

University of Wales Trinity Saint David

Program: BA Business Management

Module: Management Accounting

Component: 1 – contributes 30% weight

Assessment mode: Closed book examination

Date: 18th October 2023

Duration: 1 hour 30 minutes

*Name: Gorina-Julia Cosa
ID : 2211474*

*22
30*
Formal
18/10/2023

Instructions to candidates

1. Do not open this examination question paper until advised to do so by the invigilator.
2. There are 15 questions worth 30 marks.
3. Answer ALL QUESTIONS on an answer sheet provided by the invigilator.
4. The use of non-programmable calculators is permitted.
5. This is a closed book examination and no other material or gadgets are allowed to be used during the examination.
6. Use black ink only on the answer sheet.
7. ALL phones must be switched off and put away in a designated area.
8. This examination question paper remains property of University of Wales Trinity Saint David (UWTSD). Do not take it outside the examination room.
9. Those caught cheating/ attempting to cheat will be disqualified.
10. No-one is allowed to leave the examination room within the first hour of commencing the exam and in the last 15 minutes of the examination.

Material provided

- A short list of formulae

Reading time

- The purpose of reading time is to enable candidates to check that the question paper is complete. Reading time also allows students to prepare by ensuring they are clear on the requirements of the exam. Candidates **CANNOT** begin answering questions during the reading time.

Question 1

You are part of a project team in Hindi Properties Ltd and have been tasked with producing a set of accounts/ projections for a proposed affordable houses property development project. You will also be required from time to time to produce a set of progress accounts on the project once it commences.

Question: Which set of accounts would you be required to produce?

- A. Statutory accounts
- B. Financial Accounts
- ☒ C. Management Accounts
- D. Annual Accounts

Question 2

Which of the following equations is TRUE about Cost-Volume-Profit Analysis tool/ technique/ system?

- ☒ A. Cost-Volume-Profit Analysis applies standard costs calculated in a Standard Costing system and is a short-term decision-making tool
- B. Cost-Volume-Profit Analysis applies contribution accounting calculated in a Marginal Costing system and is a long-term decision-making tool
- C. Cost-Volume-Profit Analysis applies a Fixed Overhead Absorption Cost calculated in an Absorption Costing system and is a long-term decision-making tool
- D. Cost-Volume-Profit Analysis applies contribution accounting calculated in a Marginal Costing system and is a short-term decision-making tool

Question 3: Cost Centres are ...

- A. Units of output or service for which costs are ascertained.
- ☒ B. Functions or locations for which costs are ascertained the performance of which is based on efficient costs management
- C. A segment of a business which has a responsibility to earn profit – performance of which is evaluated on the amount of costs incurred.
- D. A segment of a business which has a responsibility to earn profit – performance of which is evaluated on the amount of profit earned.



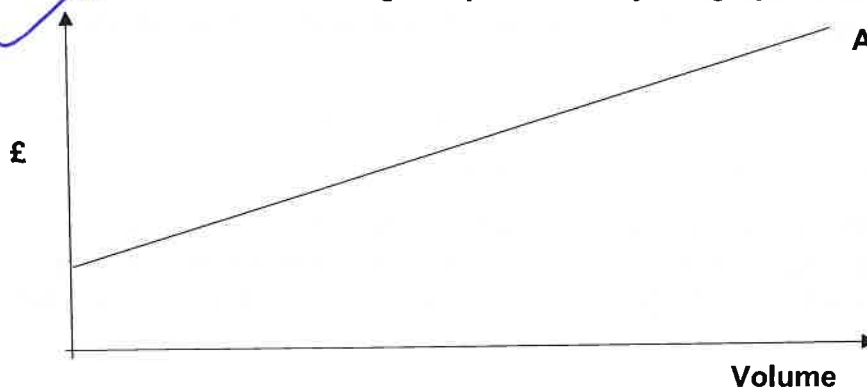
Question 4

What is the main difference between Absorption Costing and Marginal Costing?

- A. Absorption Costing uses only variable costs to calculate unit product cost while Marginal Costing uses all kinds of cost to calculate unit product cost.
- B. Under Absorption Costing decisions are based on contribution and is for short term while under margin costing uses profit and is for long term.
- C. Under Absorption Costing decisions are based on profit and is for long term while under margin costing decisions are based on contribution and is for short term.
- ☒ D. Under Absorption Costing decisions are based on profit and is for short term while under margin costing decisions are based on contribution and is for long term.

Question 5

Which ONE of the following is represented by the graph A below?



- A. Unit fixed costs increasing as output increases within a relevant range.
- B. Total Variable costs of producing pies increasing as output increases
- C. Total fixed costs decreasing as output increases within a relevant range.
- ☒ D. Sales Manager's salary that includes a fixed salary and 1% sales commission calculated on the total revenue generated.

Question 6

A cost that is easily or conveniently traceable to a cost object is known as:

- ☒ A. fixed cost
- B. direct cost
- C. indirect cost
- D. variable cost

Question 7

All of the following statements are correct in cost classification except which one?

- ☒ A. When classifying costs, it is not important to ascertain whether costs are direct or indirect costs
- B. Costs are classified by function using organization functions – based on the functional organization structure
- C. Costs are classified by Nature
- D. When classifying costs, it is important to ascertain whether costs are direct or indirect costs

Use scenario below to answer questions 8 and 9

Critical Ltd manufactures school chairs and uses the high-low method to estimate its costs. During the past 10 months, Critical had £16,000 at its lowest production level of 1,400 units. At its highest output level of 4,800 units, the total cost was £34,000.

Question 8

What is Critical Ltd's Variable Cost per unit using the High-Low Method? Round your answer to two decimal places

- A. £7.43
- ☒ B. £5.29
- C. £4.43
- D. £6.29

$$\frac{34000 - 16000}{4800 - 1400} = \frac{18000}{3400} = 5.29$$

Question 9

What would be Critical Ltd's estimated total costs next month given that the estimated production level will be 3,200 units?:

- A. £84,215.33
- B. £41,223.23
- ☒ C. £25,529.41
- D. £27,415.44

16.928 +
7406
26594

Question 10

Which of the following statements is not true about a Fixed Overhead Absorption Rate (FOAR)?

- ☒ A. Fixed Overhead Absorption Rate (FOAR) is calculated by dividing Planned Fixed Costs by Planned Output Level
- B. Fixed Overhead Absorption Rate (FOAR) is calculated by multiplying Planned Fixed Costs by Planned Output Level
- C. Fixed Overhead Absorption Rate (FOAR) is used to absorb fixed overheads during a production period
- ☒ D. Fixed Overhead Absorption Rate (FOAR) will result in either over or under absorption if there is a difference in production level during the period from that used in the planning phase

Use the data below to answer questions 11, 12 and 13

Precious is planning to start a massage spa business. The total annual fixed cost covering rent and salary is £40,000. Precious will charge a flat fee of £220 per client and her variable costs will be £140. The budgeted number of clients for the coming year is 840.

Question 11

What is Precious' contribution per client?

- A. 360
- B. 50
- ☒ C. 80
- D. 300

Question 12

What is Precious's Margin of Safety expressed as a revenue?

- A. £47,600
- B. £294,800
- ☒ C. £74,800
- D. £187,600

$$\frac{40000 \times 220}{80} = 110000$$

$$\frac{70000}{80 \times 220} = 184.800$$

Question 13

How many clients should Precious serve in order to earn a profit of £6,400?

- ☒ A. 580
- B. 620
- C. 331
- D. 210

$$\frac{40000 \times 220 - 6400}{80}$$

Question 14

Under Absorption Costing, if the actual fixed costs incurred is less than absorbed fixed costs this is called:

- A. Short payment
- B. Under-absorption of overheads
- C. Over payment
- ☒ D. Over-absorption of overheads

Question 15

Bertha bakes wedding cakes and uses a Absorption Costing system. Which of the following statements is correct for a cake ordered by Layla?

- A. The cost of Bertha's cake will include variable costs only
- ☒ B. The cost of Bertha's cake will include variable costs and a share of Bertha's fixed costs
- C. The cost of Bertha's cake will include fixed costs only
- D. The cost of Bertha's cake will include variable costs and Bertha's future costs

Formulae

$$\text{Break - even quantity} = \frac{\text{Fixed Costs}}{\text{Contribution per Unit}}$$

$$\text{Break - even revenue} = \frac{\text{Fixed Costs} \times \text{Selling Price}}{\text{Contribution per Unit}}$$

$$\text{Contribution - sales ratio} = \frac{\text{Contribution per Unit}}{\text{Selling Price per Unit}}$$

$$\text{Contribution - sales ratio} = \frac{\text{Total Contribution}}{\text{Total Sales Revenue}}$$

$$\text{Margin of Safety (\%)} = \frac{\text{Margin of Safety}}{\text{Current (planned) Activity}} \times 100$$

$$\text{Activity level} = \frac{\text{Fixed Costs} + \text{Target Profit}}{\text{Contribution per Unit}}$$

.....end of question paper.....

Cost per unit = 5.29

$$4900 \times 5.29 = 25.932$$

$$34000 - 25.932 = 8.608$$

#124, #1, 10, #2, #P