

**UNIVERSITY OF BOLTON**  
**GREATER MANCHESTER BUSINESS SCHOOL**  
**BA (HONS) ACCOUNTANCY**  
**SEMESTER 1 EXAMINATIONS 2024/2025**  
**STRATEGIC MANAGEMENT ACCOUNTING**  
**MODULE NO: ACC6005**

Date: Thursday 9<sup>th</sup> January 2025

Time: 10.00am – 1.00pm

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**INSTRUCTIONS TO CANDIDATES:**

There are Five questions on this paper.

Answer ALL questions.

This is a 3-hour closed book examination.

All questions carry equal marks.

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### Question 1

**Glove Co** produces high-quality, hand-made gloves, which are sold for an average price of £180 per pair. The company has set the following standard costs for labour:

- **Standard labour cost per pair:** £42
- **Standard labour time per pair:** 3 hours

In the last quarter, **Glove Co** had budgeted to produce 12,000 pairs of gloves. However, actual production was 12,600 pairs due to increased demand.

During this period:

- **Total hours used:** 37,000 hours
- **Total labour cost:** £531,930
- **No idle time was reported**

A significant change occurred at the beginning of the last quarter: the design of the gloves was slightly modified to include the company's logo on the back of every pair. The additional work required an estimated 15 minutes per pair. However, the accountant responsible for updating the standard costs was not informed of this design change, and therefore, the standard time per pair was not updated.

Additionally, workers received a 2% pay rise at the start of the quarter, but this increase was not communicated to the accountant. As a result, the standard labour cost was not revised to reflect the new pay rates.

### Required

Calculate and produce a statement that includes:

- a) **Labour Rate Variance**
- b) **Labour Rate Planning Variance**
- c) **Labour Rate Operational Variance**
- d) **Labour Efficiency Variance**
- e) **Labour Efficiency Planning Variance**
- f) **Labour Efficiency Operational Variance**

**20 Marks**

**Please turn the page**

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BA (Hons) Accountancy  
Semester 1 Examination 2024/2025  
Strategic Management Accounting  
Module No. ACC6005

### Question 2

**Critically discuss how corporate governance frameworks can effectively balance the interests of shareholders, stakeholders, and broader societal responsibilities in the face of increasing global scrutiny and regulatory demands including sustainability and carbon accounting. What are the specific challenges associated with this balance, and what strategies can be employed to enhance transparency, accountability, and ethical decision-making within modern corporations?**

**20 Marks**

### Question 3

ABC Manufacturing Ltd. produces two types of products, Product X and Product Y. The company is currently evaluating its costing methods to better understand the profitability and pricing strategies of its products. To achieve this, ABC Manufacturing Ltd. has decided to use Activity-Based Costing (ABC) to allocate overhead costs more accurately based on the actual consumption of activities by each product.

In order to make informed decisions about pricing and profitability, it is crucial for ABC Manufacturing Ltd. to calculate the ABC cost per unit for its products. The company has identified the following total costs associated with three key activities:

- **Material Handling Movements:** £200,000
- **Production Set Ups:** £350,000
- **Material Requisitions:** £125,000

The production and activity data for each product are as follows:

- **Product X:** 10,000 units produced, with 20 material handling movements, 50 production set ups, and 30 material requisitions.
- **Product Y:** 5,000 units produced, with 15 material handling movements, 10 production set ups, and 12 material requisitions.

### Required:

**Using the provided Activity-Based Costing (ABC) data, calculate the ABC cost per unit for Product X and Product Y. Analyse the cost implications of these calculations on the pricing strategy and profitability of both products for ABC Manufacturing Ltd. How might these insights influence the company's decision-making process regarding product pricing and cost management?**

**20 Marks**

Please turn the page

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BA (Hons) Accountancy  
Semester 1 Examination 2024/2025  
Strategic Management Accounting  
Module No. ACC6005

#### Question 4

Darwen Company produces three products: X, Y, and Z. The company is currently assessing its financial performance and planning for profitability. To do this, they need to determine the breakeven sales revenue required and the sales revenue needed to achieve a targeted profit. The company has provided the following information:

- **Selling Price per Unit:**
  - Product X: £16
  - Product Y: £20
  - Product Z: £10
- **Variable Cost per Unit:**
  - Product X: £5
  - Product Y: £15
  - Product Z: £7
- **Budgeted Sales Volume:**
  - Product X: 50,000 units
  - Product Y: 10,000 units
  - Product Z: 100,000 units
- **Fixed Costs:** £450,000

**Required:**

1. Calculate the total contribution margin for each product.
2. Determine the breakeven sales revenue required for Darwen Company.
3. Calculate the breakeven sales revenue necessary to achieve a profit of £600,000.
4. Briefly discuss how these calculations can assist Darwen Company in making strategic decisions regarding product pricing and cost management.

**20 Marks**

**Please turn the page**

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BA (Hons) Accountancy  
Semester 1 Examination 2024/2025  
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### Question 5

A factory produces two products, **Product A** and **Product B**. The company wants to maximize its profits, subject to constraints on labour and materials.

- **Sales Price per Unit = A: £50 and B: £60**
- **Variable Costs per Unit A: £30 and B: £30.**

Each product requires the following resources:

- **Labour required per unit of Product A = 2 hours**
- **labour required per unit of Product B = 3 hours**
- **Material required per unit of Product A = 4 kg**
- **Material required per unit of Product B = 2 kg**

Available resources:

- **Total available labour = 100 hours**
- **Total available material = 120 kg**

#### Required:

- a) **Use Linear Programming to maximize the profit by determining how many units of Product A and Product B to produce.**

**15 Marks**

- b) **Briefly discuss how additional units of the scarce resources will impact profitability.**

**5 Marks**

**20 Marks**

**END OF EXAM PAPER**