



**FACULTY OF BUSINESS**

**FINAL EXAMINATION**

Student ID (in Figures) : 

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Student ID (in Words) : \_\_\_\_\_  
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Course Code & Name : **ACC3223 STRATEGIC MANAGERIAL ACCOUNTING**  
Semester & Year : MAY – AUGUST 2022  
Lecturer/Examiner : JAMES LIOW  
Duration : 3 Hours

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**INSTRUCTIONS TO CANDIDATES**

1. This question paper consists of 1 part:  
**PART A (100 marks) : Answer FOUR (4) compulsory 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 QUESTIONS (100 MARKS)**

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

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**QUESTION 1**

**Section A**

Cirrus Industries Bhd (CIB) has two major operating divisions, the Cabinet Division (CAD) and the Electronics Division (ELD). The company's main product is a deluxe console television set.

The TV cabinets are manufactured by the CAD, and the ELD produces all electronic components and assembles the sets. The company has a decentralized organizational structure. The CAD not only supplies cabinets to the ELD but also sells cabinets to other TV manufacturers. The following unit cost breakdown for a deluxe television cabinet:

	<b>CAD (RM)</b>	<b>ELD (RM)</b>
Selling price	140.00	350.00
Less:		
Internal transferred component		115.00
Direct materials	32.00	20.00
Direct labour	15.00	12.00
Variable factory overheads	23.00	15.00
Selling and distribution costs	12.00	36.00
	<b>82.00</b>	<b>198.00</b>
Contribution per unit before fixed costs	<b>18.00</b>	<b>26.00</b>
Annual fixed costs	500,000	200,000
Annual external demand (units)	16,000	12,000
Capacity of plant (units)	30,000	13,000

The CAD's managers recently decided that RM115.00 will be the transfer price for all intracompany transactions. Managers at the ELD are unhappy with that decision. They claim that the CAD will show superior performance at the expense of the ELD. Competition recently forced the company to lower its prices.

To counteract the new intracompany transfer price, the managers of the ELD is able to source a cheaper cabinet from outside supplier at RM80.00 per unit.

**Required:**

- Under the current transfer pricing system, prepare a profit statement showing the contribution margin and profit for each of the divisions and for CIB as a whole. (The sales and costs figures should be split into external sales and inter-divisional transfers, where appropriate). (5 marks)
- Assuming that ELD has agreed to buy the cabinets from the new supplier, prepare a profit statement showing the contribution margin and profit for each of the divisions and for CIB as a

whole. Justify whether CAD and ELD would accept this new arrangement. Provide **TWO** (2) consequences if ELD takes the offer from the new supplier. (8 marks)

- c) Determine the sensible range for the transfer pricing (minimum and maximum) to be charged to Division Mars in order to achieve goal congruence. (2 marks)

**(Subtotal 15 marks)**

### Section B

TG Bhd (TGB) started a quality improvement programme in July 2021. At the end of last quarter of 2021, management of the company desires to assess the financial impact of quality improvement programme.

TGB has classified the following cost of quality:

Type of Costs	Description
Prevention	<ul style="list-style-type: none"> <li>- Business process reengineering in order to improve and increase the value of the product quality.</li> <li>- Training of employees to ensure all are possessed with the up to date knowledge and technology.</li> <li>- Carry out quality assurance of all processes at the manufacturing plant.</li> </ul>
Appraisal	<ul style="list-style-type: none"> <li>- Inspect raw materials for faulty or sub-standard parts received from suppliers and Inspect finished goods for any damage before delivering to customers.</li> <li>- Conduct testing of products at all processes.</li> </ul>
Internal failure	Equipment breakdown that leads to rework of products <ul style="list-style-type: none"> <li>- Manufacture rework that fails to meet certain standard.</li> </ul>
External failure	<ul style="list-style-type: none"> <li>- Customer support to handle customers' complaints and to ensure sales is not lost through repeat sales.</li> <li>- Product returns due to damage or defective parts.</li> <li>-</li> </ul>

Statistics of the 3 quarters are follows:

Cost Categories	2 <sup>nd</sup> quarter RM'000	3 <sup>rd</sup> Quarter RM'000	4 <sup>th</sup> Quarter RM'000
Process engineering	66	74	83
Training	393	431	477
Sales lost	1,476	1,209	993
Sales return	807	632	491
Inspection	42	47	53
Rework	474	380	300
Quality assurance	186	195	206
Scrap	528	435	357
Testing	48	51	56
Customer complaint	117	104	90

Additional information:

- (i) TGB undertook a business process reengineering to increase the value of the product quality at a cost of RM35,000 at the last quarter.

(ii) Total sales recorded for the quarter is RM18.0 million.

**Required**

- a) Produce a Cost of Quality (COQ) Report for ST showing total quality costs for each category, total costs of conformance and total costs of non-conformance of the 3 quarters and in total. (4 marks)
- b) Compute the following:
- (i) Total costs of quality as a percentage of sales
  - (ii) Ratio of costs of conformance to total costs of quality
  - (iii) Ratio of costs of non-conformance to total costs of quality (3 marks)
- c) Comment how the relationship between conformance and non-conformance costs would support the development of a TQM culture at ST and way to improve the overall quality costs. (3 marks)
- (Subtotal 10 marks)**  
**[Total 25 marks]**

**QUESTION 2**

AKL Bhd, a massive retailer of electronic products, is organized in four separate divisions. The four divisional managers are evaluated at year end, and bonuses are awarded based on ROI. Last year, the company as a whole produced 18% return on its investment.

During the past week, management of the company's Western Division (WD) was approached about the possibility of buying a competitor that had decided to redirect its retail activities. After the acquisition, it will be named as Eastern Division (ED).

The following data relate to recent performance of the WD and ED:

	<b>WD (RM)</b>	<b>ED (RM)</b>
Sales	4,200,000	2,500,000
Variable costs	70% of sales	55% of sales
Fixed costs	1,075,000	1,035,000
Invested capital	925,000	312,500

The management has determined that WD would require an additional RM159,500 of invested capital to expand its outlets in various states of Malaysia.

**Required**

- a) Compute the current return on investment (ROI) of the WD and after the additional capital required for the expansion. (4 marks)
- b) Based on the ROI calculated in item (a) above, explain would what would be the likely reactions from the divisional manager of WD of the current investment and after the additional capital required. (4 marks)

- c) Based on the ROI calculated in item (a) above, explain what would be the likely reaction of AKL Bhd's shareholders on the acquisition of ED and the reaction of the manager of WD. Justify your answer with calculations. (7 marks)
- d) Assuming that AKL Bhd uses residual income (RI) to evaluate performance and desires a minimum 12% return per annum on invested capital. Compute the current residual income (RI) of both divisions: WD and ED. (4 marks)
- e) Based on the RI calculated in item (d), comment on the performance of both divisions. (2 marks)
- f) Based on the RI calculated in item (d) above, justify with reason with calculations whether the divisional manager of WD is likely to make the additional capital investment. (4 marks)

**[Total 25 marks]**

### QUESTION 3

BZ Bhd produces 3 products, Alpha, Beta and Chi. All products are produced using the same materials, machinery and a skilled labour force. The details of the budgeted selling price and cost price are shown below:

	<b>Alpha RM</b>	<b>Beta RM</b>	<b>Chi RM</b>
Selling price	275.00	325.00	350
Direct material	90.00	165.00	175
Direct labour	40.00	30.00	40
Fixed costs	25.00	30.00	35
Variable costs	20.00	15.00	25
Total costs	175.00	240.00	275.00
<b>Profit</b>	<b>100.00</b>	<b>85.00</b>	<b>75.00</b>

The machine required and the budgeted production units are as follows:

	<b>Alpha</b>	<b>Beta</b>	<b>Chi</b>
Machine hours required	2.0	1.0	2.5
Production (units)	15,000	5,000	18,000

The maximum capacity of the machine hours is 75,000 hours.

#### **Required**

- a) Identify which machine produces the bottleneck and calculate the shortage of hours. (3 marks)
- b) Calculate the total cost per factory hours (*round to 2 decimal places*). (4 marks)
- c) Calculate the throughput accounting ratio for the three products (*round to 2 decimal places*) and explain what they indicate to BZ Bhd about production of the three products. (6 marks)

- d) Using throughput accounting that you have calculated in part (c), prepare the optimum production units given the bottleneck hours and calculate the maximum profit of BZ Bhd. (5 marks)
- e) Describe any **TWO** (2) differences between a conventional cost accounting and throughput accounting. (7 marks)

**[Total 25 marks]**

#### **QUESTION 4**

A private institution, Berjaya University is about to establish a 'Faculty of Accounting and Business' (FAB) to conduct an accounting undergraduate degree programme. The management of the FAB will be carried out by a Board of Management (BoM) headed by the Director of the FAB. The BoM consists of 11 members representing academic, business and public interests.

Initially FAB will have two academic departments namely, Department of Accounting and Finance and Department of Economics, Management and Business Communication. More departments will be formed in the years to come depending on the expansion and growth of the School. At the initial stage, the undergraduate programme will be limited to the B.Sc. Accounting Degree.

The duties assigned to the academic staff members appointed to the academic departments will be to develop the curriculum, carry out the teaching-learning process, set the examination papers, carry out student evaluations, provide academic guidance and pastoral to the students, carry out research studies and consultancy assignments, feedback to student assignments, involve student recruitment including attending education fairs and attend potential enquiries, maintain attrition of student withdrawal and attend relevant training programme.

The non-academic staff members will carry out the following tasks in the respective functions; finance, student admissions, conducting examinations, human resources management and career guidance for students.

The Mission of FAB is to be the "most sought business school for undergraduate academic studies in accounting within the South Asian Region". To accomplish this, the BoM has decided that the FAB activities should be managed by introducing Balanced Scorecard System.

#### **Required**

- a) Outline the **FOUR** (4) main perspectives (sections) of a balanced scorecard that could be viewed on an organisation, as suggested by the Balanced Scorecard. (7 Marks)
- b) Explain how these four perspectives in the Balanced Scorecard are interrelated. Based on the above case, provide an example on the cause-and-effect relationship for FAB. (10 marks)
- c) Suggest **ONE** (1) metric each under the four perspectives of the Balanced Scorecard to evaluate the performance of the academic staff members. (8 Marks)

**[Total 25 marks]**

**END OF QUESTION PAPER**