The production manager is concerned about the higher than expected usage of material and feels that the workers are being paid at a higher rate than necessary for the job. The production manager has gathered the following data:

Standard costs	
Material A	15 kgs
Price per kg	9.5 £
Hours	10 hrs
Rate per hour	4 £

Actual production costs for one period were as follows:

Materials used	4770 kgs
material cost	42100 £
Hours actually worked	2950 hrs
Hours paid for	2900 hrs
Wages paid	12561 £
Units produced	300 units

### REQUIRED

- (a) Calculate the labour and material variances for Taylor Ltd.  
10 marks
- (b) Discuss strategies that Taylor Ltd might use to address the outcomes of the variances.  
10 marks
- (c) Critically evaluate alternative strategies relating to the use of costing and differences between standards and actual outcomes.  
10 marks

**Total 30 MARKS**

**Please turn the page.....**

Institute of Management  
 BSc (Hons) Business Management  
 Semester 1 Examination 2021/2022  
 Financial Reporting for Management  
 Module No. BMP6015

### QUESTION A2

The directors of George Ltd are concerned about the low level of budgeted profit and are seeking your opinion on the best way to use their production facility.

They have provided the budgeted values for the next year.

Product	A	B	C	Total
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Total Sales Revenue	<u>35</u>	<u>45</u>	<u>60</u>	<u>140</u>
Total Variable cost	36	48	20	104
Fixed costs	<u>8</u>	<u>8</u>	<u>16</u>	<u>32</u>
Total cost	<u>44</u>	<u>56</u>	<u>36</u>	<u>136</u>
Profit/loss	<u><u>-9</u></u>	<u><u>-11</u></u>	<u><u>24</u></u>	<u><u>4</u></u>
	<u>£</u>	<u>£</u>	<u>£</u>	
Selling price per unit:	20	30	15	
Sales ( units )	1750	1500	4000	
	<u>£</u>	<u>£</u>	<u>£</u>	
Buy-in price per unit:	22	29	10	

Fixed overhead is allocated by space occupied.

### REQUIRED

- (a) Prepare a revised profit statement which would help the directors to assess the budgeted performance of the business in the next year.  
 10 marks
- (b) Discuss strategies that George Ltd might use to address the outcomes of the analysis.  
 10 marks
- (c) Critically evaluate strategies relating to the use of marginal costing (contribution theory).  
 10 marks

**Total 30 MARKS**

**Please turn the page.....**

Institute of Management  
 BSc (Hons) Business Management  
 Semester 1 Examination 2021/2022  
 Financial Reporting for Management  
 Module No. BMP6015

### QUESTION B3

The directors of Reid Ltd are concerned about the amount of working capital that they will need to make available to support the factory in 2022. They have extracted key data from 2021 and provided a draft budget for 2022:

#### Extract of key values from 2021:

	<u>£'000</u>
Trade debtors	529
Credit sales	2,300
Trade creditors	67
Credit purchases	500

#### Budget for 2022:

	<u>£'000</u>	Operating cycle:	<u>No. of weeks</u>
Raw materials	420	Raw materials in stock	6
Direct labour	500	Production cycle	7
Production overheads	250	Finished goods in stock	10
Forecast sales \$	2,500	Debtor collection period	Not known
		Creditor payment period	Not known

Assume weeks per year = 52  
 Assume days per year = 365

#### REQUIRED

- (a) Calculate the working capital required to support the factory in 2022  
 10 marks
- (b) Discuss strategies that Reid Ltd might use to address the outcomes of the analysis.  
 10 marks
- (c) Critically evaluate strategies relating to the use management of working capital in 2022.  
 10 marks

**Total 30 MARKS**

**Please turn the page....**

Institute of Management  
 BSc (Hons) Business Management  
 Semester 1 Examination 2021/2022  
 Financial Reporting for Management  
 Module No. BMP6015

**QUESTION B4**

Campo Ltd is considering two alternative investments. The company has provided you with data for Project 1 and the outcomes of their calculations for Project 2.

	Project 1	Project 2	<u>DF</u> 10%	<u>DF</u> 25%
	£	£		
Capital expenditure	- 200,000	- 200,000	1.0000	1.0000
Profit/Loss - Year 1	- 3,000	180,000	0.9091	0.8006
Profit/Loss - Year 2	42,000	- 28,000	0.8264	0.6410
Profit/Loss - Year 3	52,000	- 28,000	0.7513	0.5131
Profit/Loss - Year 4	37,000	- 34,000	0.6830	0.4108
Profit/Loss - Year 5	- 18,000	- 45,000	0.6209	0.3289
Disposal -Year 5	10,000	10,000		

Notes:

1. The initial capital outlay will occur immediately and you may assume that the net cash inflows will arise at the end of each year.
2. Profits are shown after depreciation
3. The current cost of capital is 10%

Net Present Value (\$)  
 Internal Rate of Return  
 Profitability Index

Project 1	Project 2
	18554.25
	18.71%
	1.09

**REQUIRED**

- (a) Undertake a numerical analysis of Project 1 taking into consideration the outcomes for Project 2.

10 marks

- (b) Using a graphical representation discuss strategies that Campo Ltd might use to address the outcomes of the analysis.

10 marks

- (c) Critically evaluate strategies relating to the management of capital investment appraisal in 2022.

10 marks

**Total 30 MARKS**

**Please turn the page....**

Institute of Management  
BSc (Hons) Business Management  
Semester 1 Examination 2021/2022  
Financial Reporting for Management  
Module No. BMP6015

**QUESTION C5**

**REQUIRED**

(a) Explain the purpose of an Activity Based Costing (ABC) system.

(10 marks)

(b) Using examples from published materials, critically evaluate the differences between traditional and ABC systems.

(30 marks)

(Total 40 marks)

**QUESTION C6**

**REQUIRED**

(a) Outline the key components of a Balanced Score Card (BSC) system.

(10 marks)

(b) Using examples from published materials, critically evaluate the use of the balanced score card and its relationship to traditional financial performance measures.

(30 marks)

(Total 40 marks)

**END OF QUESTIONS**