

UNIVERSITY OF BOLTON
INSTITUTE OF MANAGEMENT
BUSINESS MANGEMENT PATHWAY
SEMESTER 1 EXAMINATIONS 2022/2023
FINANCIAL REPORTING FOR MANAGEMENT
MODULE NO: BMP6015

Date: Monday 9 January 2023

Time: 10.00 – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are **SIX** questions on this paper

Answer **THREE** questions

Answer **ONE** question from **EACH** section A, B and C.

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

Silent calculators may be used.

Institute of Management
 Business Management Pathways
 Semester 1 Examination 2022/2023
 Financial Reporting for Management
 Module No. BMP6015

SECTION A

QUESTION A1.

James Ltd is attempting to develop a revised transfer price for a component. The component is made in batches of 1000 units and it supplied by Division A as an intermediate component to Division B. The component has no alternative market.

Unit Sales Price £	Units Sold by Division B
25	1000
24	2000
23	3000
22	4000
21	5000
20	6000

	Division A	Division B
	£	£
Direct costs per unit	6	12
Fixed Costs	4000	5000

Existing transfer price, per unit £8

Predetermined fixed overhead rate based on 2000 units

Required:

(a) Calculate the following:

- The level of supply, in units, that will maximise the profit for Division A 1 mark
- The level of supply, in units, that will maximise the profit for Division B 2 marks
- The level of **supply** at which the Net Marginal Revenue falls below the transfer price 3 marks
- The level of supply that will maximise the profit for the whole company 3 marks
- The Transfer Price for a batch (1000 units) at the marginal cost for Division A 2 marks

**Question A1 continued over
 PLEASE TURN THE PAGE...**

Institute of Management
Business Management Pathways
Semester 1 Examination 2022/2023
Financial Reporting for Management
Module No. BMP6015

Question A1 continued

- The Transfer Price for a batch (1000 units) at full cost 2 marks
- The difference between the Transfer Price at full cost and at the maximum Net Marginal Revenue 2 marks

(b) Comment on your analysis and provide critical guidance to the managers of James Ltd.

5 marks

(c) With reference to recent research critically evaluate the role of internal transfer pricing.

10 marks

TOTAL 30 MARKS

PLEASE TURN THE PAGE...

Institute of Management
 Business Management Pathways
 Semester 1 Examination 2022/2023
 Financial Reporting for Management
 Module No. BMP6015

QUESTION A2.

The directors of Fulham Products are investigating the use of a standard costing system and are seeking your advice. They have provided the following data.

The standard cost of one unit:

				£
Direct materials:	8 kg	at £	8	64
Direct labour	10 hrs	at £	9.5	95

Overheads are absorbed at £6 per labour hour.

60
<u>219</u>

Standard selling price of one unit (£) 300

Budgeted sales (units) 1400

All overheads are FIXED

Actual results:

Units made 1600 units

Sales revenue (£) 130000

		Total Cost (£)
Direct materials (kg)	12500	105000
Direct labour (hrs)	15000	130000
Actual Fixed O/H (£)	22000	

**Question A2 continued over
 PLEASE TURN THE PAGE...**

Institute of Management
Business Management Pathways
Semester 1 Examination 2022/2023
Financial Reporting for Management
Module No. BMP6015

Question A2 continued

Required:

- (a) Calculate the necessary material and labour variances. **(10 marks)**
- (b) Advise the management of Fulham Products on action that they might take in response to issues raised by your calculations. **(10 marks)**
- (c) Using examples from published research critically review the importance of standard costing as part of the management control systems. **(10 marks)**

TOTAL 30 MARKS

PLEASE TURN THE PAGE...

Institute of Management
 Business Management Pathways
 Semester 1 Examination 2022/2023
 Financial Reporting for Management
 Module No. BMP6015

SECTION B

QUESTION B3.

Deepdale manufacture two products. Using the data presented to you prepare an analysis of the production costs using traditional and ABC analysis. They have provided the following data.

	Product P	Product Q
Output (units)	350	420
Costs per unit (\$):		
Direct Material	30	60
Direct Labour	16	18
Machine Hours (per unit)	6	10

	Product P	Product Q
Budgeted Production batch (units)	50	40
Budgeted Sales batch (units)	25	20

Overheads & ABC Drivers

	£ Cost Drivers
Set-up Costs	7000 Production Runs
Quality Control	3500 Defect Notes Issued
Despatch	12000 Orders Despatched
Machine Dept Costs	13000 n/a (Various overheads)
	<u>35500</u>

ABC Activity Table

	Product P	Product Q	TOTAL
Production Runs	5	20	25
Requisitions Raised	22	15	37
Defect Notes Issued	12	6	18
Orders Executed	20	12	32

**Question B3 continued over
 PLEASE TURN THE PAGE...**

Institute of Management
Business Management Pathways
Semester 1 Examination 2022/2023
Financial Reporting for Management
Module No. BMP6015

Question B3 continued

Required:

(a) Evaluate the data given to show the production cost of the two products using traditional (machine hours) and Activity Based Costing (ABC) principles.

(10 marks)

(b) Comment on the key values in your analysis in (a)

(10 Marks)

(c) Using examples from published research critically analyse the adoption of ABC as part of a management control system.

(10 Marks)

(Total 30 marks)

PAST EXAMINATION

Institute of Management
 Business Management Pathways
 Semester 1 Examination 2022/2023
 Financial Reporting for Management
 Module No. BMP6015

QUESTION B4.

Old Limited manufactures three products, A, B and C. They use the same basic production process and use similar labour and materials. The supply of labour is fixed. Sales of Q are falling and it is likely that products B and C can achieve higher levels of sales. The company has provided the following draft budget.

The draft budget:

	£ A	£ B	£ C	£ Total
Sales	1,400,000	2,800,000	2,300,000	6,500,000
Direct Materials	750,000	950,000	670,000	2,370,000
Direct Labour	600,000	300,000	600,000	1,500,000
Variable Overhead	70,000	120,000	111,000	301,000
Total variable Costs	1,420,000	1,370,000	1,381,000	4,171,000
Contribution	- 20,000	1,430,000	919,000	2,329,000
Fixed Overhead				1,250,000
Profit				1,079,000

The directors' proposal is to transfer the labour time from A to B and C and they would like to shift £250,500 of labour costs from A to C with the remainder going to B. The cost relationships of B and C are not expected to change.

Required:

(a) Prepare an analysis of the directors' intention to transfer direct labour in contrast to an allocation based on the limited supply of labour. The company is running at almost full capacity (labour).

(10 Marks)

(b) Evaluate the implications of the alternative solutions in (a)

(10 Marks)

(d) Using examples from published research, critically evaluate the application of marginal costing as part of a management control system.

(10 Marks)

(Total 30 marks)

PLEASE TURN THE PAGE...

Institute of Management
Business Management Pathways
Semester 1 Examination 2022/2023
Financial Reporting for Management
Module No. BMP6015

SECTION C

QUESTION C5.

Required:

(a) Critically evaluate recent developments in approaches to budgetary control.

(15 marks)

(b) Using examples (and short references) critically evaluate the importance of behavioural aspects in a financial control system.

(25 marks)

TOTAL 40 MARKS

QUESTION C6.

Required:

(a) Critically evaluate methods that might be implemented to manage risk and uncertainty in the management of working capital.

(15 marks)

(b) Using examples (and short references) critically review the significance of a working capital control system as part of a financial control system.

(25 marks)

TOTAL 40 MARKS

END OF QUESTIONS