

**UNIVERSITY OF BOLTON**

**GREATER MANCHESTER BUSINESS SCHOOL**

**BA(HONS) ACCOUNTANCY**

**SEMESTER TWO EXAMINATIONS 2022/2023**

**MANAGEMENT ACCOUNTING FUNDAMENTALS**

**MODULE NO: ACC4016**

Date: Thursday 11 May 2023

Time: 10.00 – 1.00

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**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**

TRANSACTIONS DURING MAY 2022

	Quantity	Unit cost	Total cost	Market value per unit on date of transaction
	Units	£	£	£
Opening balance, 1 May	100	2.00	200	
Receipts, 3 May	400	2.10	840	2.11
Issues, 4 May	200			2.11
Receipts, 9 May	300	2.12	636	2.15
Issues, 11 May	400			2.20
Receipts, 18 May	100	2.40	240	2.35
Issues, 20 May	100			2.35
Closing balance, 31 May	200			2.38
			<u>1,916</u>	

Required:

**A. Complete the closing value of stock separately using FIFO, LIFO and AVCO**

**30 Marks**

**B. Briefly discuss your understanding of the following key terms in stock control: -**

- Economic Order Quantity
- Re-Order levels
- JIT Stock Control Systems

**10 marks**

**Total 40 Marks**

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### Question 2

Wire Ltd, a subsidiary of Babcock's, is considering which of two mutually exclusive projects it should undertake. The finance director thinks that the higher NPV should be chosen whereas the managing director thinks that the one with the higher IRR should be undertaken especially as both projects have the same initial outlay and length of life. The company anticipates a cost of capital of 10% and the net after tax cash flows of the projects are as follows: -

	Project X	Project Y
Year 0	-200,000	-200,000
1	35,000	218,000
2	80,000	10,000
3	90,000	10,000
4	75,000	4,000

#### Required:

- I. Calculate the NPV and IRR of each project. 5 Marks
- II. Justify, with reasons, which project you would undertake (if either) 5 Marks
- III. Contrast the inconsistency in ranking of the two projects in view of the remarks of the directors. 5 Marks
- IV. Explain the uses, limitations and merits of NPV and IRR methods of investment appraisal. 10 Marks

**Total 25 Marks**

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**Section B**  
**Answer 1 question from this section**

**Question 3**

XYZ Co is planning to make 120,000 units per period of a new product. The following standards have been set.

	<i>Per unit</i>
Direct material A	1.2 kg at \$11 per kg
Direct material B	4.7 kg at \$6 per kg
Direct labour:	
Operation 1	42 minutes
Operation 2	37 minutes
Operation 3	11 minutes

Overheads are absorbed at the rate of \$30 per labour hour. All direct operatives are paid at the rate of \$8 per hour. Attainable work hours are less than clock hours, so the 500 direct operatives have been budgeted for 400 hours each in the period.

Actual results for the period were:

Production 126,000 units  
 Direct labour cost \$1.7m for 215,000 clock hours  
 Material A cost \$1.65m for 150,000 kg Material B cost \$3.6m for 590,000 kg

**Required:**

- a) **Calculate the standard cost for one unit.** **(2 marks)**
- b) **Calculate the labour rate variance and a realistic efficiency variance.** **(4 marks)**
- c) **Calculate the material price and usage variances.** **(4 marks)**
- d) **Discuss your understanding of Ideal, Basic, Current and Attainable standards when Reviewing actual performance against standard costs.** **(10 marks)**

**Total 20 Marks**

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**Question 4**

**Budgeted information**

Process 1

Normal losses are 10% of input 1,750 units transferred to process 2.

No WIP

Scrap value is £0.50 per unit

Material costs are 8,100

Labour costs are 4,000

Overheads are 6,000

Process 2

1,750 units transferred from process 1

Normal losses are 10% of input

2,800 units transferred to finished goods stock

No WIP

Scrap value is £3 per unit

Materials input 1,250 additionally at £1,900

Labour costs are 10,000

Overheads are 12,000

**Required:**

**Prepare process 1 and process 2 accounts**

**15 Marks**

**How would you deal with under/over absorption of overheads if the actual costs of overheads were £17,800 in total?**

**5 Marks**

**(Total 20 Marks)**

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**Section C**

**Answer 1 question from this section**

**Question 5**

**Discuss why standard costing and variance analysis is seen as outdated for the modern-day business.**

**(Total 15 Marks)**

**Question 6**

**Evaluate why budgeting is seen as an essential 'lever of control' when managing the performance of a business.**

**(Total 15 Marks)**

**END OF QUESTIONS**