

LOCATION: LONDON

LLEOLIAD: LLUNDAIN

LEVEL 4

LEFEL 4

EXAMINATION PERIOD

CYFNOD ARHOLIADAU

JUNE 2021 TERM

MEHEFIN 2021 TYMOR

MODULE CODE: LCBB4001

COD Y MODWL: LCBB4001

ACCOUNTING FUNDAMENTALS

TIME: 9:00AM TO 4:00PM

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Date & Time : 9.00_____

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]**
- (b) Calculate the profit made on sales of 75,000 units. **[10 marks]**
- (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. **[15 marks]**
- (d) Discuss the limitations of break-even analysis. **[15 marks]**

QUESTION 2

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

[25 marks]

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

[25 marks]

Question 1

a] $350000(11-6) = 350000:5 = 70000\text{units}$

b) $70000-75000 = -5000$

c) $80000 \times (13+1) = 80000 \times 14 = 1120000$

d) A breakthrough is seen as a metric used to calculate costs, businesses and the economy to determine when costs and revenues are the same. Minimum costs and used by the manufacturer to calculate the number of units produced and sold during this period. Distribution calculations give companies a vision of the future. All costs incurred are reimbursed, such as the expected return on investment after adjusting for risk and compensating for opportunity costs. The company is not currently reporting a loss or profit.

Question 2

a) The role of executive accountant has changed from cruncher figures to informed business storytellers. The role is separate, and executive accountants spend more time with spreadsheets than with colleagues. Account Management: In this complex and competitive business environment it is important for organizations to make quality decisions. To make good decisions, organizations need reliable financial information. This is where the management account works. Management accounting is basically an accounting branch that includes business planning and control. Accounting helps executives create policy by collecting information, processing it, and making it useful for them.

Management accounting is the process of analyzing business transactions and costs to prepare financial statements to help the decision-making process achieve future business objectives. Simply put, it is an attempt to turn financial information into useful information for managers and key decisions. Management accounting provides up-to-date financial and non-financial information to key decision makers to run the business effectively. With this information, managers can perform all business functions, including organization, planning, management, control, and so on. Accountants take care of various aspects of accounting, including capital budgeting, trends and forecasting, valuation, costs, and so on. There will be costs and benefits for consumers and products.

The principal purpose of account management is to enable the company to effectively manage its duties: planning, organization, administration and control. Management records assist in the performance of the following tasks: 1. Reserve information: This is the main source of information for the project. Historical data collected from management accounts shows that business growth is beneficial to forecasts. Data Analysis: Accounting data makes sense when calculating relationships and planning trends. This information is then analyzed in planning and decision making. For example, you can stop buying different items from resellers and from your region. Encourage meaningful conversations: Executive accounting can be used as a tool to inform the progress of the entire organization. In the initial phase, it reflects the organizational capacity and stability of the different parts of the project. He then spoke about the progress of the project and the role of different countries in implementation. Achieve Goals: Help turn your organization's strategy and corporate goals into achievable business goals.

These objectives can be achieved through the introduction of budgetary controls and standardized costs that are an integral part of management accounting. Qualitative information used: Management auditing is not limited to quantitative information for decision making. It considers immeasurable qualitative information in financial terms. Industry cycles, research and development potential are just a few examples of qualitative data that businesses can collect through specific surveys. The main purpose of accounting is to maximize profit and reduce losses. It involves data presentation to predict the financial differences that help managers make important decisions.

b) Financial planning: Financial planning is the initial decision on the financial activities that are needed for those interests in order to achieve a fundamental goal. This includes setting long-term and short-term financial goals of the company, formulating monetary policy and developing financial procedures to achieve it. The role of monetary policy in achieving maximum return on investment is not overemphasized. Monetary policy can determine the required capital, the source of funds, the identification and distribution of income, the use of capital and assets, and the best level of investment in different assets.. Historical Cost Accounting: Historical cost accounting provides management with information on the cost of each function, process, and component to compare with standard costs. Such comparisons can be useful for directing cost control and planning for the future. Cost Standard: Standard cost is a comparison, standardization, and difference analysis to determine the standard cost under the most efficient operating conditions, know the reasons and take corrective action to avoid bad events to clarify the responsibility. May not be repeated. This feature is needed to control costs.

References

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- Delis, M., Insipid, M., &Tisanes, E.G., 2014. On the estimation of marginal cost. *Operations Research*, vol. 62,no. 3, pp. 543-556.
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