

UNIVERSITY OF WALES TRINITY SAINT DAVID

BACHELOR OF ARTS: BUSINESS MANAGEMENT, LEVEL 4

MODULE TITLE: ACCOUNTING FUNDAMENTALS

MODULE CODE: LCBB4001

ASSESSMENT 2

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Question1

A Contribution

$$\text{Contribution} = \text{Selling price} - \text{Variable cost}$$

$$11 - 6 = 5,00 \quad \text{£}$$

Variable cost	6,00
Selling price	11,00
Fixed Cost	350000,00

Break-even point in units

$$\text{Break-even point} = \text{Fixed cost} / \text{Contribution}$$

$$350000 / 5 = 70000 \quad \text{units}$$

Break-even point in revenue

$$\text{Break-even point} = \text{Selling price} * \text{BEP units}$$

$$11 * 70000 = 770000,00 \quad \text{revenue}$$

B Total contribution

$$\text{Total contribution} = \text{Contribution per unit} * \text{Units}$$

$$5 * 75000 = 375000 \quad \text{£}$$

Units	75000
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Profit

$$\text{Profit} = \text{Total contribution} - \text{Fixed cost}$$

$$375000 - 350000 = 25000 \quad \text{£}$$

C Advertising campaign

$$\text{Advertising campaign} = \text{Fixed costs} + \text{Advertising}$$

$$350000 + 10000 = 360000,00 \quad \text{£}$$

Advertising	10000,00
Increased VC	1,00
Increase selling price	13,00
Increase sales	80000

Revised Variable costs

$$\text{Revised Variable costs} = \text{Variable cost} + \text{Increased VC}$$

$$6 + 1 = 7,00 \quad \text{£}$$

Revised selling price

$$\text{Revised selling price} = \text{Increase selling price}$$

$$13,00 \quad \text{£}$$

Revised units

$$\text{Sales increased units}$$

$$80000 \quad \text{units}$$

Revised contribution

$$\text{Revised contribution} = \text{Revised selling price} - \text{Revised Variable costs}$$

$$13 - 7 = 6,00 \quad \text{£}$$

Revised total contribution

Revised total cont. = Revised contribution * Revised units
480000,00 £

New profit

New profit = Revised total contribution - Advertising campaign
 $480000 - 360000 = 120000,00$ £

D

Break-even analysis can give a predictive view of success of the business, but it is difficult to make such an analysis for companies with many products. We should also not trust completely the analysis because it includes prices that can change over time as well as customer satisfaction, competition and realized sales.

Question 2

A

Management accounting includes information aimed at business management and is comprehensible to non-specialists. Management accounting accuracy of the information is not 100% and may relate to the enterprise, to individual sectors or products. The information may include data pricing, Break-even point, profit, costs of manufacturing, cost of labor, cost of materials, rent, electricity and transport. Managers use this information to make the right business decisions.

The difference with the financial accounting is that it targeted for all stakeholders. The data is in form for specialists, the information is corrects and applies to the business as a whole.

“In submitting this work, I affirm that my work adheres to the scholarly and intellectual standards of honesty and integrity. I affirm that this work is my work only and that in the preparation of this work I have not consulted any person. I affirm that I have not plagiarised or misrepresented the ideas or language of someone else as my own and that I have fully and accurately attributed any ideas or text of others to the sources and documented each source”.