



FACULTY OF BUSINESS

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **ACC2213 COST ACCOUNTING**
Semester & Year : MAY – AUGUST 2021
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (20 marks) : Answer all TWENTY (20) 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 = 11 (Including the cover page)

PART A : MULTIPLE CHOICE QUESTIONS (20 MARKS)

INSTRUCTION(S) : Question 1-20 are multiple choice questions. Shade your answers in the Multiple Choice Answer Sheet provided. You are advised to use a 2B pencil.

1. Prime Cost is calculated as:
- A. Direct materials plus direct labour
 - B. Direct materials plus indirect materials
 - C. Direct labour plus factory overheads
 - D. Direct materials plus direct labour plus factory overheads

The following questions relate to Question 2 and Question 3:

Canberra has established the following information regarding fixed factory overheads for the coming month:

Budgeted information:

Fixed overheads	RM180,000
Labour hours	3,000 hours
Machine hours	10,000 hours
Units of production	5,000 units

Actual fixed factory overhead costs for the coming month were RM160,000.

Canberra produces many different products using highly automated manufacturing processes and absorbs overheads on the most appropriate basis.

2. Calculate the pre-determined factory overhead absorption rate.
- A. RM16.00
 - B. RM18.00
 - C. RM36.00
 - D. RM60.00
3. Assuming the actual machine hours consumed for the coming month was 9,500 hours. Calculate the under/over absorbed of factory overhead costs.
- A. Over- absorbed RM11,000; credit to profit or loss
 - B. Over- absorbed RM11,000; debit to profit or loss
 - C. Under-absorbed RM9,000; credit to profit or loss
 - D. Under-absorbed RM9,000; debit to profit or loss
4. Which of the following is an example of spoilage?
- A. Short lengths from wood work
 - B. Defective aluminium can recycled by manufacturer
 - C. Detection of defective pieces before shipment
 - D. All of the above

5. A manufacturing process had no work-in-progress at the start of a period and no losses during the period. Completed output was 85,000 kg in the period during which 105,000 kg of material were input to the process. The closing work-in progress was 60% complete. Conversion costs totalled RM592,000 in the period.

Calculate the conversion cost per equivalent unit (to two decimal places).

- A. RM5.64
 - B. RM6.96
 - C. RM6.10
 - D. RM6.37
6. Which of the following differences between financial accounting and management accounting is **INCORRECT**?
- A. There is no legal requirement for management accounting information to be produced.
 - B. Financial accounting reports present summarised financial information for the business based on company law and financial reporting standards.
 - C. Financial accounting information primarily focuses on past information.
 - D. Management accounting reports must be produced on a monthly basis.
7. If the beginning work in process equivalent units are 2,500 units, work done in current period equivalent units are 3,800 units and units completed in current period are 4,000. Complete the ending work in process equivalent units.
- A. 1,800 units
 - B. 10,300 units
 - C. 2,300 units
 - D. 1,500 units
8. If contribution margin percentage is 30% and the selling price is RM5,000. Calculate the contribution margin per unit.
- A. RM6,000
 - B. RM20,000
 - C. RM7,000
 - D. RM13,000
9. Which of the following statements is **CORRECT**?
- A. If production exceeds sales, absorption costing produces higher profits.
 - B. If sales exceed production, absorption costing produces higher profits.
 - C. If production exceeds sales, variable costing produces higher profits.
 - D. If sales exceed production, variable costing produces lower profits.

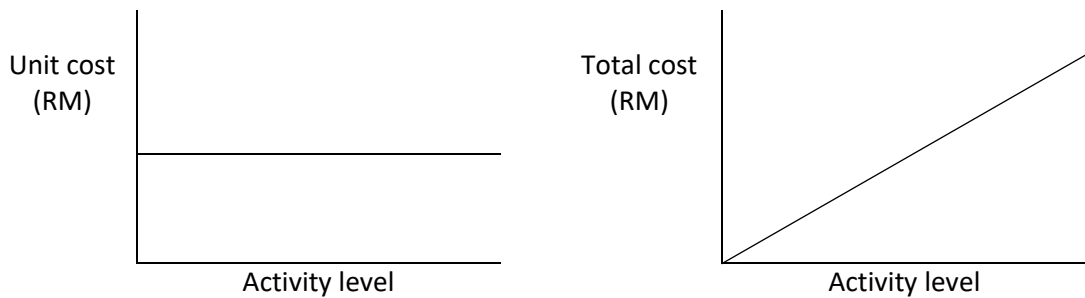
10. Fixit Limited had the following information in its accounts for the year:

	March	September	December
Production volume in units	5,000	15,000	12,000
Maintenance expenses	RM39,000	RM91,500	RM75,750

Calculate the fixed portion of the monthly maintenance expense.

- A. RM36,750
- B. RM52,500
- C. RM15,750
- D. RM12,750

- 11.



Unit Cost and total costs for the same category of costs over different levels of activity are shown in the above diagrams. The costs shown are best described as:

- A. Fixed costs
 - B. Variable costs
 - C. Semi-variable costs
 - D. Step fixed costs
12. Which of the following statements is **NOT** an assumption underlying cost-volume-profit (CVP) analysis?
- A. Profits are calculated on a variable costing basis.
 - B. CVP assumes a single product or a constant sales mix.
 - C. CVP analysis may be applied to any time horizon.
 - D. Costs may be accurately divided into their fixed and variable elements.
13. Which of the following **BEST** describes normal loss in process costing?
- A. Is not an inherent part of the production process.
 - B. Occurs under efficient operating conditions and is unavoidable.
 - C. Is less than the expected loss from the process.
 - D. Is not expected to occur under efficient operating conditions.

14. ABC Co has a manufacturing capacity of 10,000 units. The flexed production cost budget of the company is as follows:

Capacity	60%	100%
Total production costs	RM11,280	RM15,120

Using the Hi-Lo method, calculate the budgeted total production cost if it operates at 85% capacity.

- A. RM13,680
 B. RM12,852
 C. RM14,025
 D. RM12,340
15. Which of the following does **NOT** match?

	Item of cost	Basis of cost allocation
(i)	Electricity	Value of machine
(ii)	Supervision of building	Value of materials consumed
(iii)	Insurance of building	Area occupied
(iv)	Time-keeping	Number of employees

- A. (i) & (ii)
 B. (ii) & (iii)
 C. (i) & (iv)
 D. (ii) & (iv)
16. X Company uses activity-based costing for Product B and Product D. The total estimated overhead cost for the parts administration activity pool was RM550,000 and the expected activity was 2,000 part types.

If Product D requires 1,200 part types, the amount of overhead allocated to product D for parts administration would be:

- A. RM275,000
 B. RM300,000
 C. RM330,000
 D. RM345,000
17. Which of the following **BEST** describes Activity-based costing?

- A. Uses a plant-wide overhead rate to assign overhead
 B. Is not expensive to implement
 C. Typically applies overhead costs using direct labour hours
 D. Uses multiple activity rates

18. The following budgeted information relates to a manufacturing company for next period:

	Units		RM
Production	14,000	Fixed production costs	63,000
Sales	12,000	Fixed selling costs	12,000

The normal level of activity is 14,000 units per period.

Using absorption costing the profit for next period has been calculated as RM36,000.

Calculate the profit for next period using marginal costing.

- A. RM25,000
 - B. RM27,000
 - C. RM45,000
 - D. RM47,000
19. Belton Ltd. manufactures low calorie chocolate bars. The selling price per bar is RM1.60 and total variable costs per bar are RM0.86. Fixed costs for the month are expected to be RM10,730 and sales are budgeted to be 15,950 bars per month.

Calculate the margin of safety for the month in bars (units) to the nearest whole bar.

- A. 3,473 bars
 - B. 9,244 bars
 - C. 5,220 bars
 - D. 1,450 bars
20. When using conventional cost-volume-profit analysis, some assumptions about costs and sales prices are made. Which one of the following is **NOT** one of those assumptions?
- A. the costs can be expressed as straight lines in a break-even graph
 - B. the actual variable cost per unit must vary over the production range
 - C. the sales price will remain unchanged per unit
 - D. fixed costs will decrease per unit

[Total 20 marks]

END OF PART A

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

CSQ Holding Bhd (CSQ) was established five years ago and manufactures a wide range of homeware supplying largely to retailers and industries. CSQ uses a simple absorption costing system to allocate overheads to products.

CSQ's products are manufactured through two production departments, pressing and assembly. It is serviced by two support departments, store and maintenance.

Information relating to the company's most updated production overhead costs are as follows:

	RM
Machine setup	20,000
Machine maintenance	10,000
Production scheduling	8,000
Production engineering	5,000
IT support	15,000
	58,000

The following are the basis of apportionment of the production overheads:

	Basis of apportionment
Machine setup	Machine setup hours
Machine maintenance	Machine value (RM)
Production scheduling	Kilowatt machine hours
Production engineering	Engineering hours
IT support department	IT support hours

	Support department		Production department	
	Store	Maintenance	Pressing	Assembly
Machine setup (hours)	2,500	5,000	1,000	1,500
Machine value (RM)	1,000	5,000	1,000	3,000
Kilowatt machine hours	10,000	10,000	2,500	2,500
Engineering hours	4,000	5,000	10,000	1,000
IT support hours	5,000	2,000	3,700	1,300

The support department uses numbers of requisition to allocate the store costs and maintenance hours to allocate the maintenance costs.

	Store	Maintenance	Pressing	Assembly
Store (No. of requisition)		200	500	200
Maintenance (hours)	1,250		13,750	10,000

CSQ uses the following basis for calculating the factory overhead rate: 15,000 machine hours for the pressing department due to its high reliance on machines to produce the products. As the assembly department is more labour intensive, it uses 5,000 direct labour hours.

Recently, CSQ attempted to switch to activity based costing (ABC) for overhead allocation and has traced all activities based on the relevant cost drivers. The following is the factory overhead costs and the cost drivers:

	RM	Activity
Supervision: production	1,500	2,300 labour hours
Depreciation: machine	10,000	5,000 machine hours
Depreciation: equipment	2,000	40,000 machine hours
Material handling	1,000	500 number of materials movements
Machine setup	6,300	3,000 machine setup hours
Handling charges	1,800	600 number of handling movements
Production scheduling	4,000	500 number of production run
Production engineering	200	200 engineering change order
Machine maintenance	21,200	40,000 maintenance hours
IT support	10,000	20,000 IT support hours
	58,000	

Required

- a) Calculate the traditional production overhead costs based on the direct method of allocating the support department to production department. (12 marks)

- b) Calculate the factory overhead rate (to two decimal places) using the traditional costing system. (3 marks)

- c) Calculate the multiple cost driver rate (to two decimal places) using the activity-based costing. (5 marks)

[Total 20 marks]

QUESTION 2

A company, which produces a single component for the motor industry, has budgeted to make 3,000 units in a year. The components sell for RM80.00 each. The standard unit variable production costs are as follows:

- Direct material A 2 kg at RM 4.50 per kg
- Direct material B 4 kg at RM1.20 per kg
- Direct labour 1.5 hours at RM8 per hour
- Variable factory overheads absorbed at RM6.00 per unit
- Variable selling overheads at RM10.00 per unit
- Fixed selling overheads at RM15,000

Fixed factory overheads, absorbed at a predetermined rate based on the direct labour hours are expected to be RM18,000 for the year.

The following actual information is available for the year:

- Opening stock of components 150 units
- Sale of components 2,750 units
- Closing stock of components 200 units

Required

- a) Prepare profit or loss statement for the most recent period using:
- (i) Marginal costing
 - (ii) Absorption costing
- (15 marks)
- b) Reconcile the profit calculated at (a) (i) and (ii) above. (3 marks)
- c) Suggest **TWO** (2) reasons why the company should use absorption costing. (2 marks)
- [Total 20 marks]**

QUESTION 3

Sole Products Bhd (SPB), which produces a single component for the motor industry, has just completed its first year of trading. The summary profit or loss account for the year just ended 31 December 2020 is set out below:

	RM	RM
Sales (12,000 units)		336,000
Direct costs:		
Direct material	84,000	
Direct labour	60,000	
Direct expenses	24,000	
Overheads:		
Production	74,000	
Administration	10,000	
Selling	88,000	(340,000)
Net loss		(4,000)

The following information is available:

- (i) All the direct costs are variable with production output.
- (ii) The production overhead figure includes RM50,000 fixed costs. The remaining production overheads vary with production output.
- (iii) All the administration overheads are fixed.
- (iv) Variable selling overheads are incurred at the rate of RM4.00 per unit. The remaining selling overheads are fixed.
- (v) There was no closing stock of materials or components at the end of the year.

For the next financial period, the management of SPB proposed to spend another RM20,000 advertisement being fixed costs to boost the sales volume and planned to increase the selling price by

RM8.00. At the same time, they are confident that the variable costs could further reduced by RM5.00 per unit.

Required

- a) Calculate the following:
 - (i) Break-even point in units and sales value. (8 marks)
 - (ii) Profit that would have been earned from the sale of 14,000 units. (2 marks)
 - (iii) Number of units that need to be sold to achieve a profit of RM20,000. (2 marks)
- b) For the next financial period, justify with supporting break-even point whether the management of SPB to accept the new proposed structure. (6 marks)
- c) List **TWO** (2) assumptions on which the Cost-Volume-Profit model is based. (2 marks)

[Total 20 marks]

QUESTION 4

Makit Bhd manufactures a product in a single process. All materials are introduced at the start of the process and any losses that occur have a scrap value. The company uses the first-in first-out method of valuation.

- Production overheads are absorbed at the rate of RM12.00 per direct labour hour.
- Direct labour hours are 3,450.

The following information is available for the last period:

Opening stock of work-in-progress (note 1 & 2)	1,000kg	RM10,300
Materials introduced	16,000kg	RM70,000
Direct labour		RM27,600
Transfer to finished goods	14,000kg	
Closing stock of work-in-progress (note 3)	1,200kg	

Note:

- 1) The opening stock of work in progress was 60% complete with respect to labour and overheads.
- 2) The opening stock of work in progress was at RM8,300 for direct materials and conversion costs of RM2,000.
- 3) The closing stock of work-in-progress was 50% complete with respect to labour and overheads.
- 4) A normal loss of 400kg was expected.
- 5) A scrap value was disposed at RM0.20 per kg.
- 6) All losses are detected at the end of the process and are at 100% complete.

Required

- a) For the last period, prepare the worksheet indicate clearly the following:
 - (i) Equivalent units and the cost per unit for each element of cost (to two decimal places) (4 marks)
 - (ii) Value of the transfer to finished goods, normal and abnormal spoilages and the closing stock of work-in-progress. (6 marks)

- b) Prepare the process account showing both quantities and values (4 marks)
- c) Prepared the normal loss accounts and abnormal loss accounts. (4 marks)
- d) Define normal loss and abnormal loss in the context of cost accounting. (2 marks)

[Total 20 marks]

END OF QUESTION PAPER