PRIFYSGOL ABERYSTWYTH UNIVERSITY

ARHOLIADAU EXAMINATIONS

SEMESTER TWO 2026

ABERYSTWYTH BUSINESS SCHOOL

AB31220 - ADVANCED MANAGEMENT ACCOUNTING

Time allowed: **THREE HOURS (3 Hours)**

Answer **ALL FOUR QUESTIONS**

Show all workings

Total **100** marks available

This paper contributes **60%** of the overall module mark

CALCULATORS ARE PERMITTED (Casio FX83, FX99-1 or FX85 models only)

QUESTIONS MUST BE ANSWERED IN THE ANSWER BOOKLET ONLY

MAE MODD I FYFYRWYR GYFLWYNO ATEBION I'R PAPUR HWN NAILL AI YN Y GYMRAEG NEU'R SAESNEG

STUDENTS MAY SUBMIT ANSWERS TO THIS PAPER IN EITHER WELSH OR ENGLISH

Once seated, students may complete the front cover of the answer book(s) and the attendance slip ONLY.

DO NOT TURN THE EXAMINATION QUESTION PAPER OVER UNTIL INSTRUCTED TO DO SO.

Answer all questions

Question 1 (35 marks)

''Strategic Management Accouning (SMA) is concerned not only with financial control but with providing information that supports strategic decision making and competitive advantage'' (Roslender and Hart, 2003).

Critically evaluate the role of Strategic Management Accounting in contemporary organisations. In your answer, discuss how SMA differs from traditional accounting, assess its contribution to strategic decision making, and consider the extent to which it has fulfilled its intended purpose in practice.

Support your answer with reference to appropriate examples and research literature, fully explaining the nature and key processes of SMA.

(Total 35 marks)

Question 2 (15 marks)

''Sustainable Management Accounting extends the role of management accounting beyond financial performance to include environmental and social impacts''

(Burritt and Schaltegger, 2010)

Disuss how Sustainable Management Accounting can contribute to improving organisational decision making.

(Total 15 marks)

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Question 3 - (15 marks)

Mint Ltd is considering developing two versions of a new product: a basic version or a luxury version. It has collected the following estimates for the basic version.

	£'000
Research costs	3,800
Training costs for staff	800
Design and development costs	8,000
Preparation of production facilities	5,000
Decommissioning of production facilities	500
Annual production management costs	160

Product Cost – per unit	£
Labour	850.00
Materials	800.00
Packaging and minor components	50.00

Total sales over an estimated sales period of six years are 180,000 units. Market research suggests that a price of £2,299.99 will need to be set and that demand is likely to be very sensitive to price. There is a similar competing product priced at about £2,399.99. Company policy is to require a mark-up of 30% to cover overheads and profits.

The luxury version is expected to require additional design and development costs of £1,000,000 and an increase in costs for the production facility preparation of £500,000. The improved quality of the product will increase labour costs by £65 and materials costs by £80 per unit. Packaging costs will also rise by £50 per unit. This version will be more vulnerable to changes in fashion and a life of five years is expected, with total demand 20% lower than the basic version. Market research suggests that a price of £2,699.99 could be charged.

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Question 3 (continued)

Required:

Using the above estimates and information for the two versions of the new product being considered by Mint Ltd, advise management on the viability of each version and any steps to be taken before proceeding into production. **(15 marks)**

(Total 15 marks)

PLEASE TURN OVER

Question 4 (35 marks)

Streetwise PLC makes GPS devices for a number of food delivery companies. The company makes these GPS devices by combining the work of two factories within the business. Factory one (A) produces the electronic component. The second factory (B), produces the housing. The two factories are managed with a substantial degree of autonomy.

At factory A, variable costs are €1,000 per unit and fixed costs are calculated to be €900 per unit. Each unit is then transferred to factory B and further variable costs of €400 and fixed costs of €300 per unit are incurred. The managers have provisionally agreed a transfer price of €1,800. The partially complete product could be sold externally for €2,000. The completed product is sold externally for €2,800.

Required:

a) Using accepted transfer pricing methodologies, determine four potential transfer prices and calculate the divisional and overall company profit figures for each of these in a domestic context. One of these must follow the OECD guidelines for transfer pricing.

(20 marks)

b) ''Transfer pricing is not merely a technical accounting exercise but a strategic tool that can significantly influence managerial behaviour and organizational performance.'' (Emmanual and Mahafdi, 1994)

Critically discuss the role of transfer pricing in performance measurement and strategic management within divisionalised organisations. **(15 marks)**

(Total 35 marks)

END OF PAPER