

IOABELA IOANA STANESCU
2025868

Formal Examination: LCB5002 Management Accounting



University of Wales Trinity Saint David

Program: BA Business Management
Module: Management Accounting
Component: 2 – contributes 30% weight
Assessment mode: Closed book examination
Date: 24th June 2023
Duration: 1 hour 30 minutes

6/15
40%

Instructions to candidates

1. Do not open this examination question paper until advised to do so by the invigilator.
2. There are 15 questions worth 30 marks.
3. Answer ALL QUESTIONS on an answer sheet provided by the invigilator.
4. The use of non-programmable calculators is permitted.
5. This is a closed book examination and no other material or gadgets are allowed to be used during the examination.
6. Use black ink only on the answer sheet.
7. ALL phones must be switched off and put away in a designated area.
8. This examination question paper remains property of University of Wales Trinity Saint David (UWTSD). Do not take it outside the examination room.
9. Those caught cheating/ attempting to cheat will be disqualified.
10. No-one is allowed to leave the examination room within the first hour of commencing the exam and in the last 15 minutes of the examination.

Material provided

- A short list of formulae

Reading time

- The purpose of reading time is to enable candidates to check that the question paper is complete. Reading time also allows students to prepare by ensuring they are clear on the requirements of the exam. Candidates **CANNOT** begin answering questions during the reading time.



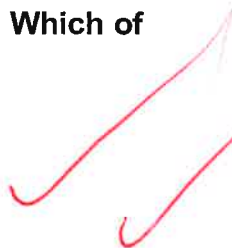
Question 1

All of the following describe the main focus of management accounting EXCEPT which one?

-  A. Control
B. Planning future projects
C. External reports on profitability
☒ D. Decision-making in an organisation
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Question 2

Jane, a Junior Management Accountant would like to calculate costs. Which of the following equations is true about PRIME Costs?

- A. Prime costs = direct material + direct expenses + fixed costs
☒ B. Prime costs = direct material + direct expenses + direct labour
C. Prime costs = direct material - direct expenses - fixed costs
D. Prime costs = direct material - direct expenses - direct labour
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Question 3

Cost centres are ...

-  A. Units of output or service for which costs are ascertained.
B. Functions or locations for which costs are ascertained.
☒ C. A segment of the organisation for which budgets are prepared.
D. Amounts of expenditure attributable to various activities.
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Question 4

A telephone bill where Peter pays a fixed line rental plus usage costs per second he calls. What type of a cost is this?

- A. Total variable cost
- B. Unit variable cost
- ☒ C. Semi-variable cost
- D. Unit fixed costs

Question 5

Which ONE of the following statements is true?

- A. Unit fixed costs decrease as output increase within a relevant range.
- B. A variable cost is an unavoidable cost.
- C. Total fixed costs decrease as output increase within a relevant range.
- ☒ D. Unit fixed costs increase as output increase within a relevant range.

Question 6

Fixed costs are conventionally deemed to be:

- ☒ A. Fixed per unit of output
- B. Fixed in total within a relevant range when production volume changes
- C. Outside the control of management
- D. Those unaffected by inflation

Question 7

Which of the following is correct:

- Not attempted*
- A. Total Costs + Total Variable Costs = Total Fixed Costs
 - B. Total Costs = Total Fixed Costs + Total Variable Costs
 - C. Total Costs = Semi-Variable Costs + Fixed Costs
 - D. Prime Cost = Total Fixed Costs + Total Variable Costs

Use scenario below to answer questions 8 and 9

True Limited manufactures school tables. The following information was recorded over six (6) months:

Period	Units produced	Total Costs
December - 2022	200	£4,000
January - 2023	300	£5,500
February - 2023	900	£12,000
March - 2023	600	£10,000
April - 2023	100	£2,000
May - 2023	500	£8,000

Question 8

$$TC = TR - TVC \quad VC = \frac{12,000 - 500}{2000 - 100} = \frac{11,500}{1900} = 5.8$$

What is True Limited's Total Fixed Costs using the High-Low Method?

- Not Attempted*
- A. £900
 - B. £750
 - C. £500
 - D. £450

$$TFC = TC - TVC$$

Question 9

True Limited plans to produce 700 chairs in August. The estimated Total Costs for August is:

- Not attempted*
- A. £9,000
 - B. £8,000
 - C. £9,500

$$TC = \frac{FC + \text{Target Profit}}{C_{pu}}$$

D. £8,500

Question 10

Alice bakes wedding cakes and uses an absorption costing system. Which of the following statements is correct for a cake ordered by Alice?

- ☒ A. The cost of Alice's cake will include variable costs only
☐ B. The cost of Alice's cake will include variable costs and a share of Joyce's fixed costs
☐ C. The cost of Alice's cake will include fixed costs only
☐ D. The cost of Alice's cake will include variable costs and Joyce's future costs

Use the data below to answer questions 11, 12 and 13

Esther is planning to start a gym business. The total annual fixed cost covering rent and salary is £3,000. Esther will charge a flat fee of £60 per client and her variable costs will be £40. The budgeted number of clients for the coming year is 500.

Question 11

How many clients should Esther serve in order to Break-Even?

- A. 137
B. 250
☒ C. 150
D. 237

$$\begin{aligned}
 TFC &= 3,000 \\
 SP &= 60 \\
 VC &= 40 \\
 CPU &= SP/PU - VC/PU \\
 &= 60 - 40 = 20 \\
 BEQ &= \frac{\text{Fixed costs}}{CPU} = \frac{3,000}{20} = 150
 \end{aligned}$$

Question 12

What is Esther's Margin of Safety expressed as revenue?

- ☒ A. £21,000
B. £8,220
C. £14,220
D. £15,000

$$\begin{aligned}
 MOSR &= MOSQ \times SP \\
 &= 350 \times 60 \\
 &= 21,000
 \end{aligned}$$

Question 13

Esther has just hired Ionela to assist her due to expected high demand. Esther will pay Ionela £6,000 annual salary. **How many clients should Esther serve in order to earn a profit of £1,500?**

- ☒ A. 225
☐ B. 375
☐ C. 325
☐ D. 525

$$\frac{3000 + 1500}{20} = \frac{4500}{20} = 225$$

Question 14

When using Limiting Factor Analysis, which of the following statement is true?

- ☐ A. It is not important to know contribution per unit
☐ B. Products are ranked in order of contribution per unit with the one having the highest contribution per unit produced first
☒ C. Products are ranked in order of contribution per unit of the scarce resource with the one having the highest contribution per unit of the scarce resource produced first
☐ D. Products are ranked based on the amount of revenue earned.

Question 15

Which of the following statements is true about contribution?

- ☐ A. Projects with a negative contribution should be accepted as they are profitable
☒ B. Projects with a positive contribution should be accepted as they are profitable
☐ C. Contribution is calculated by deduction Variable Costs from Fixed Costs
☐ D. Contribution is calculated by deducting Fixed Costs from Total Costs

$$C = S_{pu} - V_{pu}$$

Formulae

$$\text{Break - even quantity} = \frac{\text{Fixed Costs}}{\text{Contribution per Unit}}$$

$$\text{Break - even revenue} = \frac{\text{Fixed Costs} \times \text{Selling Price}}{\text{Contribution per Unit}}$$



$$\text{Contribution - sales ratio} = \frac{\text{Contribution per Unit}}{\text{Selling Price per Unit}}$$

$$\text{Contribution - sales ratio} = \frac{\text{Total Contribution}}{\text{Total Sales Revenue}}$$

$$\text{Margin of Safety (\%)} = \frac{\text{Margin of Safety}}{\text{Current (planned) Activity}} \times 100$$

$$\text{Activity level} = \frac{\text{Fixed Costs} + \text{Target Profit}}{\text{Contribution per Unit}}$$

.....end of question paper.....

