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LEVEL 4

LEFEL 4

EXAMINATION PERIOD
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CYFNOD ARHOLIADAU
MEHEFIN 2021 TYMOR

MODULE CODE: LCBB4001
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ACCOUNTING FUNDAMENTALS

TIME: 9:00AM TO 4:00PM

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Date & Time : 27/08/2021 09:01

- **Answer, question 1, (a) :**

Break-even point = fixed cost/contribution per unit = ?

Contribution per unit = selling price per unit – variable cost per unit

Contribution per unit = $11 - 6 = 4$

Break-even point = $350,000 / 4 = 87,500$ units

- **Answer, question 1, (b) :**

Profit = (break even point – sales) x contribution per unit = ?

Profit = ($87,500 - 75,000$) x 4 = ($12,500$) x 4 = 50,000

- **Answer, question 1, (c) :**

New variable cost = ($6 + 1$) = 7 pound

New selling price = 13 pound

New contribution = new selling price – new variable cost = $13 - 7 = 6$ pound

New fixed costs = ($350,000 + 10,000$) = 360,000 pound

New sales volume = (expected sells – currently sells) = ($80,000 - 75,000$) = 5,000 pound

New break-even point = fixed cost/contribution per unit = $360,000 / 6 = 60,000$ pound

New profit = (sales - break even point) x contribution per unit = ($80,000 - 60,000$) x 6 = $20,000 \times 6 = 120,000$ pound

- **Answer, question 1, (d) :**

In general, the main problem is related to the plans made and the account that came out in the end. That is, in reality the costs and sales are not always the same. It is always considered that sales prices and costs will always be stable, but this is not the case.

As an example of limiting a balance analysis, it is that competitors can be excluded. If they are not included in the equation, then competition is ignored. If this is done, then the tea that wants to enter the market can affect the demand and supply of your products at any time. Or there are cases in which it forces / causes you to change prices to remain stable in the market with your demand and supply, but this affects most likely your break-even point.

There are other cases in which not all the production is sold, although in the initial plan it is chosen unrealistic fact that everything will be sold. And in this example, it is added that it is harder for companies that have more (maybe even different) products for sale.

In order to decide something related to the production of a product, you must consider the budget, the quality, if this product has competitors (there is the possibility that the price will be very low from competing company only for its competition to leave the market).

These are some limitations.

- **Answer, question 2, (a) :**

Financial accounting is related to external factors. It generally deals with financial reports and general purpose financial statements. And as objectives: providing information about the financial position, financial performance, cash flows of an entity, financial adaptability, income statement (profit and loss). It helps in the correct and optimal functioning of the business, as well as in making decisions regarding finances, sales, production, etc. It can be added that there are many shortcomings (insufficient detail) and it is always necessary to complete them. Also this it's needed time for preparation (frequency).

Managerial accounting is related to internal factors. It is a management accounting, it has functions related to planning, control and decision making. Uses external sources using financial accounting and internal sources (such as costs). If you are a manager, you need this part to complete your tasks, its helps create a strategy for the company. Helps optimize internal and external operations.

- **Answer, question 2, (b) :**

In this topic can be related several decision techniques, techniques that can help a company to achieve any goals.

Example of situation:

We look at accounts to help the account management team.

A first aid comes from the "break even analysis" technique, when we decide between two different products (even if there are some limits) or even to choose the quality of a product. As a result, the most suitable choice for the company. This helps to find a number of necessary sales so you can cover variable and fixed costs. That is, a calculation is made with a minimum number of units (units / sales volume required) so the expenses are paid before making a profit. With this technique you can: establish budgets, motivation through the plan scheme that shows the possible potential, cost control, you can decide a good strategy for the company.

Also, the budget is an important tool because it helps to formally declare income / expenses that are generally estimated based on future plans / objectives. That is, it is a process that tracks and manages both the company's revenues and the company's expenses. Thus, the involvement of the department in making the most logical / conscious decisions regarding the allocation of money appears. Here comes the idea of profit, ie the company's expenses. It must not exceed the company's income. That is, if the company spends too much or even the entire budget on something insignificant, it must act ideally through budgeting skills to give priority in spending what is important to the company (and provides profit).

Then comes " capital investment appraisal ", an evaluation / analysis that must be done to find out and take into account the profitability of an investment.