

UNIVERSITY OF BOLTON

**SCHOOL OF BUSINESS AND CREATIVE
TECHNOLOGIES**

ACCOUNTANCY PATHWAY

**SEMESTER 2 EXAMINATIONS 2009/2010
(INCLUDING REFER/DEFER)**

MANAGEMENT ACCOUNTING FUNDAMENTALS

MODULE NO: ACC1006

Date: Tuesday 8th June 2010

Time: 10:00 – 13:00

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 – answer BOTH questions

1)

Industrial Supplies Ltd is a leading supplier to the construction industry. One of its Products has the following standard costs for one unit of output:-

Direct Material	5 ltrs at £5 per Litre	£25
Direct Labour	6 hours at £8 per hour	£48
Overheads based on an OAR of £5 per hour		£30
Total Standard Cost		£103

The standard selling price of one unit was £120 and budgeted sales were 1,500 units for the month of May.

All Overheads are fixed in nature.

The actual results for May were as follows:-

1,600 units were made and sold for	£192,000
Direct Material used was 5,000 Litres at a total cost of	£30,000
Direct Labour was 6,000 hours at a total cost of	£42,000
Actual fixed overheads were	£35,000

**Question 1 continued over
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Question 1 continued

Required:

- A)** The materials price variance for the month of May **(4 Marks)**

- B)** The materials usage variance for the month of May **(4 Marks)**

- C)** The Labour Rate Variance for the month of May **(4 Marks)**

- D)** The Labour Efficiency Variance for the month of May **(4 Marks)**

- E)** Discuss the purpose of variance analysis in providing a control Mechanism for managers of a business. **(4 Marks)**

- F)** Discuss why some manufacturing businesses may want to move Away from variance analysis as a mechanism for operational control. **(5 Marks)**

TOTAL 25 MARKS

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Section A continued

2)

Engineering Ltd is preparing its departmental budgets for the year ending 31st Dec 2010. The company has three manufacturing Departments - Department 1, Department 2 and Department 3 - together with a Maintenance servicing department and canteen. The following costs and related data have been estimated for the year to 31st Sept 2009.

	<u>Dept 1</u> <u>£000's</u>	<u>Dept 2</u> <u>£000's</u>	<u>Dept 3</u> <u>£000's</u>	<u>Maintce</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Direct Wages	64	56	32	24	176
Other Direct Costs	36	44	60	12	152
Indirect Materials	80	48	64	240	432
Indirect Wages	30	8	16	80	134
Personnel					1,000
Business Rates					500
Depreciation					280
Heating					180
Power					700

Other Data (still in 000's)

Direct Labour Hrs	48	32	64	24	168
Machine Hrs	160	20	24	0	204
NBV of fixed assets	80	32	12	16	140
Floor area (sm)	4	16	12	12	44
Employees	24	16	32	12	84

The Maintenance department is expected to spend 40% of its time working for the dept 1, with the remainder of its time being shared between dept 2 and dept 3.

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Question 2 continued

Required:

- A.** Prepare an overhead analysis sheet in columnar format to show the amount of overhead that will be allocated and apportioned to each cost centre. **(20 marks)**
- B.** Re- Apportion the Maintenance department to the other three production departments. **(6 marks)**
- C.** Calculate **appropriate** overhead absorption rates for each production department. **(9 marks)**
- D.** What do you understand by the term 'blanket' overhead rate and give examples when its use may seem appropriate. **(5 marks)**

TOTAL 40 MARKS

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SECTION B – answer ONE question

3)

The following data has been extracted from the budgets and standard costs of George Ltd, a company which manufactures and sells a single product.

	£ per unit
Selling Price	150.00
Direct Material costs	75.00
Direct Wages cost	20.00
Variable overhead cost	15.00

Fixed production overhead costs are budgeted at £240,000 per annum. Normal production levels are thought to be 480,000 units per annum.

Budgeted selling and distribution costs are as follows :-

Variable	£1.50 per unit sold
Fixed	£90,000 per annum

Budgeted administration costs are £90,000 per annum.

The following patterns of sales and production are expected during the first six months of 2008.

	Jan - Mar	Apr - June
Sales (units)	100,000	140,000
Production (units)	120,000	120,000

There is no opening stock

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Question 3 continued

Required:

Prepare profit statements for each of the two quarters using :-

- A)** Marginal Costing
- B)** Absorption Costing

TOTAL 20 MARKS

**Section B continued over
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Section B continued

4)

Adrian Converting Ltd has two processes.

Material for 10,000 items was put into process 1. There was no opening stocks and no process losses. Other relevant information is:-

Transfers to process 2	8,000 items
Direct material cost	£72,000
Direct labour cost	£64,000
Overheads	£17,060

The unfinished items were complete as to materials and 50% complete as to conversion costs.

Information for process 2 is as follows:-

Transfers from process 1	8,000 items (at a cost determined above)
Items	
Completed	7,200 items
Labour Cost	£69,192
Overhead Cost	£30,600

The unfinished items were deemed to be 25% complete as regards conversion costs.

Required:

- A)** Prepare the Process 1 Account (10 marks)
- B)** Prepare the Process 2 Account (10 marks)

TOTAL 20 MARKS

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SECTION C – answer ONE question

5)

Different users of accounting information have different information requirements, and use accounting information to make decisions for different reasons.

Required:

Discuss the different types of accounting information available to different user groups, and highlight how the different user groups actually use the information and what types of decisions they would make.

TOTAL 15 MARKS

6)

Budgeting is seen as an essential control mechanism for organisations wanting to Control costs and to ensure business goals are met.

Explain the budget control mechanism highlighting both positive and negative aspects of the process, and give examples of different types of budget an organisation may use.

TOTAL15 MARKS

END OF QUESTIONS