

LCBB4001
ACCOUNTING FUNDAMENTALS
ASSESSMENT 2
-EXAM-

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QUESTION 1 (a)

**Break-Even point (units) = Fixed Costs ÷
(Sales price per unit – Variable costs per
unit)**

Contribution £20-£11=£9

Break- even point = £450.000÷£9=50,000

BEP=50,000(units)

Revenue=units sold ×selling price= 50,000×£20=1,000,000

QUESTION 1 (b)

PROFIT =CONTRIBUTION/ SALES UNITS

60.000-50.000=9×10.000=90.000

Profit =£90.000

QUESTION 1 (c)

Added cost £100.0000

New variable cost=11+1=£12

New contribution=22-12=£10

New fixed cost

=450.000+100.000(advertising)=£550.000

New profit

CONTRIBUTION+SALES

$$\text{UNITS}=10 \times (62.000 - 55.000) = £70.000$$

New fixed
cost = 450.000 + 1000.000 (advertising)

QUESTION 1 (d)

Break-even analysis- the limitations may include:

- Hard to separate 'fixed' and 'variable' costs to be shown clearly
- some semi-variable costs are not considered but just ignored in the analysis and also they might change
- is considered that the business can sell specific product, but mostly is not happening

QUESTION 2(a)

Management accounting is used by the managers responsible with decision making because it gives the financial information related to the business activity.

The management accounting is important because it helps in making plans as it provides data related to financial and non-financial management aspects. This information helps forecasting and having an efficient analysis. The management

accounting assist in decision making because the management has available the sum of the data organized in tables and other graphic representations.

It measures the performance, it increases efficiency by taking in consideration targets and resource allocations, it ensure customer service provision by controlling prices and cost efficiency. It raises profitability by avoiding unnecessary expenditures and budgeting and provide reliability because if the characteristics of the data.

Managerial accounting is different from financial accounting because financial accounting is more focused on providing financial information per year , inside and outside the organisation. However managerial accounting is used internally to make right improvements within the company. Managerial accounting usually has to involve in different aspects over the business financial result which includes: sales, revenue, operating expenses, and cost controls.

QUESTION 2(b)

Managerial accounting can be used in short-term or long-term Decisions involving don't financial health of the business.

Managerial accounting helps person in charge in this case managers, to make operational decision to help in growth companies operational productivity in making long term supply decisions. Forecasting, monitoring and tracking performance is a main aspect of managerial accounting to guarantee that the results meet the budget and forecasts the plan at the onset.

I will discuss now about three techniques by which management accountant can achieve the objectives of management account.

Project management decisions

managerial accounting is used to accomplish the analysis for projects to support ongoing report for future projects. This projects might be significant interested to outlay the cash or capital as well as new debt to finance them. however managerial accounting it ensures that the projects are safely delivered and also being profitable.

Performance tracking

tracking and measuring performance by using managerial accounting is helping management executives to take decision in real time, and managing performance in budget avoiding costly overruns and to allow company to remain ambitious.

Managing cash flow

Cash flow is the net cash position for a business as a result cash inflows and outflows for the period of time. the cash flow analysis it's a part of managerial accounting from the time when the business needs enough cash to meet their bills. it is very important to have a positive cash flow as this enables company to pay down the debt, reinvest, buy back the stock or retain the revenue which is type of saving account of accumulated profits to be used in the future

Investopedia(2022)