



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC2213 COST ACCOUNTING**
Trimester & Year : JANUARY – APRIL 2018
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 Answer Booklet provided.
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 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.

Total Number of pages = 7 (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

Teakwood Bhd manufactures quality furniture to customers' orders. It has three production departments and two service departments. The company has been adopting the traditional overhead costing method to allocate the production overheads. The overheads incurred for the month ended are as follows:

	\$	Allocation Basis
Machine Insurance	8,000	Machine values
Rent and Rates	21,000	Floor areas
Indirect Materials	5,000	Material values
Utilities	10,000	Floor areas
Indirect Labour	2,000	Labour hours
Depreciation	24,000	Machine value
Supervisors' Salaries	6,000	Labour hours
Total	76,000	

The three production departments are Dept 1, Dept 2 and Dept 3 and the two service departments are X and Y which are housed in the same premises. The details of which together with other statistics and information are as follows:

	Service Department		Production Department		
	Service X	Service Y	Dept 1	Dept 2	Dept 3
Floor Area Occupied (in metres)	600	400	3,000	1,500	1,500
Direct Labour Hours	-	-	2,000	1,200	1,800
Labour Rates per hour	-	-	\$4.00	\$3.00	\$2.00
Machine Value (\$'000)	-	-	30	20	10
Value of materials Issued (\$'000)	-	-	100	50	30
Allocated Overhead :					
Specific to each department	\$1,500	\$1,000	\$2,900	\$3,000	\$4,000
Service Dept X apportioned	-	-	50%	25%	25%
Service Dept Y apportioned	-	-	20%	30%	50%

The management accountant realised that the traditional method of overhead costs had produced product cost distortion. Therefore, he has proposed the use of Activity Based Costing (ABC) method. The analysis of the overhead costs and the activities are as follows:

Activity	\$	Cost driver	
Material X handling	26,520	Value of materials (\$)	25,500
Material Y handling	26,520	Value of materials (\$)	19,500
Inspection	17,680	Numbers of goods inspected	2,000
Set up	4,420	Numbers of setup	100
Despatch	13,260	Production units	1,000
	88,400		

Required

- a) Prepare a statement showing the overhead cost for each department, showing the basis of apportionment used. (12 marks)
- b) Calculate suitable overhead absorption rates for all the 3 departments based on direct labour hours. (3 marks)
- c) Calculate the cost driver rate for each activity under the Activity Based Costing method. (5 marks)

[Total 20 marks]**QUESTION 2**

Prego Ltd manufactures sections of roofing panels out of reinforced plastic with a special finish which gives houses a thatched appearance. The following data is available:

	Year 6	Year 7
Sales (panels)	27,000	26,000
Opening stock (panels)	1,000	2,000
Closing stock (panels)	2,000	5,000
Selling price per panel	\$40	\$40
Fixed manufacturing costs	\$120,000	\$120,000
Fixed selling & administration costs	\$85,000	\$85,000
Average variable cost per panel for both years:	\$	
Materials	11.00	
Labour	9.00	
Variable manufacturing overheads	4.00	
Variable selling & administration	1.00	
	25.00	

The planned activity level is normally 30,000 panels per annum.

Required

Prepared an income statement for both years under the following approach:

- a) Absorption costing (10 marks)
- b) Marginal costing (10 marks)

[Total 20 marks]**QUESTION 3**

A company manufactures and sells a single product. The selling price is \$14.00 per unit. Costs for a period, during which 6,000 units of the product were manufactured and sold, were as follows:

	\$
Direct materials	19,800
Direct labour	16,800
Production overheads	25,800
Administration overheads	10,345
Selling overheads	6,600

Additional information:

1. All costs can be analysed into variables and fixed elements.
2. Direct materials and direct labour are variable costs.
3. Production overheads include \$20,400 of fixed costs.
4. Administration overheads are fixed.
5. Variable selling overheads are 2½% of sales.

Required

Calculate for the period:

- a) The contribution/sales ratio (%). (5 marks)
- b) The break-even point (in both units and value). (5 marks)
- c) The profit to be earned given 6,000 units of products were manufactured and sold. (5 marks)
- d) The number of units needed to be sold to earn a profit of \$6,650. (5 marks)

[Total 20 marks]

QUESTION 4

The following data for November 2017 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 first in, first out (FIFO) 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 2017	10,150		
	11,150		
Good units completed and transferred out during November 2017	9,000		
Normal spoilage	100		
Abnormal spoilage	50		
Work in process, 30 November (Note 2)	2,000		
	11,150		
Total costs added during November 2017		\$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 2017:

- 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