



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

LOCATION: LONDON

LLEOLIAD: LLUNDAIN

LEVEL 4

LEFEL 4

EXAMINATION PERIOD
JUNE 2021 TERM

CYFNOD ARHOLIADAU
MEHEFIN 2021 TYMOR

MODULE CODE: LCBB4001
COD Y MODWL: LCBB4001
ACCOUNTING FUNDAMENTALS

TIME: 9:00AM TO 4:00PM

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Date & Time : 27.08.2021 -send at 14pm

QUESTION 1

Kerrigan 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.

Required:

- (a) Calculate the break-even point (in units and revenues) of product A for Kerrigan Ltd. **[10 marks]**

unit variable data	
selling price per pair	11.00
total variable cost	6.00
Contribution per unit= selling price unit-variable costs per unit (£11-£6)	5.00
fixed cost	350,000
BEP (break-even point) in UNITS =fix cost FC / contribution per unit (£350,000/£5)	70,000 units
CONTRIBUTION MARGIN=contribution/selling price (£5/£11)	0.45
BEP (break-even point) in REVENUE= FC fix cost/contribution margin (£350,000/0.45)	770,000

- (b) Calculate the profit made on sales of 75,000 units. **[10 marks]**

Calculate the profit made on sales of 75,000 unit	75,000
Profit(unit sales-break even point)*contribution per unit. (75,000-70,000)*5	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 unites. Calculate the new profit figure for the improved product. **[15 marks]**

unit variable data	
selling price per pair	13.00
total variable cost (£6+£1)	7.00
Contribution per unit= selling price unit-variable costs per unit (£13-£7)	6.00
fixed cost	350,000
advertising	10,000
other fixed cost (£350,000+10,000)	360,000
BEP (break-even point) in UNITS =fix cost FC / contribution per unit (£360,000/£6)	60,000 units
CONTRIBUTION MARGIN=contribution/selling price (£6/£13)	0.46
BEP (break-even point) in REVENUE= FC fix cost/contribution margin (£360,000/0.46)	780,000

Calculate the profit made on sales of 80,000 unit.

unit

80,000

Profit (unit sales-break-even point) *contribution per unit

120,000

(80,000-60,000) *6

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

[15 marks]

Break-even analysis shows how many products company needs to sell to ensure a profit.

QUESTION 2

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

[25 marks]

The management accounting helps the manager to take decision making for goals of company. When talk about management accounting means planning, controlling, measuring and provide quantitative and qualitative information. Management accounting should be prepared periodic. (Weekly, monthly, or quarterly), is intern and private, only for company.

Financial accounting is the process of accounting all financial transactions for company. It helps to communicate your business finances to outside parties. (Creditors, government, investors). It is prepared at the end of period, which is usually one year. Is use internal and external parties. Should be sent for auditors and published.

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

[25 marks]

The three of objectives which management accountant use management accounting are:

-margin analysis. Is examination of the costs and potential benefits of the company activities or financial decision.

-capital budgeting can be used to determine the economic possibility of capital investment. Include payback period, net present value, discounted payment period.

-break-even analysis. The analysis shows how many sales it takes to pay for the cost of doing business.

Bibliography

www.tutor2u.et

www.investopedia.com

<https://keydifferences.com>

