



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 2022
Lecturer/Examiner : JAMES LIOW
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

- 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) structured questions. Answers are to be written in the Answer Booklet provided.
- Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.**
- 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.**
- 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 B : STRUCTURED 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

Empire Furniture (EF) is based in Muar, Johor and manufactures bedframes using wood from sustainable forests.

EF streamlines its production facility into two production departments: machining and assembly, and two support departments: machine maintenance and stores.

EF applies overheads to products using traditional overhead absorption costing. Financial and other information relating to the month of June is provided below:

Overhead	Total (RM)	Machine Maintenance (RM)	Stores (RM)	Machining (RM)	Assembly (RM)
Indirect labour	102,000	17,600	8,100	42,050	34,250

Other overheads incurred are as follows:

Other Overheads	Total (RM)
Light and heat	34,000
Rent and rates	28,000
Machinery insurance	18,500
Factory building insurance	14,000
Machinery depreciation	25,900
Supervisors' salaries	12,000

EF uses the following basis of apportionment for the other overheads:

Other Overheads	Basis of Apportionment
Light and heat	Electricity kilowatt
Rent and rates	Floor area
Machinery insurance	Value of Machinery
Factory building insurance	Floor area
Machinery depreciation	Value of Machinery
Supervisors' salaries	Number of direct employees

	Machine Maintenance	Stores	Machining	Assembly
Electricity (kilowatt)	10,000	5,000	20,000	15,000
Floor area (square metres)	800	500	1,500	1,200
Value of Machinery (RM)	40,000	-	250,000	80,000
Number of direct employees	-	-	5	7

EF uses direct method to re-apportion the support departments to production departments. The support department uses maintenance hours to allocate the machine maintenance costs and numbers of requisition to allocate the store costs:

	Machining	Assembly
Maintenance (hours)	7,500	5,000
Store (No. of requisition)	8,500	1,500

The following is the input consumption for the production of bedframes:

Machine hours:	
- Machining	15 mins
- Assembly	5 mins
Direct labour hours:	
- Machining	5 mins
- Assembly	30 mins

EF is investigating the use of activity-based costing (ABC). The following four major activities contribute towards this cost and the multiple cost activities have been identified:

Activity	RM	
Set up	125,000	50,000 no. of set ups
Stores	30,000	15,000 no. of inspections
Production control	50,000	10,000 no. of production orders
Quality control	29,400	12,000 no. stock requisition
Total	234,400	

The following is the input consumption for the production of bedframes:

No. of set ups	2.0
Inspections	1.0
Production orders	1.0
No. stock requisition	2.0

Required

- Calculate the traditional production overhead costs based on the direct method of allocating the support department to production department. (8 marks)
- Calculate the production overhead rate (to **TWO** decimal places) using the traditional costing system. (2 marks)
- Calculate the production overhead unit cost for the bedframes using the traditional costing system. (4 marks)
- Calculate the multiple cost driver rate (to **TWO** decimal places) using the ABC system. (2 marks)

- e) Calculate the production overhead unit cost for the bedframes using the ABC system. (4 marks)
[Total 20 marks]

QUESTION 2

Doggies Corporation (DC) manufactures a range of products for dogs including leads, collars and grooming accessories.

In the past three years the company has grown steadily due to an increase in dog ownership across Asia. One of the company’s most popular products is the ‘Hero’ dog collar. The collar is produced from sustainable materials that are durable and firm, but comfortable for the dog to wear. DC uses an absorption costing system for internal and external reporting.

Financial and other information relating to the ‘Hero’ dog collar for the most recent three months’ trading are as follows:

	March (Unit)	April (Unit)	May (Unit)
Production – collars produced	4,000	5,000	4,500
Sales – collars sold	3,800	5,100	4,200

Product cost details:

	Unit Cost (RM)
Direct materials	1.60
Direct labour	0.65

Other overheads information is as follows:

Variable overheads	140% of direct labour hours
Fixed production overheads:	
Fixed overheads per annum (RM)	151,200
Budgeted normal production (units)	48,000
Selling and marketing overheads:	
Variable overheads	20% of sales
Fixed overheads per annum (RM)	30,000
Variable administration overheads	4% of revenue

Note:

- (i) The above overheads are to be spread evenly over the year.
- (ii) There was no opening inventory at the start of March. The ‘Hero’ dog collar sells for RM12.00 per unit.

Required

- a) Prepare an operating statement for each of the three months using:
 - (i) Absorption costing (8 marks)

(ii) Marginal costing (show clearly the amount of contribution) (7 marks)

b) Reconcile the profit calculated using absorption costing to that calculated using marginal costing. (5 marks)

[Total 20 marks]

QUESTION 3

X'treme Technology (XT) is a small medium electronic components manufacturer to supply to retailers. The following is a budgeted profit or loss statement for the business for May 2022:

	RM	RM
Sales revenue		9,600,000
Direct material	4,000,000	
Direct labour	960,000	
Production overhead	3,600,000	
Selling overhead	560,000	(9,120,000)
Profit		480,000

The following information is also supplied:

(i) The monthly budgeted production and sales is 4,000 units.

(ii) The following breakdown between fixed and variable costs applies:

	Variable	Fixed
Direct material	100%	-
Direct labour (RM)	400,000	560,000
Production overhead (RM)	1,440,000	2,160,000
Selling overhead	100%	-

During the review of the budget, XT proposed to spend another RM1.5 million advertisement being fixed costs to boost the sales volume and planned to increase the sales value to RM8.5 million. At the same time, they are confident that the total variable costs could further reduced by RM2.0 million.

Required

a) Calculate the following:

(i) Contribution margin per unit (2 marks)

(ii) Contribution/sales ratio (2 marks)

(iii) Break-even point in units and sales value (2 marks)

(iv) Margin of safety (units) (2 marks)

(v) Profit to achieve if the number of units increase to 5,600 units (3 marks)

b) For the review of the budget, justify with supporting break-even point (RM) whether XT should accept the new proposed structure. (6 marks)

c) List **THREE** (3) assumptions on which the Cost-Volume-Profit model is based. (3 marks)

[Total 20 marks]

QUESTION 4

Candlelight Bhd (CB) produces a range of candles from eco-friendly sustainable materials. There are two processes involved in candle production: blending and moulding. The finished products are then transferred from the moulding process to the warehouse.

In the blending process soy wax and fragrance is combined and heated. The fragranced blend is then transferred to the moulding process for pouring into moulds and ceramic containers.

Details relating to the moulding process for the month of May 2022 are shown below:

	Kgs	RM
Opening stock of work-in-progress consists of the following: (note 1)	1,200	
- Direct materials		17,844
- Conversion costs		7,764
Cost incurred during the period:		
- Direct materials	21,600	4,200
- Conversion costs		38,100
Transfer to finished goods	18,000	
Closing stock of work-in-progress (note 2)	800	

Note:

- 1) The opening stock of work in progress was 60% complete with respect to conversion costs.
- 2) The closing stock of work-in-progress was 50% complete with respect to conversion costs.
- 3) A normal loss of 10% of the units transferred out to finished goods was expected.
- 4) A scrap value was disposed at RM0.20 per kg.
- 5) All losses are detected at the end of the process and are at 100% complete.
- 6) The company uses the First-in, First-out method.

Required

- a) Prepare the worksheet for moulding process 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