UNIVERSITY OF GREATER MANCHESTER

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE

BA (HONS) ACCOUNTANCY

SEMESTER 2 EXAMINATION 2024/2025

MANAGEMENT ACCOUNTING FUNDAMENTALS

MODULE NO: ACC4016

Date: Wednesday, 14 May 2025 **Time: 1:00 pm – 4:00 pm**

INSTRUCTIONS TO CANDIDATES:

There are FOUR (4) questions on this paper.

Answer ALL questions.

All questions carry equal marks.

University of Greater Manchester
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BA (Hons) Accountancy
Semester Two Examination 2024/2025
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Module No: ACC4016

QUESTION 1

Harvey Ltd is considering which of the capital investment appraisal methods is suitable for the machinery it is investing in, which costs £1,500,000. The finance director thinks that the NPV should be chosen whereas the operational director thinks that ARR is better suited. The company anticipates the machine have a lifespan of 3 years. The company's cost of capital is 10% and the net after tax cash flows of the projects are as follows: -

Year	£
1	900,000
2	600,000
3	500,000

Required :

A) Calculate the Payback, Annual Rate of Return of the machine.

(7 marks)

B) Calculate the NPV and IRR of the machine.

(8 marks)

C) In view of the remarks of the directors, justify, with reasons, which method you would apply (if either).

(5 marks)

D) Explain the uses, limitations and merits of NPV and IRR methods of investment appraisal.

(5 marks)

[TOTAL 25 MARKS]

Please turn the page

University of Greater Manchester
Off Campus Division – Western International College
BA (Hons) Accountancy
Semester Two Examination 2024/2025
Management Accounting Fundamentals
Module No: ACC4016

QUESTION 2

Julius Ltd power tools. The budgeted production costs for 600 power tools for April 2025 was as follows:

Standard cost per unit	
Direct materials	
4.5 kilos at £6.5 per kilo	£29.25
Direct labour	
7.50 hours at £8.00 per hour	£60
Standard direct cost	£89.25

Actual results were as follows:

No. of power tools produced:	500
Direct material	
3,000 kilos at £5.00 per kilo	£15,000
Direct labour	
3,000 hours at £9 per hour	£27,000

Required:

A) Calculate the following variances for April 2025:
(i) direct material price
(ii) direct material usage
(iii) direct labour rate
(iv) direct labour efficiency

(12 marks)

B) Prepare a reconciliation statement for the variances.

(5 marks)

C) Discuss the two of four standard costs.

(8 marks)

[TOTAL 25 MARKS]

Please turn the page

University of Greater Manchester
Off Campus Division – Western International College
BA (Hons) Accountancy
Semester Two Examination 2024/2025
Management Accounting Fundamentals
Module No: ACC4016

QUESTION 3

Cristal Ventures decided to commence business manufacturing and selling a single product. The board of directors have set some conditions on behalf of the private investors:

Year 1: Break even

Year 2: To achieve a profit of £200,000

Cost per unit	£
Direct materials	26
Direct labour	16
Variable production overhead	10
Variable sales overhead	8

The selling price was fixed at £100 and the Budgeted Fixed Costs is set at £40,000

Budgeted (projected sales) 1,800 units.

Required:

A) Calculate the Breakeven Point using the contribution per unit method.
(7 marks)

B) Calculate the Margin of Safety in percentage and Units.
(5 marks)

C) Calculate the level of activity and sales revenue needed to make a profit of £200,000.
(6 marks)

D) Explain the different sources of finance and give examples.
(7 marks)

[TOTAL 25 MARKS]

Please turn the page

University of Greater Manchester
Off Campus Division – Western International College
BA (Hons) Accountancy
Semester Two Examination 2024/2025
Management Accounting Fundamentals
Module No: ACC4016

QUESTION 4

Bolton Ltd produces and sells a single product, the data below relates to sales and production in two months.

	January	February
	Units	Units
Sales	4,000	6,000
Production	8,000	2,000
	£	£
Selling Price per unit	80	80
Variable cost per unit	40	40
Fixed production overhead incurred	96,000	96,000
Fixed production overhead cost, per unit being the predetermined overhead absorption rate	12	12
Selling, distribution and administration costs (All fixed)	40,000	40,000

Required:

A) Present a comparative statement for each month using marginal costing.
(8 marks)

B) Present a comparative statement for each month using absorption costing.
(8 marks)

C) Explain the advantages and limitation for marginal and absorption costing.
(9 marks)

[TOTAL 25 MARKS]

END OF QUESTIONS

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University of Greater Manchester
Off Campus Division – Western International College
BA (Hons) Accountancy
Semester Two Examination 2024/2025
Management Accounting Fundamentals
Module No: ACC4016

PRESENT VALUE TABLE

Present value of $1, that is $(1+r)^{-n}$ where r = interest rate; n = number of periods until payment or receipt.

Periods	Interest rates (r)									
(n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149

Periods	Interest rates (r)									
(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.079	0.065
16	0.188	0.163	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054
17	0.170	0.146	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045
18	0.153	0.130	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038
19	0.138	0.116	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031
20	0.124	0.104	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026

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