



**BERJAYA BUSINESS SCHOOL**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Subject Code & Name : **ACC2213 COST ACCOUNTING**  
 Semester & Year : JANUARY – APRIL 2017  
 Lecturer/Examiner : JAMES LIOW  
 Duration : 3 Hours

**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 2 parts:  
 PART A (20 marks) : Answer all TEN (10) multiple choice questions and shade your answers in the provided space with 2B pencil  
 PART B (80 marks) : Answer all FOUR (4) problem solving questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

**WARNING:** The University Examination Board (UEB) of BERJAYA University College of Hospitality regards cheating as a most 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 BERJAYA University College of Hospitality.

**Total Number of pages = 8 (Including the cover page)**

**PART B : PROBLEM SOLVING QUESTIONS (80 MARKS)**

**INSTRUCTION(S) :** There are four (4) questions in this section, answer ALL questions. Write your answers in the Answer Booklet(s) provided.

**QUESTION 1**

Quality Products Ltd, which produces a single component for the motor industry, has just completed its first year of trading. The summary profit and loss account for the year, prepared on the absorption costing basis, is set out below:

	\$	\$
Sales		190,000
Production cost of sales:		
Cost of production:		
Direct material	32,000	
Direct labour	41,000	
Variable overhead	22,000	
Fixed overhead	33,000	
	128,000	
Less closing stock	6,400	
		121,600
<b>Gross profit</b>		<b>68,400</b>
Selling and administration costs:		
Variable	3,800	
Fixed	28,500	32,300
<b>Net profit</b>		<b>36,100</b>

10,000 units were manufactured in the first year and 9,500 units were sold.

Budgeted data for the second year of trading is as follow:

Sales units	10,600
Production units	11,000
Selling price	\$22.00 per unit
Direct material	\$3.40 per unit
Direct labour (0.50 hours @ \$9 per hour)	\$4.50 per unit
Variable production overheads absorbed @	\$4.50 per direct labour hour
Fixed production overheads	\$35,200
Variable selling and administration costs	\$4,400
Fixed selling and administration costs	\$33,000

**Required**

- a) Prepare a budgeted profit and loss account for Year 2 using the:
- i) Absorption costing basis
  - ii) Marginal costing basis

(15 marks)

- b) Explain the difference between the profits calculated in part (a) supported by calculations.

(5 marks)

**[Total 20 marks]**

**QUESTION 2**

Ji Hoon Bhd manufacturers and sells 3 products, A, B and C. Details of the production budget for period 5 is given below.

		Product A	Product B	Product C
Budgeted production units		3,500	2,000	1,500
Material X	@ \$6.00 per kg	2 kg	3 kg	1 kg
Material Y	@ \$4.00 per kg	5 kg	4 kg	2 kg
Labour	@ \$5.00 per hour	4 hrs	2 hrs	3 hrs
Variable overheads	@ \$3.00 per labour hour			

Total budgeted fixed overhead for the period is \$135,000.

Currently the company is using the traditional method for overhead absorption costing, that is based on direct labour hours. The management accountant has proposed the use of Activity Based Costing (ABC) method. The analysis for fixed overhead is as follows:

Activities	Costs
	\$
Material X handling	14,500
Material Y handling	85,500
Inspection	6,080
Set up	1,920
Despatch	27,000
	<b>135,000</b>

Additional information:

1. Absorption of material handling cost is based on quantity of materials used.
2. 6 orders were received for Product A and 5 orders each for Product B and C.
3. 1 set-up and 2 inspections are required for each order received.
4. Each product is dispatched in batches of 10 units.

**Required**

For each product, calculate the unit product cost (nearest two decimal places) using:

- (a) Traditional absorption costing method. (7 marks)
- (b) ABC method. (13 marks)

**[Total 20 marks]**

### QUESTION 3

Banana Hanna Sdn Bhd manufactures a single product 'Jiha', which sells for \$10 each. At 75% capacity, which is the normal level of activity for the factory, sales are \$600,000.

The costs of these sales are as follows:

Direct cost per unit	\$3.00
Production overhead (including variable costs of \$30,000)	\$156,000
Selling overhead (sales costs are fixed with the exception of sales commission which is 5% of sales value)	\$80,000
Distribution costs (including variable costs of \$15,000)	\$60,000
Administration overhead (including variable costs of \$9,000)	\$40,000

#### Required

- (a) Calculate the break-even sales units. (3 marks)
- (b) Prepare statements to show the revenue, contribution and profit in the following circumstances:
- (i) At the normal level of activity. (2 marks)
  - (ii) If the sales price is reduced by 5% and the sales volume thereby increases by 15% above the normal level of activity. (4 marks)
  - (iii) If the sales price is reduced by 7% and the sales volume thereby increases by 20% above the normal level of activity. (4 marks)
- (c) Calculate what sales units would need to be under the sales price arrangements in (b) (iii) for the profit to be the same as in (b) (ii). (5 marks)
- (d) List **TWO (2)** assumptions of break-even analysis. (2 marks)

**[Total 20 marks]**

**QUESTION 4**

The following data for November 2016 from Gray Manufacturing Company, which makes silk units and uses a process-costing system. All direct materials are added at the beginning of the process, and conversion costs are added evenly during the process. Spoilage is detected upon inspection at the completion of the process. Spoiled units are disposed of at \$0.20 per unit. Gray Manufacturing Company uses the weighted-average method of process costing.

	Physical Units	Direct Materials	Conversion Costs
Work in process, 1 November (Note 1)	1,000	1,423	1,110
Started in November 2016	10,150		
	11,150		
Good units completed and transferred out during November 2016	9,000		
Normal spoilage	100		
Abnormal spoilage	50		
Work in process, 30 November (Note 2)	2,000		
	11,150		
Total costs added during November 2016		\$12,180	\$27,750

Note 1: Degree of completion: direct materials, 100%; conversion costs, 50%.

Note 2: Degree of completion: direct materials, 100%; conversion costs, 30%.

**Required**

Prepare the process accounts for the month of November 2016:

- a) Process account (16 marks)
- b) Normal loss account (2 marks)
- c) Abnormal gain or loss account (2 marks)

**[Total 20 marks]**

**END OF QUESTION PAPER**