Private & Confidential

BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures)	:	
Student ID (in Words)	:	

Course Code & Name	:	**ACC2213 COST ACCOUNTING**
Trimester & Year	:	SEPTEMBER – DECEMBER 2018
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 = 9 (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

Curtis McPhee manufactures a single product. The following budgeted information has been provided for a period based on producing and selling 48,000 units:

	$
Direct materials	216,000
Direct labour	96,000
Production overhead – variable	38,400
Production overhead – fixed	182,400
Selling and administrative overhead – variable	14,400
Selling and administrative overhead – fixed	57,600

Production overheads are absorbed using predetermined rates per unit.

During the period the actual production was 44,000 units were sold at $13.00 per unit.

Opening stock was 6,500 units and closing stock was 12,500 units, valued at the budgeted unit cost for the period.

Total fixed costs and unit variable costs actually incurred in the period were as budget.

Required

a) Prepare a profit statement for the period based on:
   (i) Marginal costing (6 marks)
   (ii) Absorption costing. (6 marks)

b) Reconcile the two profit figures arrived at in part (a) (2 marks)

c) Briefly explain why the profit difference has arisen, using supporting calculations. (6 marks)

[Total 20 marks]

QUESTION 2

A company has three production departments (A, B and C) and two service departments (Stores and Maintenance) within its factory. The budgeted production overhead costs for a period allocated to the five departments were as follows:

	Stores	**Maintenance**	**A**	**B**	**C**
Allocated Overheads ($)	29,000	17,500	75,000	60,000	48,000

The following budgeted costs have yet to be apportioned to the five departments:

	$
Rent	60,000
Supervision	120,000
Depreciation of machinery	75,000

In addition the following information relating to the five departments is available:

	Stores	Maintenance	A	B	C
Floor space (sq. meter)	1,000	500	1,500	1,200	800
Machine value ($)	8,000	12,000	140,000	90,000	50,000
Numbers of employees	2	4	22	17	15
Use of Stores Department	-	10%	40%	30%	20%
Use of Maintenance Department	-	-	40%	35%	25%

Budgeted machine hours for the period were 200,000 for Department A, 125,000 for Department B and 100,000 for Department C.

Actual results for the period were:

	Production Department		
	A	B	C
Actual overhead incurred ($)	195,000	160,000	110,000
Actual machine hours (Allocated and apportioned)	180,000	130,000	90,000

Required

a) Produce a budgeted overhead distribution table, for the period, showing the allocated and apportioned costs for the five departments. (5 marks)

b) Re-apportion the budgeted Service Department costs to the Production Departments using the step down method. (6 marks)

c) Calculate a pre-determined overhead absorption rate per machine hour for each of the Production Departments. *(round up to 2 decimal places)* (3 marks)

d) Calculate the over/under absorbed overhead for each of the production departments for the period. (6 marks)

[Total 20 marks]

QUESTION 3

A company plans to sell 50,000 units of its single product, in the next period, at a selling price of $16.00 per unit. Using the existing production process, fixed overheads and net profit for the next period are expected to be $100,000 and $300,000 respectively.

The company is considering a change to its production process. The change would increase the fixed overheads by $60,000 in the next period and reduce the variable costs to $7.00 per unit. The selling price will remain constant regardless of production process.

Production capacity in both the existing and changed processes would be 80,000 units in the period.

Required

a) For the existing production process, calculate for the next period the expected:
   (i) Break-even point in units (4 marks)
   (ii) Margin of safety as a % of sales (1 mark)
   (iii) Contribution sales ratio. (1 mark)

b) Advise management, using supporting calculations, whether to change the production process if the sales are maintained at 50,000 units with the change in the cost structure. (5 marks)

c) Advise management, using supporting calculations, of the sales level (units) at which the changed and existing process profits would be the same. (6 marks)

d) List three limitations of break-even analysis. (3 marks)

[Total 20 marks]

QUESTION 4

The following data for March 2018 from Makit Ltd, which manufactures a product in a single process. All materials are introduced at the start of the process and any losses that occurred have scrap value of $0.20 per unit. The company uses the first-in first-out method of valuation.

The following information is available for the last period:

	Physical Units	**Direct Materials**	**Conversion Costs**
Work in process, 1 March (Note 1)	1,000	$3,500	$4,800
Started in March 2018	14,00		
	15,000		
Good units completed and transferred out during March 2018	13,000		
Normal spoilage	600		
Abnormal spoilage	200		
Work in process, 31 March (Note 2)	1,200		
	15,000		
Total costs added during March 2018		$70,000	$50,112

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

Note 2: Degree of completion: direct materials, 100%; conversion costs, 60%.

Required

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

b) Prepare the process account showing both quantities and values. (4 marks)

c) Prepare the normal loss accounts and abnormal gain/loss accounts. (4 marks)

[Total 20 marks]

END OF QUESTION PAPER