

**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 : SEPTEMBER – DECEMBER 2020
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

Cube Storage Ltd (CSL) was established ten years ago and manufactures plastic storage boxes in a range of medium and large, supplying large homeware retailers and industries. To date, a simple traditional absorption costing system has been used to allocate overheads to products.

Total production overheads are divided by total machine hours to obtain a rate per machine hour which is then applied to products. Selling prices are calculated by adding a mark-up of 60% to the product cost.

However, recently CSL has streamlined its production process so that manufacturing overheads represent the most significant portion of product cost. In an attempt to recognise this situation the management accountant is trying to convince the managing director of CSL to switch to activity based costing (ABC) for overhead allocation. Information relating to the company's most recent financial period and for two of its most popular storage products is shown below:

Budgeted cost and activity information:

	RM
Direct labour	306,250
Production overhead costs:	
Purchasing department costs	106,200
Machine set up costs	95,500
Quality control costs	108,400
Machine depreciation	62,500
Total production overhead costs	372,600

Machine hours	73,125
Labour hours	24,500
Number of inspections	338,750
Number of machine set ups	119,375
Number of purchase orders raised	531,000

Product information is as follows:

	Medium Box	Large Box
Direct materials	1.05	1.62
Direct labour hours	2 minutes	2 minutes
Machine hours	6 minutes	8 minutes
Number of machine set ups	1	1
Number of purchase orders	2	3
Number of inspections	1	2

Required

- a) Calculate the production overhead rate and multiple cost driver rate (to two decimal places) using the following approaches:
- (i) Traditional costing
 - (ii) Activity based costing
- (3 marks)
- b) From the information obtained in part (a), calculate the following for each of the two storage products noted based on the two approaches:
- a) Product unit cost
 - b) Selling price
- (14 marks)
- c) Indicate which approach will result an over costing of the product cost. (1 mark)
- d) Outline **TWO** (2) reasons why CSL may decide **NOT** to adopt ABC. (2 marks)
- [Total 20 marks]**

QUESTION 2

JL Ltd is based in Dublin and sells one product, a specialist shampoo, Glossy Sakura. The management is aware that there are different methods of product costing. However, they do not understand their impact on profitability.

The following company information relating to the most recent two month trading period is shown below:

Production and sales volumes:

	Production (bottles)	Sales (bottles)
May	24,000	21,000
June	27,000	24,000

Cost data:

Selling price per bottle	RM22.00
Direct materials per bottle	RM6.10
Direct labour per bottle	RM0.75
Variable production overheads	200% of direct labour
Sales commission	5% of sales value

Notes:

- (i) There were 5,000 bottles of shampoo in inventory at 1 May.
- (ii) Fixed production overheads are budgeted at RM51,000 per month and are absorbed into products based on normal output of 25,000 bottles per month.

Required

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

QUESTION 3

Hercules Sports (HS) commenced trading two months ago and will provide a range of fitness activities for customers. The company operates a large purpose built premises located on the outskirts of suburb area.

The company is proposing two different classes to cater the incoming school holidays; the classes are Contemporary Yoga and Pilate Fitness. The details relating to both classes are as follows:

	Contemporary Yoga	Pilate Fitness
Price charged per class	RM7.00	RM8.00
expected number of participants per class	25	20
Sales revenue	RM175.00 per class	RM160 per class

Other information:

	Contemporary Yoga	Pilate Fitness
Annual insurance	RM12,000	RM12,000
Music and royalty licence fees	RM3.20 per class	RM3.20 per class
Other facility costs (electricity, administration, etc.)	RM2,536	RM2,536
Instructor fees	RM50 per class	RM3,300 (fixed)

Required

- a) for each type of class:
- (i) Calculate the breakeven point in sales revenue (RM). (6 marks)
 - (ii) If HS requires a profit of RM10,000, calculate how many classes must be held? (4 marks)
- b) Assume that the price charged per class is RM140.00 for Pilate Fitness. Calculate the number of classes must be held for the profit earned from the Contemporary Yoga class. (5 marks)
- c) The company is considering paying the Contemporary Yoga instructor a fixed fee of RM2,600 for the year instead of a fee per class. Calculate the effect that this change will have on the breakeven point in sales revenue. Recommend whether the company should make this change. (3 marks)
- d) List **TWO** (2) assumptions on which the Cost-Volume-Profit model is based. (2 marks)

[Total 20 marks]

QUESTION 4

Makit Ltd 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