

University of Wales Trinity Saint David

Module : :LCBB4001

Accounting Fundamentals

Exam 08/01/2021

Student: Hristo Haralampiev Hristov

Student number : 2010799

QUESTION 1 Walk About Ltd makes and sells product A. The current selling price is £11 and the total of variable costs per unit is £6. The fixed costs of production are £350,000 and the company currently sells 75,000 units.

(a) Calculate the break-even point (in units and revenues) of product A for Walk About Ltd.

Sales 75, 000

Fix cost of production 350, 000

Selling price £11

Variable costs per unit £6

BEP(in units) $350,000 / (11 - 6) = 70,000$ (in units)

BEP(revenue) - selling price X BEP (in units) $70,000 * 11 = 770,000$

(b) Calculate the profit made on sales of 75,000 units.

Contribution per unit= selling price – variable cost $(11-6)=5$

Profit = total contribution – fixed cost

$5 * 75,000 - 350,000 = 25,000$

(c) The company will make an advertising campaign costs £10,000 and will improve the product specifications, which will increase the variable cost per unit by £1. This is expected to allow the company to increase the selling price to £13 and the sales is expected to be 80,000 units. Calculate the new profit figure for the improved product

Advertising campaign	$350,000 + 10,000 = \text{£}360,000$
Revised selling price	£13
Variable cost increased + £1	$\text{£}6 + \text{£}1 = \text{£}7$
Expected sales	80,000 units
Reverse contributon	$13 - 7 = 6$
Reverse total contribution	$7 * 80,000 = 560,000$
New profit = total contribution – fixed cost	$80,000 * 13 - (360,000 + 560,000) = 120,000$

(d) Discuss the limitations of break-even analysis.

- Costs and revenues are always represented by straight line
- Not all costs can be categorized into fixed . Some of them are semi-variable
- The company can cover its total costs

QUESTION 2

(a) Discuss the importance of management accounting, and how it differs from what financial accounting provides:

Management accounting is very important because we can see the relation between all finance functions and the other parts of the business. That helps controlling the entity.

Management accounting if we compare to all the other categories of accounting is flexible and unregulated and gives us the real pictures how the company views and reports of the financial information side.

This can give us to calculate the company success for a long -term based on the proves , budgeting and unregulated reporting.

The long - term strategies are necessary for ensure the profits in the future and to see the company growth and potencional opportunities in the future

Differences between management accounting and financial accounting

	Management accounting	Financial accounting
Users	Managers of the organization	Bank regulators, investors , suppliers
Purpose of information	Help the manager to make decisions and realised the future organization goals	Send the otganization financial position to its related users
Focus on	Future	Past (historical perspectives)
Time spin and type of reports	Varies from hourly reports to 15 – 20 years with financial and non-financial reports(product wise, department wise, strategic	Annual financial reports Company as a whole

(b) Discuss three techniques by which the management accountant can achieve the objectives of management accounting.

The objectives of management accounting are:

- To make better decisions
- Proper planning of the policies
- To motivate the employees
- To control the management performance
- To make effectiveness the evaluates policies
- To interpretate the financial information
- Coordinating
- Up- to date Financial information

Techniques of management Accounting :

- Financial statement analysis
- Cash flow analysis
- Budget control
- Standard costs
- Marginal costs
- Management reporting
- Statistics and operation research

Decision making is the most important benefit in the process of management accounting. That's actually the main purpose of it. Here we use all techniques like costing, economics , statistics and so on.

It provide us all the information like charts, tables , analysis make the proces of decision easier .

Identyfing business problems help if some prodicts are not performing good or some departments in the company are running into some losses.

If all the managment is working properly and all the data is up-to date and all the reports we can find all the problems on time and early on. This will now allow the managment to go ahead with any problems or with these problems.

So if we think properly we can see that the we have here exactly managment accounting and financial accounting(the objectives of the managment accounting)

Managment accounting help the financial accounting in providing all the information based on the situation of one company.