

UNIVERSITY OF BOLTON

FACULTY OF WELL-BEING & SOCIAL SCIENCES

**BA (HONS) ACCOUNTANCY BY DISTANCE
LEARNING**

**VIETNAM BANKING UNIVERSITY
(INTAKE 3)**

SEMESTER 1 EXAMINATION 2011/2012

MANAGEMENT ACCOUNTING CONTROL SYSTEMS

MODULE NO: ACC3004

Date: Tuesday 31st January 2012

Time: 3 Hours

INSTRUCTIONS TO CANDIDATES:

There are SIX questions on this paper.

Answer FOUR questions.

All questions carry equal marks.

Silent non programmable calculators may be used.

No Books or materials may be referred to in the examination

Present Value Factors are provided.

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Answer any FOUR Questions

1. LION MANUFACTURERS

Lion Manufacturers makes three products (A, B and C) from the same basic components. You are provided with the following information relating to projections for February 2012:

(i) Sales	A	B	C
Quantity	84,000	64,000	32,000
Price/ Unit	\$40	\$20	\$60
(ii) Material Usage (£/ unit)			
Wood	10	4	16
Bought in components	8	4	10
Packing	6	2	4
(iii) Labour Cost £/ Unit	4	2	6
(iv) Overhead £/ Unit			
Variable	6	2	4
Fixed	2	2	2
(v) Stocks			
Finished Goods (units)			
1 February	32,000	20,000	24,000
29 February	44,000	16,000	16,000
Raw Materials	Wood	Bought in Components	Packing
	\$	\$	\$
1 February	56,000	55,600	33,000
29 February	80,000	74,800	14,400

REQUIRED

Prepare budgets for sales & profit, production (units), materials usage, purchases and production cost for the month of February 2012

Total 25 Marks

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2. SEACOM CORPORATION

Seacom Corporation, which processes seafood into frozen products for export, is seeking to replace an old industrial freezing unit which has now exceeded its useful commercial life. To maintain a competitive position and to ensure future commercial success and maintain the company's reputation. Three possible alternatives have been identified:

- A Quadfreeze, manufactured in the USA
- A Parfreeze, produced by a Chinese company (under licence)
- A Korfreeze-2012, made in Korea

Each alternative would cost \$720,000 to purchase and have an effective working life of 6 years, but the net incremental cash inflows of each are estimated to be as follows:

NOTE:- All cash amounts are \$,000s

	Quadfreeze	Parfreeze	Korfreeze-2012
YEAR 1	80	320	240
YEAR 2	160	240	240
YEAR 3	240	240	240
YEAR 4	240	80	240
YEAR 5	240	40	160
YEAR 6	272	40	80

REQUIRED

Assuming the company has a cost of capital of 15% and there is no anticipated residual value after 6 years, calculate the following for each project alternative:

- 1) Payback period
- 2) Net present Value
- 3) Accounting Rate of Return
- 4) Internal Rate of Return

Advise the company which alternative to adopt, with reasons.

**Total 25 Marks
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3. BONIFACE plc

Boniface plc is a new manufacturing and selling company, which expects to start production of its only major product on the 1st April 2012. Planned sales units for the next seven months to the end of 2012 are as follows;-

May	500
June	600
July	700
Aug.	800
Sep.	900
Oct.	900
Nov.	900
Dec.	800

The following information is also provided;-

- The selling price will be a consistent \$100
- All sales will be made on one month's credit
- It is planned that sufficient stock of finished goods for each month's sales should be available at the end of the previous month.
- Raw material purchases will be such that there will be sufficient raw materials available at the end of each month precisely to meet the following month's production. This planned policy will operate from the end of April. Purchases of raw materials will be on one month's credit. The cost of raw material is \$40 per unit .
- The direct labour cost, which is variable with the level of production, is planned to be \$20 per unit.
- Production overheads are planned to be \$20,000 per month, including \$3,000 for depreciation.
- Non-production overheads are planned to be £11,000 per month of which £1,000 per month will be depreciation.
- Various fixed assets costing £250,000 will be bought and paid for during April.
- Except where specified, assume that all payments take place in the same month as the cost is incurred.
- The business will raise £300,000 in cash from a share issue in April.

REQUIRED

You are required to draw up for the six months to end September 30th the following budgets:-

- | | |
|---|-------------------|
| (a) Finished stock in physical quantities | (3 marks) |
| (b) Raw materials in both physical quantities and cash values | (6 marks) |
| (c) Trade creditors | (3 marks) |
| (d) Trade debtors | (3 marks) |
| (e) cash budget | (10 marks) |

**TOTAL 25 MARKS
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- 4 A business that is governed by a head office with a number of wholly owned subsidiaries reporting to it may consider outsourcing some functions as an alternative to determining an intra-company or 'Transfer' price for the exchange of goods and services between two or more of these subsidiaries.

REQUIRED

Identify and appraise the key issues to be considered with regard to the transfer price decision-making process. The following situations should be given particular attention:-

- (i) when there exists an external market for the product/ service under review
- (ii) when there is no such market .

Total 25 Marks

- 5 One option to enable business expansion is through reinvestment of profits to replicate an existing business model elsewhere ('organic growth') or more rapidly through merger or acquisition. With either option there will be a need to structure the organisation into subordinate divisions.

REQUIRED

Identify and appraise the key characteristics of the process of divisionalisation within such a business organisation – the discussion should specifically review both the benefits and potential weaknesses of the divisionalisation process (where appropriate, you may refer to specific business case studies to support your review)

Total 25 Marks

- 6 In order to assess the financial performance from within a business organisation, financial reporting systems usually compare actual results achieved against previously determined budget targets.

Required

You are required to identify and appraise the key areas that need to be addressed with regard to the budget-setting process and then discuss the potential benefits and also potential problems that may be encountered with this approach to appraisal of business performance.

Total 25 Marks

END OF QUESTIONS

Present Value Table

Present value of 1 i.e. $(1 + r)^{-n}$

Where r = discount rate

n = number of periods until payment

Periods (n)	<i>Discount rate (r)</i>									
	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	0.705	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

(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	0.594	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	0.074	0.065