Private & Confidential

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

Student ID (in Words) : ______________________________

____

Course Code & Name : **ACC3213 MANAGERIAL 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 (50 marks) : Answer ONE (1) compulsory question. Answers are to be written in the Answer Booklet provided.
   PART B (50 marks) : Answer TWO (2) out of THREE (3) 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 = 6 (Including the cover page)

PART A : **COMPULSORY QUESTION (50 MARKS)**

INSTRUCTION(S) : There is **ONE** (1) question in this section. Write your answers in the Answer Booklet(s) provided.

---

a) Thorne Co values, advertises and sells residential property on behalf of its customers. The company has been in business for only a short time and is preparing a cash budget for the first four months of 2018. Expected sales of residential properties are as follows:

	2017	**2018**	**2018**	**2018**	**2018**
Month	December	January	February	March	April
Units sold	10	10	15	25	30

The average price of each property is $180,000 and Thorne Co charges a fee of 3% of the value of each property sold. Thorne Co receives 1% in the month of sale and the remaining 2% in the month after sale.

The company has nine employees who are paid on a monthly basis. The average salary per employee is $35 000 per year. If more than 20 properties are sold in a given month, each employee is paid in that month a bonus of $140 for each additional property sold.

Variable overheads are incurred at the rate of 50% of cash fees received in each month. Whereas, for fixed overheads are budgeted at $51,600 per annum.

7.5% of bank interest on the overdrawn balance as at end of December 2017 was expected to be charged in the month of March 2018.

An outstanding tax liability of $95,800 is due to be paid in April. In the same month Thorne Co intends to dispose of surplus vehicles, with a net book value of $15,000, for $20,000. The cash balance at the start of January 2018 is expected to be a deficit of $40,000.

Required

(i) Prepare a monthly cash budget for the period from January to April 2018. The budget must clearly indicate each item of income and expenditure, and the opening and closing monthly cash balances. (25 marks)

(ii) Discuss **TWO** (2) factors to be considered by Thorne Co when planning ways to invest any cash surplus forecast by its cash budgets. (5 marks)

[Total 30 marks]

b) Bunga D'Taman Ltd produces three grades of potting compost, trade name *"Compo"* by mixing three ingredients G, R and E in different proportions. Budgeted cost prices of these ingredients are $0.40 per kg of G, $0.20 per kg of R and $0.80 per kg of E.

At the end of all processes, all grades of Compo emerge in sealed plastic sacks, each containing 50 kg of compost.

Direct workers are paid $12.00 per hour and are expected to mix and fill thirty sacks per hour. An absorption rate of 400% on direct wages cost is necessary, to recover the budgeted production overheads.

Stocks on 1 January 2018 are expected to be:

Material (in kg)

G	**R**	**E**
155,000	182,500	142,500

Finished Compo (in sacks)

No. 1	**No. 2**	**No. 3**
5,000	5,500	7,500

Stocks as at 31 December 2018 are budgeted to be:

Material:

The company plans to have stocks of materials decreased by 20% at 31 December 2018.

Finished Compo:

The company plans and to have increased all stocks of compo by 60% at the same date.

Standard mixes (%)	**Compo No.1**	**Compo No.2**	**Compo No. 3**
G	50%	30%	10%
R	40%	50%	60%
E	10%	20%	30%
Budgeted sales (in sacks) for the year ended 31 December 2018	50,000	40,000	60,000

Required

Prepare the following budgets for the year ending 31 December 2018:

(i) Production (in sacks) (3 marks)

(ii) Material purchase of each materials and in total (kg and $) (11 marks)

(iii) Production Cost (6 marks)

[Total 20 marks]

[Total 50 marks]

END OF PART A

PART B : **PROBLEM SOLVING QUESTIONS (50 MARKS)**

INSTRUCTION (S) : There are **THREE** (3) questions in this section, answer only **TWO** (2) questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

Acro Bhd makes and sells 3 products A, B and C. The standard cost and selling price per unit of each product are as follows:

	A		**B**		**C**	
		$		**$**		**$**
Direct material	(6 kg)	24	(7 kg)	28	(4 kg)	16
Direct labour	(2 hrs)	16	(1.5 hrs)	12	(1 hr)	8
Variable overhead		16		12		8
Fixed overhead		8		6		4
Total cost		64		58		36
Selling price		80		67		43
Maximum sales units		10,000		16,000		12,000

Required

a) Calculate the profit currently earned by the company. (5 marks)

b) If there was a shortage of labour and the maximum direct labour hours available were 40,000, calculate:

  (i) the number of units of each product the company should offer for sale. (6 marks)

  (ii) the maximum profit. (4 marks)

c) If the maximum direct labour hours were still limited to 40,000 but the company must sell a minimum of 6,000 units of each product, determine:

  (i) the number of units of each product the company should offer for sale. (6 marks)

  (ii) the maximum profit. (4 marks)

[Total 25 marks]

QUESTION 2

T Bhd operates a standard costing system. The company manufactures a single product from raw material AX.

During the four-week period ended September 2018 the following costs were recorded:

	Budget	Actual
Raw material AX ($)	75,000	76,570
Direct wages ($)	125,000	110,295
Fixed overheads ($)	34,000	32,762
Variable overheads ($)	22,000	20,850
Semi-variable overheads ($)	9,540	9,486
Standard hours	25,000 hours	-
Actual hours worked	-	20,250 hours

Budgeted sales for the period were 10,000 units at $28.75 per unit.

Actual sales were as follows:

- 6,000 units at $27.90 per unit
- 1,000 units at $28.80 per unit
- 2,500 units at $29.50 per unit

The following additional information has been provided:

(i) The standard material cost of each unit produced is 25 kgs at $0.30 per kg, actual costs were 26 kgs at $0.31 per kg.

(ii) The standard wages cost per unit is 2.5 hours at $5 per hour, actual wages cost was 2.25 hours at $5.16 per hour.

(iii) Semi-variable overhead consists of fixed and variable expenses. Both budget and actual semi-variable overhead is apportioned in the ratio 5:4 for fixed and variable elements respectively.

(iv) There were no opening stocks and the entire production for the period was sold.

Required

Prepare a statement of variances reconciling the budgeted net profit for the period with the actual net profit realised.

[Total 25 marks]

QUESTION 3

Pinot Ltd is considering investing in some major refurbishments at one of its department stores, to enable the provision of improved customer services until the lease expires at the end of four years. The company is currently negotiating with two contractors, Nicol and Rigo.

Whichever contractor is used, the improved services will generate estimated cash inflows as follows:

$150,000 in year 1; $380,000 in each of years 2 and 3; $450,000 in year 4.

Nicol

The capital investment will be $250,000 at the start of the project and $350,000 at the end of each of years 1 and 2.

Rigo

The capital investment will be the same in total but payment to the contractor can be delayed. Capital payments will be $100,000 at the start of the project, $150,000 at the end of each of years 1,2 and 3, and the balance of the capital investment is to be paid at the end of year 4. In return for the delayed payments, Pinot Ltd will be required to make payment to the contractor who will receive a 30% share of the capital cash payments, payable at the end of each year. In the interim period, the unutilised capital will be invested in a short-term project in another department store, generating a cash inflow of $120,000 at the end of each of the years 1, 2 and 3.

The following assumptions are applied:

- All cash flows occur at the year-end
- Ignore taxation and inflation
- The discount factor of 15% is as follows:

Year 1	Year 2	Year 3	Year 4
0.870	0.756	0.658	0.572

Required

a) Evaluate the capital investment decisions by using the net present value method proposed by the two contractors, Nicol and Rigo. (14 marks)

b) Advise Pinot Ltd whether to select Nicol or Rigo in the following separate circumstances:
   (i) Ignore the time value of money and not discount the cash flows.
   (ii) Using a cost of capital of 15% to discount the cash flows to their present value.
   (4 marks)

c) Comment on the results in (a) whether Pinot Ltd should consider using discount factor or ignore the time of money when making investment decisions. (4 marks)

d) List **THREE** (3) factors that should be considered, in addition to the analysis in (a) when choosing between Nicol and Rigo. (3 marks)

[Total 25 marks]

END OF QUESTION PAPER