UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BA (HONS) ACCOUNTANCY

SEMESTER 2 RESIT EXAMINATIONS 2022/2023

QUANTITATIVE METHODS FOR ACCOUNTANTS

MODULE NO: ACC4018

Date: Friday 21 July 2023 **Time: 10am – 1pm**

INSTRUCTIONS TO CANDIDATES:

There are four compulsory questions on this paper.

Answer **all four** questions.

All questions carry equal marks.

Calculators may be used but full workings must be shown.

Formulae books, which contain statistical tables.

Graph paper (four sheets).

Question 1

A factory produces two products: Cinnamon and Silk. The contribution to profit that can be obtained is £25 per unit from Cinnamon, and £35 per unit from Silk. The factory employs 200 skilled workers and 150 unskilled workers, and they work a 40-hour week. The time required to produce 1 unit of Cinnamon is 6 skilled hours and 4 unskilled hours, whilst for 1 unit of Silk is 5 skilled hours and 7 unskilled hours.

Required:

a) Arrange the given information into tabular form.

(2 Marks)

b) Translate the problem into a linear programming one, identifying and writing down the objective function and the constraints.

(3 marks)

c) Plot the inequalities on a graph and identify the feasible region.

(10 marks)

d) Find the optimum solution that satisfies the objective function.

(10 marks)

(Total 25 mark)

Question 2

A new piece of office equipment has been installed and some of the employees are having difficulty logging on to it. A technician has given them some tuition and the problems encountered during the practice session are recorded. This data results in the following probabilities:

An employee has a 0.9 probability of logging on successfully at their first attempt. If they are successful at any time, the same probability applies on their next two attempts.

If they are not successful at any time, they lose confidence and the probability of succeeding on any subsequent attempt is only 0.5.

Question two continued over…
Please turn the page

Question two continued…

Use a tree diagram to find the probabilities that:

a) They are successful on all their first three attempts.
(5 marks)

b) They fail at the first attempt but succeed on the next two.
(5 marks)

c) They are successful just once in three attempts.
(5 marks)

d) They fail just once in three attempts.
(5 marks)

e) They are still not successful after the third attempt.
(5 marks)
(Total 25 marks)

Question 3

The Table below shows the salaries (£000s) for a sample of 40 employees.

24	53	37	62	18	54	47	32
36	28	54	35	63	31	53	45
61	41	21	57	25	48	25	36
19	65	45	51	38	38	40	52
31	38	56	38	25	38	61	34

Required:

a) Produce a grouped frequency distribution (GFD) table for this data.
(5 marks)

b) Draw a histogram of the grouped frequency distribution, and on the same graph calculate the mode salary. **(5 marks)**

Question three continued over…
Please turn the page

Question three continued…

c) From the GFD calculate the mean deviation

(5 marks)

d) From the GFD calculate the mean salary.

(5 marks)

e) Calculate the corresponding variance and standard deviation.

(5 marks)

(Total 25 marks)

Question 4

A factory producing UPVC window frames wants to determine the relationship between the cost of output and the number of window frames (units) produced.

The cost of output is thought to depend on the number of units produced.
The table below shows a record for a random sample over 10 months.
Data shows:

Month	Output (Units)	Cost (£'000)
1	4	5
2	6	7
3	2	4
4	8	9
5	6	7
6	10	14
7	5	6
8	1	2
9	3	3
10	5	6

Required:

Please show all calculation workings.

Question four continued over…
Please turn the page

Question four continued…

a) Draw a scatter diagram of these results.

(5 marks)

b) Calculate the equation of the least square regression line of "y on x" and then draw this line on the scatter diagram.

(10 marks)

c) Calculate the Pearson's correlation coefficient, r and the coefficient of determination r^2.

(5 marks)

d)Use the regression equation/line to predict the likely cost of 2 months if output is 7, and 9 respectively.

(5 marks)
(Total 25 marks)

END OF QUESTIONS
Please turn over for formulas

STATISTICAL FORMULAE

FREQUENCY DISTRIBUTIONS

Required fractile from a GFD = Lower class limit of fractile class +

$$\left(\frac{\text{Fractile item} - \text{cumulative frequency up to lower class limit of fractile class}}{\text{Fractile class frequency}} \times \text{Fractile class interval}\right)$$

Mean $\bar{x} = \dfrac{\text{sum of values}}{\text{total number of items}} = \dfrac{\sum x}{n}$

with GFD: $\bar{x} = \dfrac{\sum(f \times MP)}{\sum f}$ MP = class Mid Point

Range = Highest value – Lowest value

Quartile deviation = $(Q_3 - Q_1)/2$

Mean deviation $= \dfrac{\sum(x - \bar{x})}{n}$ The sign of $(x - \bar{x})$ must be ignored

with GFD: M.D. $= \dfrac{\sum(f \times (MP - \bar{x}))}{\sum f}$

Standard deviation (s) $= \sqrt{\left(\dfrac{\sum(x - \bar{x})^2}{n}\right)}$

If the mean is not a rounded number: $s = \sqrt{\left(\dfrac{\sum x^2}{n} - \bar{x}^2\right)}$

with GFD: $s = \sqrt{\left(\dfrac{\sum(f \times MP^2)}{\sum f} - \bar{x}^2\right)}$

Variance: s^2

Coefficient of variation $= \dfrac{s}{\bar{x}} \times 100$

Pearson's Coefficient of Skewness (Sk) $= \dfrac{3\,(\text{Mean} - \text{Median})}{\text{Standard Deviation}}$

CORRELATION

Regression line of "y on x": $y = a + bx$

where $b = \dfrac{n \times \sum xy - \sum x \times \sum y}{n \times \sum x^2 - (\sum x)^2}$ $\quad a = \dfrac{\sum y - b \times \sum x}{n}$ $\quad$ **n** = number of pairs

Regression line of "x on y": $x = a + by$

where $b = \dfrac{n \times \sum yx - \sum y \times \sum x}{n \times \sum y^2 - (\sum y)^2}$ $\quad a = \dfrac{\sum x - b \times \sum y}{n}$

Pearson product-moment Coefficient of Correlation (r)

$$r = \frac{n \times \sum xy - \sum x \times \sum y}{\sqrt{((n \times \sum x^2 - (\sum x)^2)\,(n \times \sum y^2 - (\sum y)^2))}}$$

Coefficient of determination $\quad r^2 = b_{yx} \times b_{xy} \quad \Rightarrow \quad r = \sqrt{b_{yx} \times b_{xy}}$

Covariance: Cov (x,y) $= \dfrac{\sum(x - \bar{x})(y - \bar{y})}{n} \quad \Rightarrow \quad r = \dfrac{\text{Cov}(x,y)}{(s_x \times s_y)}$

Spearman's Coefficient of Rank Correlation: $\quad r' = 1 - \dfrac{6\sum d^2}{n(n^2 - 1)}$

where **d** = the *difference* between the rankings of the same item in each series

PROBABILITY

Multiplication rule: the prob. of a *sequential* event is the product of all its elementary events

$$P(A \cap B \cap C \cap \ldots) = P(A) \times P(B) \times P(C) \ldots$$

Addition rule: the prob. of one of a number of *mutually exclusive* events occurring is the sum of the probabilities of the events

$$P(X \cup Y \cup Z \cup \ldots) = P(X) + P(Y) + P(Z) \ldots$$

Bayes' Theorem $\quad P(E \mid S) = \dfrac{P(E) \times P(S \mid E)}{\sum_i (P(E_i) \times P(S \mid E_i))}$

where S is the subsequent event and there are **n** prior events, **E**.

PROBABILITY DISTRIBUTIONS

Binomial distribution $P(x) = \binom{n}{x} p^x q^{n-x}$ *where* p = constant probability of a success
$q = 1 - p$ = probability of a failure
Mean = np
Standard deviation = $\sqrt{npq}$

Poisson distribution $P(x) = e^{-a} \dfrac{a^x}{x!}$ *where* $e \cong 2.718$ is a constant
Mean = $a = np$
Standard deviation = $\sqrt{a}$

Simplified Poisson $P(x+1) = P(x) \times \dfrac{a}{x+1}$

Normal distribution: ***standardised value*** $z = \dfrac{x - \mu}{\sigma}$

where μ and σ are the mean and standard deviation of the actual distribution

ESTIMATION & CONFIDENCE INTERVALS

- $\bar{x}$, s, p – **sample** mean, standard deviation, proportion/percentage
- μ, σ, π – **population** mean, standard deviation, proportion/percentage

⇒ $\bar{x}$ is a **point estimate** of μ
s is a **point estimate** of σ
p is a **point estimate** of π

Confidence intervals for a population percentage or proportion

$\pi = p \pm z\sqrt{\dfrac{p(100-p)}{n}}$ for a percentage $\pi = p \pm z\sqrt{\dfrac{p(1-p)}{n}}$ for a proportion

When using **normal tables:** $\boxed{\alpha = 100 - \text{confidence level}}$

Estimation of population mean (μ) when σ is *known*

$\mu = \bar{x} \pm z\, \sigma/\sqrt{n}$ (**normal tables** for z)

Estimation of population mean (μ) for *large sample size* and σ *unknown*

$\mu = \bar{x} \pm z\, s/\sqrt{n}$ (**normal tables** for z)

Estimation of population mean (μ) for *small sample size* and σ *unknown*

$\mu = \bar{x} \pm t\, s/\sqrt{n}$ (**t-tables** for t)

When using **t-tables**: $\boxed{\nu = n-1}$

Confidence intervals for paired (dependent) data

$\mu_d = \bar{x}_d \pm t\, s_d/\sqrt{n_d}$ *where* "$_d$" refers to the *calculated differences*

FINANCIAL MATHEMATICS

Simple interest $A_n = P\left(1 + \frac{i}{100} \times n\right)$

Compound interest $A_n = P\left(1 + \frac{i}{100}\right)^n$

Effective APR $= \left(\left(1 + \frac{i}{100}\right)^n - 1\right) \times 100\%$

Straight line depreciation $A_n = P\left(1 - \frac{i}{100} \times n\right)$

Depreciation $A_n = P\left(1 - \frac{i}{100}\right)^n$

The future value of an initial investment A_0 is given by $A_n = A_0\left(1 + \frac{i}{100}\right)^n$ and the present value of an accumulated investment A_n is given by $A_0 = \frac{A_n}{\left(1 + \frac{i}{100}\right)^n}$ or $A_n\left(1 + \frac{i}{100}\right)^{-n}$

Loan account

If an annuity is purchased for a sum of A_0 at a rate of $i\%$ compounded each period then the periodic repayment is

$$R = \frac{iA_0}{1 - (1 + i)^{-n}}$$

and the present value of the annuity A_0 (the loan) is

$$A_0 = R \times \frac{(1 + i)^n - 1}{i(1 + i)^n} \text{ or equivalently } A_0 = \frac{R[1 - (1 + i)^{-n}]}{i}$$

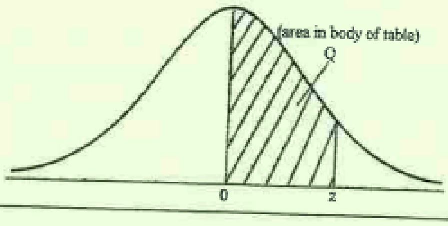
Savings account

A savings plan/sinking fund invested for n periods at a nominal rate of $i\%$ compounded each period with a periodic investment of £P matures to S where

$$S = P(1 + i) \times \left(\frac{(1 + i)^n - 1}{i}\right)$$

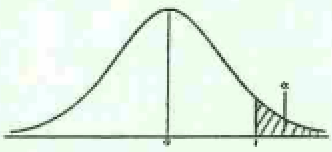
Greater Manchester Business School
BA (Hons) Accountancy
Semester 2 Resit Examination 2022/23
Quantitative Methods for Accountants
Module No. ACC4018

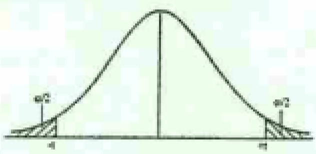
Table 1 Areas under the standard normal curve



z	0.00	0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09
0.0	0.0000	0.0040	0.0080	0.0120	0.0160	0.0199	0.0239	0.0279	0.0319	0.0359
0.1	0.0398	0.0438	0.0478	0.0517	0.0557	0.0596	0.0636	0.0675	0.0714	0.0753
0.2	0.0793	0.0832	0.0871	0.0910	0.0948	0.0987	0.1026	0.1064	0.1103	0.1141
0.3	0.1179	0.1217	0.1255	0.1293	0.1331	0.1368	0.1406	0.1443	0.1480	0.1517
0.4	0.1554	0.1591	0.1628	0.1664	0.1700	0.1736	0.1772	0.1808	0.1844	0.1879
0.5	0.1915	0.1950	0.1985	0.2019	0.2054	0.2088	0.2123	0.2157	0.2190	0.2224
0.6	0.2257	0.2291	0.2324	0.2357	0.2389	0.2422	0.2454	0.2486	0.2517	0.2549
0.7	0.2580	0.2611	0.2642	0.2673	0.2704	0.2734	0.2764	0.2794	0.2823	0.2852
0.8	0.2881	0.2910	0.2939	0.2967	0.2995	0.3023	0.3051	0.3078	0.3106	0.3133
0.9	0.3159	0.3186	0.3212	0.3238	0.3264	0.3289	0.3315	0.3340	0.3365	0.3389
1.0	0.3413	0.3438	0.3461	0.3485	0.3508	0.3531	0.3554	0.3577	0.3599	0.3621
1.1	0.3643	0.3665	0.3686	0.3708	0.3729	0.3749	0.3770	0.3790	0.3810	0.3830
1.2	0.3849	0.3869	0.3888	0.3907	0.3925	0.3944	0.3962	0.3980	0.3997	0.4015
1.3	0.4032	0.4049	0.4066	0.4082	0.4099	0.4115	0.4131	0.4147	0.4162	0.4177
1.4	0.4192	0.4207	0.4222	0.4236	0.4251	0.4265	0.4279	0.4292	0.4306	0.4319
1.5	0.4332	0.4345	0.4357	0.4370	0.4382	0.4394	0.4406	0.4418	0.4429	0.4441
1.6	0.4452	0.4463	0.4474	0.4484	0.4495	0.4505	0.4515	0.4525	0.4535	0.4545
1.7	0.4554	0.4564	0.4573	0.4582	0.4591	0.4599	0.4608	0.4616	0.4625	0.4633
1.8	0.4641	0.4649	0.4656	0.4664	0.4671	0.4678	0.4686	0.4693	0.4699	0.4706
1.9	0.4713	0.4719	0.4726	0.4732	0.4738	0.4744	0.4750	0.4756	0.4761	0.4767
2.0	0.4772	0.4778	0.4783	0.4788	0.4793	0.4798	0.4803	0.4808	0.4812	0.4817
2.1	0.4821	0.4826	0.4830	0.4834	0.4838	0.4842	0.4846	0.4850	0.4854	0.4857
2.2	0.4861	0.4864	0.4868	0.4871	0.4875	0.4878	0.4881	0.4884	0.4887	0.4890
2.3	0.4893	0.4896	0.4898	0.4901	0.4904	0.4906	0.4909	0.4911	0.4913	0.4916
2.4	0.4918	0.4920	0.4922	0.4925	0.4927	0.4929	0.4931	0.4932	0.4934	0.4936
2.5	0.4938	0.4940	0.4941	0.4943	0.4945	0.4946	0.4948	0.4949	0.4951	0.4952
2.6	0.4953	0.4955	0.4956	0.4957	0.4959	0.4960	0.4961	0.4962	0.4963	0.4964
2.7	0.4965	0.4966	0.4967	0.4968	0.4969	0.4970	0.4971	0.4972	0.4973	0.4974
2.8	0.4974	0.4975	0.4976	0.4977	0.4977	0.4978	0.4979	0.4979	0.4980	0.4981
2.9	0.4981	0.4982	0.4982	0.4983	0.4984	0.4984	0.4985	0.4985	0.4986	0.4986
3.0	0.4987	0.4987	0.4987	0.4988	0.4988	0.4989	0.4989	0.4989	0.4990	0.4990
3.1	0.4990	0.4991	0.4991	0.4991	0.4992	0.4992	0.4992	0.4992	0.4993	0.4993
3.2	0.4993	0.4993	0.4994	0.4994	0.4994	0.4994	0.4994	0.4995	0.4995	0.4995
3.3	0.4995	0.4995	0.4995	0.4996	0.4996	0.4996	0.4996	0.4996	0.4996	0.4997
3.4	0.4997	0.4997	0.4997	0.4997	0.4997	0.4997	0.4997	0.4997	0.4997	0.4998

Table 2 Percentage points of the t-distribution

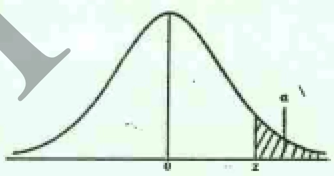

One-tailed

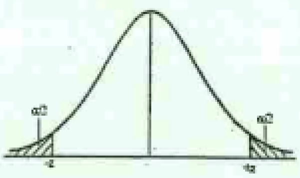

Two-tailed

One tail α Two tails α	5% 10%	2.5% 5%	1% 2%	0.5% 1%	0.1% 0.2%	0.05% 0.1%
v = 1	6.31	4.30	12.71	31.82	63.66	636.6
2	2.92	4.30	6.96	9.92	22.33	31.60
3	2.35	3.18	4.54	5.84	10.21	12.92
4	2.13	2.78	3.75	4.60	7.17	8.61
5	2.02	2.57	3.36	4.03	5.89	6.87
6	1.94	2.45	3.14	3.71	5.21	5.96
7	1.89	2.36	3.00	3.50	4.79	5.41
8	1.86	2.31	2.90	3.36	4.50	5.04
9	1.83	2.26	2.82	3.25	4.30	4.78
10	1.81	2.23	2.76	3.17	4.14	4.59
12	1.78	2.18	2.68	3.05	3.93	4.32
15	1.75	2.13	2.60	2.95	3.73	4.07
20	1.72	2.09	2.53	2.85	3.55	3.85
24	1.71	2.06	2.49	2.80	3.47	3.75
30	1.70	2.04	2.46	2.75	3.39	3.65
40	1.68	2.02	2.42	2.70	3.31	3.55
60	1.67	2.00	2.39	2.66	3.23	3.46
∞	1.64	1.96	2.33	2.58	3.09	3.29

v = degrees of freedom α = total percentage in tails

Table 3 Percentage points of the standard normal curve


One-tailed


Two-tailed

One tail Two tails	5% 10%	2.5% 5%	1% 2%	0.5% 1%	0.1% 0.2%	0.05% 0.1%
z	1.64	1.96	2.33	2.58	3.09	3.29

α = total percentage in tails

End of Paper