



PENINSULA
COLLEGE
GEORGETOWN



UNIVERSITY OF
PLYMOUTH

FINAL SEMESTER EXAMINATION

Faculty	:	ACADEMIC PARTNERSHIPS
School	:	ACADEMIC PARTNERSHIPS
Programme	:	BA (HONOURS) ACCOUNTING & FINANCE 3+0 IN COLLABORATION WITH UNIVERSITY OF PLYMOUTH
Academic year	:	2021/22
Stage	:	3
Course	:	ADVANCED MANAGEMENT ACCOUNTING
Course Code	:	MAL3008
Time Allowed	:	3 hours

INSTRUCTIONS TO CANDIDATES:

1. Please read the instructions given in the question paper **CAREFULLY**.
2. This assessment consists of **TWO (2)** sections and you are required to answer **FOUR (4)** questions, of which at least **TWO (2)** questions must be from **Section A**.
3. Answers to the questions are to be written into the examination booklet.
4. 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 papers out of the examination hall.

(This booklet contains 5 printed pages including this page)

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

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 the accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from Peninsula College Georgetown.

For examiner's use only

QUESTION NO.	MARKS
1	/ 25
2	/ 25
3	/ 25
4	/ 25
5	/ 25
6	/ 25
Total	/ 100

SECTION A

Question 1

Fly Sdn. Bhd. (Fly), a manufacturer of single seat plane, has seen its sales declining due to the introduction of new planes by its competitors. It plans to build a new plane, Superbest.

At a meeting to discuss the development and production scheduling of Superbest, the production manager expects that the first unit of Superbest may take 300 direct labour hours to complete.

Fly recently received an invitation to tender for the supply of 30 units of Superbest from a reputable company.

The estimated production cost for one unit of Superbest is as follows:

Direct material	RM30,000 per unit
Direct labour	RM100 per hour
Variable overhead	RM1,100 per direct labour hour
Fixed overhead	RM23,000 per unit

To date, a total of 10 units of Superbest have been produced using a total of 1,750 direct labour hours.

The learning curve effect for this new plane has been estimated at 85%. The company expects that the learning rate for its new plane will cease after the 12th unit has been produced. Therefore, every unit from unit 13 onwards will require the same amount of labour time to produce as that for the 12th unit.

It is the policy of Fly to mark-up 20% on its production cost.

Required:

- Determine whether the assumption of 85% learning rate is a reasonable one in this case, by using the standard formula, $y = ax^b$.
(3 marks)
- Calculate the time required to produce per unit of Superbest for the 13th unit onwards.
(6 marks)
- Calculate the tender price for the 30 units of Superbest by taking into consideration the learning curve effect.
(8 marks)
- Advise Fly on other factors, other than the cost of material, labour and overheads mentioned above that should be considered in tendering for the above job.
(8 marks)

[Total: 25 marks]

Question 2

Aroma Bhd. (Aroma) is a fragrance manufacturing company that sells fragrances for home products. The company plans to sell one type of luxury perfume in the market.

Aroma has carried out an investigation in the market and expects that the selling price of the luxury perfume to fall within the range of RM175 to RM400 per bottle. It is expected to sell 10,000 bottles if the selling price is set at RM175 per bottle and only 2,500 bottles if the selling price is set at RM400 per bottle.

The fixed costs associated with this luxury perfume is RM300,000 per year and a variable cost of RM115 is incurred for each additional unit produced.

Required:

- a) Establish and explain the total cost function (equation) for the luxury perfume. (3 marks)
- b) Calculate the optimal profit maximising output, price level and the resultant profit for the luxury perfume. (16 marks)
- c) The Chief Executive Officer (CEO) of Aroma has brought up two suggestions during the recent meeting:
 - i) "Profit is maximised by charging the highest possible selling price". (4 marks)
 - ii) "All customers purchasing the same products offered by the company have the same profitability since each product earns the same profit. (2 marks)

Critically comment on the suggestions made by the CEO.

[Total: 25 marks]

Question 3

Innovate Tech Group (ITG), which has a divisional structure, manufactures a range of rubber-based products appliances such as latex gloves, rubber band, tyres for domestic use. Division A and B are two of its divisions.

Division A makes a Component YY for rubber products which it currently only sells to Division B. Division B requires a total of 93,750 units of Component YY per period which will utilise 75% of Division A's production capacity.

The current transfer pricing policy adopted by Division A is to charge Division B at a transfer price per unit based on full absorption cost (fixed costs are absorbed based on 75% of Division A's production capacity) plus 20% mark-up.

Current information relating to Division A's operating data per period is as follows:

Variable cost per unit	RM11
Total fixed costs	RM140,625
Maximum production capacity	125,000 units

In view of the current economic downturn, the manager of Division B is trying to reduce costs to sustain divisional profitability. Therefore, he is considering an option to purchase Component YY from an external supplier. The external supplier has offered to sell the Component YY to Division B for RM14 per unit. The manager of Division B is very pleased with this offer from the external supplier and has conveyed his intention to accept it to the manager of Division A.

In order to compensate for the loss of income from Division B, the manager of Division A found an external customer who requires 31,000 units of Component YY per period. The external customer is willing to pay only RM13.50 per unit. If Division A accepts the offer from the external customer, the variable cost per unit will remain the same but will incur additional fixed costs of RM25,000 per period.

Required:

- Calculate the current transfer price based on the existing transfer pricing policy of using full cost plus 20% mark-up. Explain with calculations why the current transfer price motivated the manager of Division B to make a decision to discontinue the purchase of Component YY from Division A and to accept external supplier's offer. (5 marks)
- Explain with supporting calculations, why the decision made by Division B to accept external supplier's offer will not lead to group profit maximisation. (7 marks)
- Recommend with supporting calculations, the production capacity utilisation strategy that should be adopted by Division A to achieve group profit maximisation. (7 marks)
- Calculate the minimum and maximum transfer price that will be acceptable to both Division A and B if a negotiated transfer price approach is adopted. Discuss the advantages and limitations of this transfer pricing method. (6 marks)

[Total: 25 marks]

SECTION B

Question 4

During Covid-19, Just-In-Time manufacturing led to shortages of almost everything. The coronavirus epidemic impacts the global supply chain. The global supply chain grappled to keep up as the virus spread.

Required:

Discuss this statement with reference to your academic studies on Just-In-Time and also to the concerns of global companies.

[Total: 25 marks]

Question 5

PETALING JAYA: KPJ Healthcare Bhd saw its revenue increases 33% year-on-year to RM632.8mil for the second quarter ended June 30, 2021 (Q2'21) mainly due to better operational performance, aided by a less restrictive movement control order (MCO) 3.0.

In a statement, the healthcare operator said the original MCO 1.0 instituted in March 2020 had a more severe impact on hospital operations in Q2'20, with bed occupancy rate (BOR) reaching a post-pandemic low of 25% in April 2020.

KPJ recorded a total of 758,629 patients in Q2'21, up 36% compared to 556,042 patients in the previous corresponding quarter. BOR was recorded at 41% in Q2'21, up from 34% recorded in Q2'20.

Source: TheStar (2021) KPJ's revenue improves in Q2, 25 August. Available at: <https://www.thestar.com.my/business/business-news/2021/08/25/kpjs-revenue-improves-in-q2> (Accessed: 10 October 2021)

Required:

Discuss with reference to your academic studies on non-financial performance measures, whether non-financial performance indicators provide a more rounded data on the healthcare industry's performance.

[Total: 25 marks]

Question 6

Workers can be motivated using positive incentives and will try hard to accomplish organisational goals if they believe they will be rewarded for doing so. Therefore, financial rewards can be used to increase work motivation.

Required:

Discuss with reference to your academic studies on motivation, whether financial rewards can be used to increase work motivation.

[Total: 25 marks]

- END OF QUESTIONS -