



PENINSULA
COLLEGE
GEORGETOWN DK266-03(P)



UNIVERSITY OF
PLYMOUTH

FINAL EXAMINATION

Semester	:	SEPTEMBER 2024 SEMESTER
Programme Name	:	BA (HONOURS) ACCOUNTING & FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH
Course Code & Name	:	MAL3008 ADVANCED MANAGEMENT ACCOUNTING
Duration	:	3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. The question paper consists of **FIVE (5)** questions.
3. Answer **ALL** questions from **Section A**.
4. Answer **ONE** question from **Section B**
5. Answers to the questions are to be written into the examination booklet.
6. Electronic dictionaries, lecture notes, files or any unauthorised materials except writing equipment are strictly prohibited.

This question paper must be submitted along with all used and/or unused rough papers and/ or graph papers (if any). Candidates are **NOT ALLOWED** to take any examination paper(s) used or unused out of the examination hall.

WARNING:

The Examination Board of Peninsula College Georgetown regards cheating as a very serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

(This booklet contains 5 printed pages including this page)

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE ALLOWED TO DO SO

SECTION A – Answer ALL THREE questions

1. You have started a new job as the management accountant for a Malaysian manufacturing company. The company makes a range of products that it sells to retail companies who then add their mark-up before selling them directly to the general public via the internet and physical retail stores.

The finance director has asked you to review the pricing of one particular product in order to maximise profit. The company has produced the product for the last 20 months and it had a good level of sales for the first 16 months but sales have been declining steadily for the last 4 months. Customers have told the company that the price is not as competitive as it used to be as more international manufacturers now offer a similar product for a lower price.

The company has always tried to stay competitive with its pricing. You have the following information from a recent analysis of the pricing of the product:

Selling price that would result in zero demand	RM180
Change in demand for a change in selling price of RM1	500 units
Variable costs per unit	RM72
Fixed costs attributable to the product	RM12,200

You must calculate the optimal pricing for the product.

Required

- a) Construct the total cost, price and revenue functions. (7 marks)
- b) Use differential calculus to calculate the optimal sales quantity to maximise profit. (7 marks)
- c) Calculate the selling price per unit that will maximise profits at the optimal quantity and the profit that would be achieved at the optimal selling price and sales quantity. (5 marks)
- d) Based on the information provided, discuss whether this method is the best way to set prices for the product. What alternative method of setting the price for this product might be more appropriate? (6 marks)

Total: [25 marks]

2. You are the management accountant for Peppermint division, a division of Mintco Sdn. Bhd. (Mintco). An opportunity has recently arisen for Peppermint division to complete a project that would enhance the reputation of the business and which will likely lead to an increase in customers and hence sales and profits across all areas of the company's operations. Work on assessing the viability of the project is already underway and the following costs relating to the project have been identified:

- A significant investment in Research and Development (R & D) will be needed during 2024. Latest estimates show a predicted expenditure of RM720,000 that will have a benefit split equally over a three-year period.
- Marketing costs of RM500,000 will be incurred during 2024. These costs will contribute to increased sales revenue in 2024 and 2025 in a ratio of 3:1 as below:

Year	2024	2025
Ratio	3	1

You have been asked to assess the performance of the project for the year to 31 December 2024. Key figures for Peppermint division for 2024, including the project, are shown alongside the most recent results for 2023, with the only reason for a change in any number being due to the new project.

	2024	2023
Income Statement	RM	RM
Operating profit	752,314	1,214,208
Interest income	26,222	7,546
Interest expense	(331,949)	(156,672)
Taxation	(84,851)	(202,366)
	2024	2023
Balance Sheet	RM	RM
Assets		
Non-current assets	4,112,640	4,259,520
Current assets	2,506,752	2,844,576
Liabilities		
Current liabilities	1,571,616	1,958,400
Non-current liabilities	2,203,200	2,692,800
Shareholders' funds	2,844,576	2,452,896
	2024	2023
Other Data	RM	RM
Cost of capital for the capital charge	13%	13%
Corporation tax rate	24%	24%
Minimum required return on investment (ROI)	18%	18%

- a) Assuming the project is undertaken, calculate the following figures for Peppermint division for 2024 and compare them to the 2023 results without the project:
- i) Return on investment (ROI)
 - ii) Residual income (RI)
 - iii) Economic Value Added (EVA)
- (18 marks)

- b) Recommend for each performance measure calculated whether the new project should be undertaken or not. (3 marks)

- c) For each method of assessing the project's performance, discuss how the financial results might be improved. Include advice on the implications on future years' results if EVA were to be used. (4 marks)
- Total: [25 marks]

3. SuperX Sdn. Bhd. (SuperX) has recently started to produce a new product that has a labour intensive manufacturing process. SuperX has already manufactured 16 units using a total of 35 direct labour hours, with the first unit having needed 4 direct labour hours to complete. These 16 units are in stock and available for sale.

The new product has been given the working name Maxi. Production of the Maxi is undertaken in a facility in which no other products are made. There are 6 direct employees working a 35 hour week in this facility, with 10% of the total available labour hours being non-productive downtime. SuperX uses standard absorption costing and the direct costs relating to production of the Maxi are below:

Direct Materials	RM80 per unit
Direct Labour	RM35 per hour
Variable Overheads	RM16 per direct labour hour
Variable Overheads	RM7,298 per two-week operating period

The sales team recently attended a trade fair and received over 500 enquiries about the Maxi. Most of these enquiries were speculative but one customer has just submitted an order for 55 units of the Maxi, with a suggestion that more will be ordered in the future if the Maxi meets their company's needs.

You are the management accountant for SuperX and have been tasked with calculating the costs to produce the order and recommending an appropriate price to charge the customer for the order.

Required

- a) Estimate the learning rate to the nearest whole percentage. (4 marks)
- b) Using your estimate of the learning rate, calculate the number of direct labour hours required to produce the additional units of the Maxi needed to fulfil the order. Show also the average time required to produce each additional unit. (7 marks)
- c) Produce an estimated cost for the whole order and recommend a sales price for the order incorporating a mark-up of 120% on the cost you have calculated. (9 marks)

- d) Discuss whether the company should agree to a discount of 30% on the order if the customer suggests that this might lead to further orders. (5 marks)
Total: [25 marks]

SECTION B – Answer ONE question

4. Discuss how Peninsula College might use a balanced scorecard to manage strategic performance. (25 marks)
Total: [25 marks]

5. Some of the skills that employers look for when employing graduates are:
- Self-awareness
 - Decision making skills
 - Ability to work under pressure
 - Leadership
 - Emotional intelligence
 - Time management
 - Creative problem solving
 - Commercial awareness

<https://www.reed.co.uk/career-advice/graduate-skills-what-are-employers-looking-for/>
Accessed 19 July 2022

With reference to the skills identified above, critically discuss whether employers would expect graduates to be managed using a Theory X or a Theory Y approach.

(25 marks)
Total: [25 marks]

- END OF QUESTIONS -