

MANAGEMENT ACCOUNTING ASSESSMENT 2 MOCK EXAM

THREE QUESTIONS HAVE BEEN PROVIDED HERE AND THEY ARE ALL COMPULSORY.

TOTAL – 100 MARKS

QUESTION 1

Aaron is from Malta in Europe and has recently arrived in Romania to study Medicine. He will be attending the Carol Davila University of Medicine and Pharmacy in Bucharest. He is excited to be in a new city with such a rich culture.

He is trying to settle down into a new environment and looking for an apartment to rent, his current budget is €250 per month for a one-bedroom apartment.

1) His rent is considered to be a:

Aaron intends to budget €70 - €100 monthly on feeding and personal upkeep, this will depend on the number of times he eats outside with his friends or cooks at home.

2) His expense on feeding and personal upkeep is considered to be a:

He has recently taken a contract with a mobile phone network provider which will provide him with a phone line that can be used to communicate with his friends and family back in Malta. He will also use this line to keep in touch with his classmates in Romania.

The contract allows him up to 100 free minutes to call people and unlimited texting within Romania for which he pays €10 monthly; however, the moment he calls anyone outside of Romania, he would be charged €1 per minute.

3) What type of cost best describes Aaron's phone contract?

4) The €10 he pays for his contract can be described as a

5) The extra €1 he pays per minute every time he calls Malta can be described as

When Aaron was planning his trip to Romania, he had to incur several costs such as his air ticket fee, purchase a new suitcase and some warm clothes for the cold weather.

6) The costs he incurred before coming to Romania can be described as.....

Before Aaron decided to study medicine at Carol Davila University of Medicine and Pharmacy, he was offered a place at the University of Malta to study Engineering which he forfeited and took up the offer at Romania.

7) His decision to forfeit the offer at University of Malta and attend Carol Davila University of Medicine and Pharmacy is considered to be

Aaron is now calculating all the future cost he's going to incur as a result of studying medicine in the Romania and they have amounted to €8000 for his first year.

8) All these future costs can be described as

Aaron has now started his classes and has been put into a group for academic purposes. In this group, they have been instructed to purchase some cardboards, coloured pens, and markers for the course project.

9) The costs of the cardboards, coloured pens and markers can be classified as.....

The group that Aaron belongs to would be meeting in his apartment once he gets one which means they would use up some of the electricity, internet connection, and rent.

10) The costs of the electricity, internet connection, and rent for the project can be classified as.....

Required:

- 1) Fill out the blank spaces with the correct type of cost that is applicable to the scenario.
(25 marks)

QUESTION 2

Amana Ltd is a family-owned tourist business located in England which sells souvenirs to tourists. They have several locations in tourist hotspots across England namely Brighton, London bridge, Westminster bridge, Buckingham Palace, Birmingham city centre and Manchester city centre. Souvenirs are produced by a Chinese manufacturer specifically according to designs made by the Amana team.

They have been operating a successful business for 40 years and have come to understand the dynamic nature of the tourism industry. Recently, the Covid-19 pandemic broke out in England leading the government to impose restrictions on movement and travel which severely impacted the tourism industry. Amana's revenue took a big hit in April 2020 as tourists could not travel for the Easter holidays, sales picked up slightly in the summer of 2020; however, the prolonged lock down between December 2020 and February 2021 depleted any additional revenue that had been made in the summer.

In the past, Amana Ltd has only traded within physical stores with a functioning website serving as a channel for marketing their business. Mr Amana, the owner of the business has hired you as a manager and provided a cost break down of their products.

	Original budget (£)	Actual (£)
Units	100,000	80,000
Selling price	25	20
Variable costs:		
Materials	2.50	280,000
Labour	4	440,000
Overhead	1.50	120,000
Contribution	17	760,000
Fixed overheads:		
Warehouse rental	200,000	170,000
Insurance	100,000	100,000
Fulltime warehouse supervisor salary	50,000	35,000

**Figures are based on average estimates incurred in producing a mix of souvenirs.*

Required:

- (i) Prepare the monthly control report showing original budget, flexed budget, and variances. **(35 marks)**
 - (ii) Using your control report prepared in (i) above, provide recommendations to Amana's CEO on areas of improvement. **(15 marks)**
- (TOTAL = 50 marks)**

QUESTION 3

Vitga is a manufacturing company based within the outskirts of Sophia which is the capital of Bulgaria. They specialise in producing electronic devices with copper being one of the main elements used in production. One of the electronic devices, they produce called E-43 is in high demand and they have to ensure that production estimates are accurate to avoid disappointing customers.

Vitga's policy is to ensure that 10% of the following month's sales is kept as closing inventory at the end of every month. The closing inventory for April was 5000 units of E-43. 45,000 units of E-43 would be produced in September.

Month	May	June	July	August
Production unit	25,0000	30,000	35,000	40,000
Closing inventory				
Total needed				
Less beginning				
Total production				

Required:

- 1) Prepare a production budget for E-43 using the table above. **(15 marks)**
 - 2) What are the advantages and disadvantages of participative budgeting? **(10 marks)**
- (TOTAL = 25 marks)**

END OF QUESTION PAPER

