

UNIVERSITY OF BOLTON

**SCHOOL OF BUSINESS AND CREATIVE
TECHNOLOGIES**

BUSINESS INFORMATION SYSTEMS PATHWAY

SEMESTER 1 EXAMINATIONS 2009/2010

**FINANCE FOR BUSINESS FOR NON-FINANCE
MANAGERS**

MODULE NO: BIS2512

Date: Tuesday 19th January 2010

Time: 10:00 – 13:00

INSTRUCTIONS TO CANDIDATES:

There are **FIVE** questions on this paper.

Answer **ALL** questions.

Calculators may be used.

This is a closed book examination.

All questions carry equal marks.

School of Business and Creative Technologies
 Business Information Systems Pathway
 Semester 1 Examination 2009/2010
 Finance for Business for Non-Finance Managers
 Module No. BIS2512

Answer ALL questions

Q1

Elland Limited manufacture a single product Yorkshire Stone and supply a variety of customers in the North West of England. Its cost specification includes the following details per tonne of product together with budgeted financial information for the current year.

Direct Labour Hours	4.5
Labour Rate per Hour	£8.50
Direct Material	1.1 tonnes per tonne of product
Material Cost	£ 25 per tonne
Variable Production Overheads (total)	£ 378,000
Fixed Production Overheads (total)	£ 250,000
Selling Price Per Tonne	£ 132
Production Volume	12,000 tonnes
Sales volume	11,500 tonnes

Required:

- a) Calculate the marginal cost per tonne of product **(2 marks)**
- b) Calculate the contribution per tonne of product **(2 marks)**
- c) Prepare a budgeted operating statement using marginal costing **(6 marks)**
- d) Prepare a budgeted operating statement using absorption costing **(6 marks)**
- e) Critically review the uses of both methods of accounting for the modern day manufacturing business, and explain to the managers why there is a profit difference when both methods are used. **(4 marks)**

TOTAL 20 MARKS

PLEASE TURN THE PAGE...

School of Business and Creative Technologies
 Business Information Systems Pathway
 Semester 1 Examination 2009/2010
 Finance for Business for Non-Finance Managers
 Module No. BIS2512

Q2.**2.1**

Sports Ltd make a variety of sports goods. One of its product groups is football boots and they make a range of five styles.

You are given the following data for the forthcoming quarter.

	Davies	Taylor	King	Cole	Bell
Selling Price	£ 27.50	£ 30.00	£ 28.50	£ 29.00	£ 25.00
Variable Costs Per Unit					
Direct Material	£ 8.00	£ 8.50	£ 8.25	£ 8.50	£ 7.75
Direct Labour Hours at	1.2	1.3	1.1	1.25	1.0
£ 7.50 per hour	£ 9.00	£ 9.75	£ 8.25	£ 8.50	£ 7.75
Budget / Forecast Sales / Production For Period	500 pairs	510 pairs	520 pairs	500 pairs	510 pairs

Forecast Labour Hours For The Period = 2,970

Shortly after the budgeted output was agreed a machine breakdown occurred and, as parts are not available immediately, labour hours will be limited to 2,675.

Required:

Determine the production schedule that will optimise profit , bearing in mind the limiting factor , also assuming that the actual sales per product will not exceed the forecast figures quoted.

(10 marks)

**Question 2 continued over
PLEASE TURN THE PAGE...**

School of Business and Creative Technologies
Business Information Systems Pathway
Semester 1 Examination 2009/2010
Finance for Business for Non-Finance Managers
Module No. BIS2512

Question 2 continued

2.2

Jones Limited produces and sells two products.

Product A sells for £12 per unit and has a total variable cost of £7.90, while Product B sells for £17 per unit and has a total variable cost of £11.20.

For every 4 units of Product A sold, three of product B are sold.

Jones Limited fixed costs are £131,820 per period.

Budgeted sales revenue for the next period is £398,500.

Required:

You are required to calculate the margin of safety.

(4 Marks)

2.3

Cooper Limited makes and sells three products A, B and C.
The products are sold in the proportions A : B: C 1 : 1 : 4

Monthly Fixed costs are £55,100 and product details are as follows.

Product	Selling Price	Variable
Cost		
Unit	£ per unit	£
A	47	25
B	39	20
C	28	11

Cooper Limited wishes to generate a profit of £43,000 next month.

Required:

What is the required sales value of product A in order to achieve this target?

(3 marks)

**Question 2 continued over
PLEASE TURN THE PAGE...**

School of Business and Creative Technologies
Business Information Systems Pathway
Semester 1 Examination 2009/2010
Finance for Business for Non-Finance Managers
Module No. BIS2512

Question 2 continued

2.4

Turf Limited produces and sells two products A and B.
It expects to sell two of A for every five of B.
Monthly sales revenue is £ 320,000.
A has a contribution to sales ratio of 25 %
B has a contribution to sales ratio of 35 %
Budgeted monthly fixed costs are £90,000.

Required:

You are required to calculate the budgeted breakeven sales revenue.

(3 marks)

PLEASE TURN THE PAGE...

School of Business and Creative Technologies
Business Information Systems Pathway
Semester 1 Examination 2009/2010
Finance for Business for Non-Finance Managers
Module No. BIS2512

Q3

3.1

Grey Limited manufactures hand made pottery eggs.

The Budgeted production costs for 25,000 boxes of eggs for November 2009 was as follows:-

Direct materials		
10,000 kilos at £5 per kilo		£50,000
Direct labour		
1,000 hours at £7.50 per hour		£7,500

Actual results were as follows:

No. of boxes of eggs produced: 27,500

Direct material		
11,300 kilos at £4.96 per kilo		£56,048
Direct labour		
980 hours at £7.80 per hour		£7,644

Required:

Calculate the following variances for November 2009:

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

(10 marks)

3.2

Required:

Describe and comment on important features that are integral to good budgetary control.

(10 marks)

TOTAL 20 MARKS

PLEASE TURN THE PAGE...

School of Business and Creative Technologies
 Business Information Systems Pathway
 Semester 1 Examination 2009/2010
 Finance for Business for Non-Finance Managers
 Module No. BIS2512

Q4

Yorkshire Plc has three production departments – Assembly, Finishing, Polishing, and a Canteen department that works for the production depts. In the ratio 30%, 30% and 40% respectively.

The following costs and relevant data, which represent normal activity levels have been budgeted for the period ended 31st December 2009.

	Assembly 000's	Finishing 000's	Polishing 000's	Canteen 000's	Totals 000's
Direct Wages	240	280	320	0	840
Direct Materials	160	120	80	0	360
Indirect Materials	80	100	40	240	460
Depreciation					680
Rates					200
Power					1,600
Personnel					200
Insurance					400

Relevant Data for the business to be used in overhead apportionments

Direct Labour Hrs	8,000	9,000	15,000	0	32,000
Machine Hours	15,000	20,000	3,000	2,000	40,000
Floor area (m)	1,000	2,000	1,000	3,000	7,000
Fixed Asset	£260,000	£240,000	£80,000	£120,000	£700,000
Employees	50	60	100	50	260

**Question 4 continued over
PLEASE TURN THE PAGE...**

School of Business and Creative Technologies
Business Information Systems Pathway
Semester 1 Examination 2009/2010
Finance for Business for Non-Finance Managers
Module No. BIS2512

Question 4 continued

Required:

a) Prepare an overhead apportionment sheet for Yorkshire Plc for the period ended 31st December 2009. **(14 Marks)**

b) Calculate appropriate overhead absorption rates for Assembly, Finishing and Polishing. **(3 Marks)**

c) The following data is available for the actual results for Assembly as at 31st December 2009:-

Actual Overheads	£1,400,000
Actual Labour Hours	18,000
Actual Machine Hours	16,000

Calculate the under/over recovery of overheads for the assembly Department.

(3 Marks)

TOTAL 20 MARKS

PLEASE TURN THE PAGE...

School of Business and Creative Technologies
 Business Information Systems Pathway
 Semester 1 Examination 2009/2010
 Finance for Business for Non-Finance Managers
 Module No. BIS2512

Q5

You are presented with the following information:

Jones Limited
 Balance Sheet at 31 January 2009

	31 January 2008		31 January 2009	
	000 s	000 s	000 s	000 s
<u>Fixed Assets</u>				
Land at Cost		600		700
<u>Current Assets</u>				
Stock	100		120	
Debtors	200		250	
Cash	<u>6</u>		<u>10</u>	
Sub Total	306		380	
Less Current Liabilities				
Creditors	(180)	126	(220)	160
Total		<u>726</u>		<u>860</u>
Capital and Reserves				
Ordinary Share Capital		700		800
Profit and Loss Account		26		60
Total		<u>726</u>		<u>860</u>

**Question 5 continued over
 PLEASE TURN THE PAGE...**

School of Business and Creative Technologies
Business Information Systems Pathway
Semester 1 Examination 2009/2010
Finance for Business for Non-Finance Managers
Module No. BIS2512

Question 5 continued

Required:

a) Prepare Jones Limited's cash flow statement for the year ended 31st January 2009. **(15 marks)**

b) Outline what it tells the Managers of Jones Limited. **(5 marks)**

TOTAL 20 MARKS

END OF QUESTIONS