

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE

BA (HONS) ACCOUNTANCY

SEMESTER TWO EXAMINATIONS 2023/24

MANAGEMENT ACCOUNTING FUNDAMENTALS

MODULE NO: ACC4016

Date: Thursday 16th May 2024

Time: 1.00pm – 4.00pm

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
	Units	£	£
Opening balance, 1 May	100	2.00	200
Receipts, 3 May	400	2.10	840
Issues, 4 May	200		
Receipts, 9 May	300	2.12	636
Issues, 11 May	400		
Receipts, 18 May	100	2.40	240
Issues, 20 May	100		
Closing balance, 31 May	200		
			<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****PLEASE TURN THE PAGE**

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Question 2

Dooley Ltd 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. The company anticipates both machines having a lifespan of 5 years. The company's cost of capital is 10% and the net after tax cash flows of the projects are as follows: -

Year	Machine X	Machine Y
0	-450,000	-600,000
1	160,000	246,000
2	160,000	196,800
3	160,000	172,200
4	100,000	102,500
5	150,000	202,500

Required

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

Total 25 Marks

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Section B- Answer ONE (1) question from this section

Question 3

Gilkes Limited power tools. The budgeted production costs
 For 25,000 power tools for May 2024 was as follows:

Direct materials		
10,000 kilos at £6 per kilo		£60,000
Direct labour		
1,000 hours at £7.00 per hour		£7,000

Actual results were as follows:

No. of power tools produced:		26,500
Direct material		
11,300 kilos at £5.00 per kilo		£56,500
Direct labour		
980 hours at £7.80 per hour		£7,644

Required:

(a) Calculate the following variances for May 2024:

- (i) total material variance**
- (ii) direct material usage**
- (iii) direct material price**
- (iv) total labour variance**
- (v) direct labour efficiency**
- (vi) direct wage rate**

12 Marks

**(b) Discuss the strengths and weaknesses of setting standard costs
 on the basis of Ideal, Attainable, Current and Basic standards.**

8 Marks

Total 20 Marks

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Question 4

Babcock's Management are concerned that they may not be manufacturing the correct mix of products in one of the divisions, Metolux. Output in this division is limited at the moment because of machine capacity and other bottleneck operations.

At present the company is manufacturing three products (A, B, and C) in this division, using the same machines.

The following estimates have been made in respect of the next financial year:

Product	A	B	C
	£/unit	£/unit	£/unit
Selling price	80	90	50
Variable material cost	40	36	20
Variable labour cost	20	14	12
Variable overheads	15	10	8
	Hours	Hours	Hours
Time per unit required on machines	2	5	3

Fixed overhead costs for the next financial year are expected to be £ 120,000.

The maximum machine capacity in the next financial year is 40,000 hours.

The forecast demand for each of the products for the next year is:

Product A 6,000 units
 Product B 4,000 units
 Product C 5,000 units

Required:

- a) **Make a detailed analysis of product mix for Metolux producing a profit statement which maximises contribution for the business.**

12 Marks

- b) **Critically evaluate the application of the theory of constraints in a modern business environment.**

8 Marks

Total 20 Marks

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Section C
Answer ONE (1) question from this section

Question 5

Evaluate the use and purpose of Marginal Costing for the modern-day organisation when trying to decide whether to undertake a short-term business opportunity.

Total 15 Marks

Question 6

Critically evaluate the different budgeting methods public sector and private sector businesses can use to aid control and performance management.

Total 15 Marks

END OF QUESTIONS

END OF EXAM

PAST EXAMINATION