



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 : MAY – AUGUST 2019
 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 = 10 (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

A company's budgeted profit statement for the production and sale of 25,000 units of its single product for the next period is as follows:

	Per unit		Total	
	\$	\$	\$	\$
Sales		42.00		1,050,000
Less: Operating costs:				
Direct material	14.40		360,000	
Direct labour	10.00		250,000	
Variable overhead	5.00		125,000	
Fixed overhead	8.19	37.59	204,750	939,750
Net profit		4.41		110,250

Required

- a) Calculate for the next period, the:
- (i) budgeted break-even point (in sales revenue \$) (3 marks)
 - (ii) budgeted margin of safety (expressed as a percentage) (2 marks)
 - (iii) total sales revenue required to earn a net profit of \$217,350. (3 marks)

The company has revised its current budgets and now estimates the following cost increases for the next period:

Direct material	8.75%
Direct labour	4%
Variable overhead	6%
Fixed overhead	12%

Required

- b) Calculate for the next period, the:
- (i) revised selling price per unit if the current contribution/sales ratio is maintained. (5 marks)
 - (ii) total sales (in units) required to earn the budgeted net profit of \$110,250 if the budgeted selling price of \$42.00 per unit is maintained. (4 marks)
- c) List **THREE (3)** assumptions of cost volume profit analysis. (3 marks)

[Total 20 marks]

QUESTION 2

A company manufactures a single product which is sold for \$21.00 per unit. Details of the costs for the product are as follows:

Variable costs per unit:	\$
Production	10.00
Selling and administration	2.00
Annual fixed costs:	
Production	600,000
Selling and administration	156,000

Fixed production costs are absorbed on the basis of 150,000 units of production per year. All fixed costs (including selling and administration) are incurred evenly throughout the year.

Units produced, sold and in stock for Month 5 and Month 6 were:

	Month 5	Month 6
	Units	Units
Stock at start	0	3,000
Production	14,000	12,000
Sales	11,000	13,000
Stock at end	3,000	2,000

Required

- a) Prepare profit statements for each of Month 5 and Month 6 using:
 - (i) absorption costing (9 marks)
 - (ii) marginal costing (7 marks)
- b) Prepare a statement that reconciles absorption costing profit and marginal costing profit for each month as calculated in part (a). (4 marks)

[Total 20 marks]

QUESTION 3

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

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

[Total 20 marks]

QUESTION 4

Sole Products Ltd manufactures its product in a single process. All materials are introduced at the start of the process and any losses that occur have scrap value of \$0.20 per unit. The company uses the first-in-first-out (FIFO) method of valuation.

The following information is available for the month of March 2018:

Opening stock of work-in-progress (<i>Note 1</i>)	500 units	\$12,000
Material introduced	10,000 units	\$63,000
Conversion costs		\$39,200
Transfer to finished goods		8,000 units
Closing stock of work-in-progress (<i>Note 2</i>)		800 units

A normal loss of 1,000 units was expected.

Note 1: Degree of completion: direct materials, 100%; conversion costs, 60%.

Note 2: Degree of completion: direct materials, 100%; conversion costs, 50%.

Required

- a) Calculate the following for the month of March 2018:
 - (i) The equivalent units and cost per unit for each element of cost. (4 marks)
 - (ii) The value of the transfer to the finished goods, normal and abnormal spoilages and of the closing stock of work in progress. (8 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)

[Total 20 marks]

END OF QUESTION PAPER