

Applied Management Accounting: Summary of corrections to course materials

These changes affect version V002 of the materials.

Course Notes & Questions

None

Task Bank & Mocks

We made a correction to Task 2 Revision Example 2 in version V002, but it had a knock-on impact on Task 2 Revision Example 3. The updated solution to Task 2 Revision Example 3 is as follows:

Task 2 revision example 3

Material purchases budget savings	Material D kgs	Material H kgs	Total Savings £
Current wastage	1,020	1,531	
Savings (current wastage x 25%)	255	383	
Price per kg	£0.75	£1.05	
Savings per month (savings x price per kg)	£191	£402	
Savings per year (savings per month x 12)	£2,292	£4,824	7,116

Note: It is likely that there would be a rounding tolerance in a task like this.

Labour cost budget savings	Hours	£
Current labour costs per Month		
Basic hours	11,200	103,040
Over time hours	7,300	100,740
	18,500	203,780
Savings per Month of 5%	18500 x 0.05 = 925	
This will be deducted from overtime @£13.80		925 x 13.80 = 12,765
Savings per year		12,765 x 12 = 153,180

Cost savings		£
	Per year	Total four year saving
Cost of machine		275,000
Savings - wastage	From above 7,116	$7,116 \times 4$ = 28,464
Savings - labour	From above 153,180	$153,180 \times 4$ = 612,720
Total savings over the four years		$28,464 + 612,720$ = 641,184
Net savings over four years		$641,184 - 275,000$ = 366,184