

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BUSINESS MANGEMENT PATHWAYS

SEMESTER 1 – EXAMINATIONS 2023/2024

FINANCIAL REPORTING FOR MANAGEMENT

MODULE NO: BMP6015

Date: Monday 8th January 2024

Time: 10.00am – 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.

Candidates will require graph paper.

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SECTION A

QUESTION A1.

Speed Ltd manufactures three products, J K and L which have the following standard costs:

		J	K	L
		£	£	£
Materials		12.50	0.70	14.60
Direct Labour	Grade X	2.40	3.00	1.30
	Grade Y	0.80	2.30	7.25

Budgeted fixed overheads are £400,000 for the forthcoming year. Grade X labour is paid £3.00 per hour and Grade Y is paid £2.50 per hour.

The budgeted sales, estimated by the marketing departments are:

	Units	£
J	18000 at a sales price of	26.00
K	24000 at a sales price of	16.25
L	16000 at a sales price of	21.50

On being informed of the draft sales budget, the production and engineering director pointed out that:

- i) There would only be 42,000 hours of Grade X available in the next year, and overtime working was not possible. A recruitment and training programme was planned, however, it was expected that the available Grade X labour in the year after next would be 50,000 hours;
- ii) The available Grade Y labour was up to 110,000 in the coming year;

Question A1 continued over the page

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Question A1 continued

- iii) The sales purchasing manager is seeking to source the products in from local suppliers at the following costs:

	£
J	18.00
K	8.20
L	20.00

Required:

- (a) Based on the information in notes i) and ii), present calculations to show many of each product should be produced
10 marks
- (b) Explain how your decisions in a) and the impact of the information provided by the purchasing manager in note iii)
10 marks
- (c) Critically evaluate the use of contribution theory as an instrument for internal and external reporting.
10 marks

Total 30 MARKS

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SECTION B

QUESTION B3.

Eastfield Ltd is considering which of two mutually exclusive projects it should undertake. The finance director thinks that the project with 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. Both directors are concerned about the sensitivity of each project. The company anticipates a cost of capital of 10% and the net after tax cash flows of the projects are as follows.

Year	Project X £'000	Project Y £'000		Df	
				10%	20%
0	-190	-190	1	0.9091	0.8333
1	60	180	2	0.8264	0.6944
2	75	50	3	0.7513	0.5787
3	70	10	4	0.6830	0.4823
4	75	4	5	0.6209	0.4019
5	10	3			

REQUIRED:

- (a) Calculate the NPV, IRR and PI of each project. 10 Marks
- (b) In response to the directors' comments recommend, with reasons, which project you would undertake (if either). You should present a graph to support your solution. 10 Marks
- (c) Critically evaluate the adoption of capital budgeting techniques. 10 Marks

Total 30 MARKS

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QUESTION B4.

The following financial statements (not published) belong to Baxter plc, a discount food wholesaler:

Consolidated Income Statement		
	2022	2023
Weeks	52	52
Currency	£ '000	£ '000
Revenue	191250	195322
Cost of sales	-168922	-176582
Gross Profit	22328	18740
Operating Expenses	-5000	-6800
Operating Profit	17328	11940
Other costs/income	0	0
Profit before interest and taxation	17328	11940
Finance costs	-1600	-1800
Profit on ordinary activities before taxation	15728	10140
Income tax expense	-3169	-2110
Profit for the year	12559	8030
Profit for the financial period	12559	8030
Dividends	-5801	-5799
Retained profit	6758	2231

Question B4 continued over the page

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Question B4 continued

Consolidated Statement of Financial Position	2022	2023
Assets		
Non-current assets	£ '000	% '000
Intangible Assets	150	160
Tangible Assets	42490	54945
Investments	6433	6230
	49073	61335
Current assets		
Inventories	20000	90000
Trade and other receivables	32441	36392
Short-term investments	0	0
Cash at bank and in hand	105809	6197
	158250	132589
Total Assets	207323	193924
Liabilities		
Current liabilities		
Trade and other payables	49922	40195
	49922	40195
Non-current liabilities		
Borrowings	85689	72134
Provisions	4201	5737
	89890	77871
Total Liabilities	139812	118066
Net Assets	67511	75858
Equity		
Issued share capital	20731	21719
Share premium	5444	5444
Other reserves	25561	15020
Retained earnings	15775	33675
Total shareholders equity	67511	75858
Notes:		
90% sales on credit		
50p shares	41462000	43438000
		1976000
Market price (p)	460	700

Question B4 continued over the page

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Question B4 continued

Notes:

The company sells 90% of product on credit terms. Shares have a nominal value of 50 pence and the company had allocated 41,192,000 in 2022 and 43,438,000 in 2023. The market price of each share was £4.60 in 2022 and £7.00 in 2023.

REQUIRED:

- (a) Calculate the ratios which assess:
(i) liquidity and the use of working capital;
(ii) the business as an investment opportunity. 10 marks
- (b) Draft a report, for the attention of senior management which will help them to respond to the outcomes of your calculations in (a). 10 marks
- (c) Critically evaluate the use of alternative measures of performance for internal and external use. 10 Marks
- Total 30 MARKS

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SECTION C

QUESTION C5.

Required:

Critically evaluate recent developments in technology enhanced finance opportunities in business finance. Your submission should include short references and examples from published research.

TOTAL 40 MARKS

QUESTION C6.

Required:

Critically evaluate approaches to assess and manage risk in financial decision making and control. Your submission should include short references and examples from published research.

TOTAL 40 MARKS

END OF QUESTIONS

PAST EXAMINATION