



PENINSULA
COLLEGE
GEORGETOWN DK266-03(P)



UNIVERSITY OF
PLYMOUTH

FINAL EXAMINATION

Semester	:	JANUARY 2024 SEMESTER
Programme Name	:	BA (HONOURS) ACCOUNTING AND FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH
Course Code & Name	:	MAL2008 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 **SIX (6)** questions.
3. Answer **ANY FOUR (4)** questions in the question paper.
4. Answers to the questions are to be written into the examination booklet.
5. 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 7 printed pages including this page)

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

Answer **ANY FOUR (4)** questions on the separate sheet provided.

[100 marks]

1. Zawa Sdn Bhd is a manufacturer supplying hardware components to other machinery manufacturers. A machinery manufacturer has offered a contract to purchase 1,000 hardware components from Zawa Sdn Bhd over a one-year period. The machinery manufacturer has offered to purchase the machinery component at RM800 per unit.

The production of each hardware component requires the following:

- (i) Material requirements:

4kg of material B1

Material B1 is currently used continuously by the company for normal production. The company has 4,000kg of material B1 in the warehouse with a book value of RM10 per kg. The current purchase price from suppliers is RM12 per kg.

2kg of material B2

The company has 3,000kg of material B2 in the warehouse with a book value of RM3.50 per kg. The stock is not currently in use and therefore it has been written down to RM1 per kg as a scrap value. The company has an alternative of material B2 by using it as a substitute for material B4, which is currently used continuously, but it would require further processing costs of RM2 per kg of material B2. The current purchase price of material B4 from suppliers is RM4 per kg.

1kg of material B15

The current purchase price of material B15 from suppliers is RM100 per kg.

- (ii) Labour requirements

Skilled labour

Each component requires a total of 10 skilled labour hours. The employees with skilled labour is currently utilised for normal production and they are paid RM20 per hour. A replacement for the employees with skilled labour would need to be paid RM26 per hour to work on the contract.

Semi-skilled labour

Each component requires a total of 12 semi-skilled labour hours. The employees with semi-skilled labour is currently utilised for normal production and they are paid RM18 per hour. A replacement for the employees with semi-skilled labour would need to be paid RM20 per hour to work on the contract.

- (iii) Overhead

Overhead is absorbed based on machine hour rate, currently RM24 per hour of which RM14 is for variable overhead and RM10 is for fixed overhead. If the contract is accepted, the fixed costs is expected to increase by RM7,000 throughout the duration of the contract. Spare machine capacity is available and each component would require 8 machine hours.

Required:

- a) Compute the total relevant cost and explain whether the contract offered by the machinery manufacturer should be accepted.

(16 marks)

- b) Discuss **THREE (3)** qualitative factors that management of Zawa should also consider when deciding whether to accept the contract.

(9 marks)

Total: [25 marks]

2. Meiru Sdn Bhd is a small retailer selling hand-made traditional chinese biscuits which are put in the traditional tins. The revenues and costs for the past four years are shown below.

Year	Revenue (RM)	Cost (RM)	Units (tins)
2020	560,000	440,000	56,000
2021	640,000	460,000	64,000
2022	616,000	444,000	61,600
2023	480,000	388,000	48,000

Required:

- a) Calculate the break-even quantity in units (tins) and in Ringgit Malaysia. (4 marks)
- b) Calculate the number of biscuit tins would have to be sold and the sales in Ringgit Malaysia to achieve a profit of RM100,000. (2 marks)
- c) Construct the break-even chart with proper labels. (6 marks)
- d) The owners of Meiru Sdn Bhd wish to have a margin of safety of 20%. Calculate the sales in ringgit Malaysia required. (2 marks)
- e) Meiru Sdn Bhd is planning to open a new branch. Meiru wishes to achieve the same profit as calculated in (d) for the new branch and has estimated that the fixed cost of the new branch will be RM200,000 per annum. Calculate the number of biscuit tins would have to be sold and the sales in Ringgit Malaysia for the new branch. Please show your workings in detail. (5 marks)
- f) Discuss **THREE (3)** limitations of break-even analysis. (6 marks)

Total: [25 marks]

3. Vost Engineering is a professional firm that specialises in electrical, civil and software engineering services. The firm has three departments and two support centres, which are administration and human resource.

The firm has budgeted its overheads for a period as follows:

	RM
Assessment and quit rent	15,000
Professional fees	120,000
Staff welfare	30,000
Marketing costs	75,000
Administration costs	10,000
Staff recruitment costs	5,000

The following information is available about the departments

	Total cost	Electrical	Civil	Software	Adminis- tration	Human resource
Floor space (sq metre)	3,000	1,200	600	500	400	300
Number of client jobs	6,000	3,000	2,000	1,000		
Number of employees	32	16	8	4	2	2
Direct labour cost (RM)	820,000	150,000	240,000	150,000	140,000	140,000
Direct labour hours	50,000	21,000	14,000	8,000	2,000	5,000

Additional information:

- Assessment and quit rent is allocated based on floor space.
- Both professional fees and marketing costs are allocated based on number of client jobs.
- Staff welfare is allocated based on number of employees.
- Administration cost is allocated entirely to the administration centre only.
- Staff recruitment cost is allocated based on direct labour hours.
- The step-down method is used to apportion the costs from the service centres to the three main departments starting with the human resource centre.

Required:

- a) Prepare the overhead departmental budget and apportion the factory overhead costs from the two service departments to the other departments using the step-down method.

(12 marks)

- b) A client has requested for an invoice for the services offered by the three main departments. You are required to compute the total cost to be charged to the three main departments. The total cost for each department comprises both direct labour cost and overhead cost. The drivers for both direct labour cost and overhead cost is direct labour hours. Based on the job for that client, the direct labour hours worked for each department is as follows:

	Electrical	Civil	Software
Direct labour hours	15	50	18

(9 marks)

- c) Discuss the suitability of charging all jobs on the basis of direct labour hours. Suggest **TWO (2)** improvements on the charges.

(4 marks)

Total: [25 marks]

4. You are the accountant at Noelz Bhd. You have been furnished with the information below.

	May RM' 000	Jun RM' 000	Jul RM' 000	Aug RM'0 00	Sep RM' 000	Oct RM' 000	Nov RM' 000	Dec RM' 000
Sales	240	240	320	320	320	320	400	400
Wages and salaries		30	30	30	30	30	30	30
Administration expenses		20	20	20	20	24	24	24
Finance expenses		40	40	40	40	40	40	40
Building renovation					104			
Tax expenses						23		

Additional information

- i) 30% of sales are received in the same month. 40% of sales is received in the month after the sales and 25% is received two months after the sale. The remaining sales is treated as bad debt.
- ii) Commission on sales is paid to sales employees one month after the sales are made. Only 90% of the sales attract the payment of commission, which is at a rate of 5% on the sales figure.
- iii) Gross profit is always maintained at 25% of sales.
- iv) The opening inventory on 1st June is RM92,000. The closing inventory is to be increased by RM2,000 each month starting from the end of July until the end of December.
- v) Purchases are paid one month after the purchase. Purchases for the month of June is RM182,000.
- vi) The monthly administration expenses include depreciation expense of RM4,000 per month.
- vii) Bank loan instalment is RM40,000 a month with 20% representing interest element.
- viii) Cash balance at the end of June is expected to be RM104,000.

Required:

- a) Prepare a monthly cash budget for the six-month ending 31st December, showing details for each month.

(13 marks)
- b) Prepare an inventory budget for the six-month ending 31st December, showing details for each month.

(3 marks)
- c) Prepare a budgeted income statement for the six-month ending 31st December.

(4 marks)
- d) Advise management on the concerns you have regarding the budget that you have prepared above for (a), (b), and (c).

(5 marks)

Total: [25 marks]

5. Chooco Sdn Bhd is small retailer selling home-made chocolates in a box and due to extremely high demand, all of its chocolates are quickly sold off. Hence, there are no opening and closing stocks. Budgeted output for the month of April was 11,000 units. The data below is the standard cost data for each chocolate box for the month of April.

		RM
Direct material	2 kilo x RM6 per kilo	12.00
Direct labour	6 hours x RM8 per hour	48.00
Variable overhead	6 hours x RM2 per hour	12.00
Fixed overhead	6 hours x RM10 per hour	60.00
Standard cost		<u>132.00</u>
Standard profit		<u>20.00</u>
Standard selling price		<u><u>152.00</u></u>

The actual results are presented below:

- Sales are RM1,590,000 comprising 10,600 units. All production units for the month of April are sold off.
- Direct materials consumed are 20,200 kilograms and were paid RM125,240.
- Direct labour hours worked are 60,500 hours and were paid RM477,950.
- Variable overhead paid was RM125,600.
- Fixed overhead paid was RM680,000.

Required:

- a) Calculate the variances for material, labour, variable overhead, fixed overhead, and sales for the management of Chooco Sdn Bhd.

(20 marks)

- b) Discuss how variances assist businesses in the budgetary control process.

(5 marks)

Total: [25 marks]

6. Hakuba Bhd is a new start-up furniture company. In a recent meeting, the Chief Executive Officer (CEO) have come to know certain costs are shared among the product divisions. As a result, he wants to know more about the pricing for each product. Instead of sharing the cost among the product divisions, he requested the most accurate cost of each product. There are fifteen individual products, some of which are also bundled and sold at discounted prices.

The chief accountant, who has just joined the company, responded that it is impossible to compute the cost accurately for each product without sharing the costs. The CEO appeared displeased with this response during the meeting. The CEO retorted that the full cost can be easily computed.

You, as a trainee who also has just joined the company, believe a better answer can be provided to the CEO.

Required:

Discuss the responses by both the CEO and the chief accountant. Also, discuss the best way to reply to the CEO that would have cleared his queries.

Total: (25 marks)

- END OF QUESTIONS -