

FINAL
Examination Paper

(COVER PAGE)

Session : APRIL 2017

Programme : Diploma In Business (DIB)

Course : ACC1113: Cost Accounting

Date of Examination : 28 July, 2017 (Friday)

Time : 11:00am – 1:00pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

SECTION A: Answer any THREE (3) questions.

SECTION B: Answer any ONE (1) question.

Materials permitted : Non-Programmable Calculator

Materials provided : Nil

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Moderator : Dr Chee Hong Kok

This paper consists of 6 printed pages, including the cover page

DIPLOMA IN BUSINESS PROGRAMME (DIB)
ACC 1113: COST ACCOUNTING
FINAL EXAMINATION: APRIL 2017 SESSION

SECTION A: (75 marks)

Answer any **THREE (3)** questions.

Question 1

Motor Home Specialist commenced business on 1 January 2013 as a **retailer** of the Thor Mini Motor Coach. On 1 January 2016, balance of five (5) units of motor coaches (valued at RM105,500 each) brought forward from 2015. During the year ended 31 December 2016, the company's operation had the following transactions:

2016	
January	Bought 3 motor coaches at RM108,200 each
February	Bought 2 motor coaches at RM112,300 each
March	Sold 3 motor coaches at RM 225,800 each
April	Sold 2 motor coaches at RM 235,500 each
June	Bought 2 motor coaches at RM 114,200 each
July	Sold 1 motor coaches at RM 235,550 each
September	Bought 4 motor coaches at RM RM122,500 each
November	Sold 2 motor coaches at RM 235,800 each
December	Sold 3 motor coach at RM227,100 each

During the year 2016, the owner had not taken any money out of the business for living expenses. The total expenses incurred for 2016 was RM1,270,000.

Required:

- (a) Using the following methods to calculate the value of stock as at 31 December 2016.
- | | | |
|-------|----------------------------------|-----------|
| (i) | First in First Out method (FIFO) | (6 marks) |
| (ii) | Last in First Out method (LIFO) | (6 marks) |
| (iii) | Moving Average method (AVG) | (7 marks) |
- (b) Prepare an Income Statement for the year ended 31 December 2016 in the columnar format using each of the stock valuation methods in part (a).
(6 marks)

Question 2

Harper Bhd. is a manufacturing company with three production departments: Assembly, Painting, and Packing and two service departments: Stores and Maintenance.

For the forthcoming period, the total budgeted overhead costs are as follows:

Allocated costs:

Department	Indirect materials	Indirect labor
Assembly	RM13,000	RM10,000
Painting	11,000	5,000
Packing	9,000	4,000
Stores	4,000	6,000
Maintenance	3,000	5,000

The following details were obtained from the accounts relating to the period:

Heating and lighting	RM18,000
Rent and rates	20,000
Plant insurance	14,000
Canteen	7,200

The following information is also available:

Department	Assembly	Painting	Packing	Stores	Maintenance
Number of Employees	60	50	40	20	10
Machine hours	18,000	20,000	-		
Maintenance hours	2,400	1,600	700	300	
Direct labour hours	-	-	16,000		
Area (square metres)	7,500	6,000	4,500	3,000	3,000
Plant's values (RM)	50,000	60,000	50,000	300,000	20,000
Material requisitions	1,300	800	900		

Harper Ltd. relies heavily on machine for its Assembly and Painting departments while Packing department is using labour.

Required:

- (a) Prepare an Overhead Cost Analysis statement (19 marks)
- (b) Calculate Overhead Absorption Rate (OAR) for
 - (i) Assembly and Painting: using machine hours as a base: and (4 marks)
 - (ii) Packing: using direct labour hours as a base. (2 marks)

Question 3

Max Wilson Production supplies food products to its customers in Klang Valley. During 2017, the company intends to launch a new product for which the following information is provided:

Per unit:	RM
Selling price	24.00
Direct materials	3.20
Direct labour	1.40
Variable overheads:	
Production	0.5
Selling	15% of sales value

Actual data for the three months:

	January	February	March
Production in units	16,000	20,000	24,000
Sales in units	12,000	22,000	26,000

Additional information:

Fixed production costs: RM120,000 per month

Opening stock on January: 2,000 units

Fixed selling costs per month: RM60,000

Required:

- (b) Prepare budgeted income statement for January, February and March 2017 using the marginal costing method. (15 marks)
- (c) Describe **THREE (3)** advantages and **TWO (2)** disadvantages of marginal costing. (10 marks)

Question 4**Part A**

Office drinking system is sold for RM13,000 each. The product costs include:

Fixed production overhead is RM210,000.

Fixed selling and administration expenses is RM32,000.

Variable costs per unit is RM3,200.

Required: (Show your workings)

- (i) Calculate the break-even point in units. (3 marks)
- (ii) Calculate the number of units sold to breakeven if fixed cost is increased by RM61,000. (3 marks)
- (iii) Calculate the profit when 40 units are sold. (3 marks)

Part B

Pink Triangle, a non-governmental organization (NGO) and is located at Off Jalan Raja Laut, involves in community-based work pertaining to the welfare of young adult. It operates on a non-profit making basis. A new rehabilitation center has recently been opened in SS15, Subang and permanent staff engaged. Estimates have been prepared as follows:

Staff salaries	RM52,800 per annum
Rent and rates	RM48,000 per annum
Food/electricity costs	RM50 per resident per week
Miscellaneous costs	RM15 per resident per week

The center can accommodate **maximum 80 residents** and it is proposed to charge each resident RM100 per week.

Required: (Show your workings)

- (a) Assuming the center is **fully occupied** each week
 - (i) How many weeks must the center be opened each year to break-even? (4 marks)
 - (ii) If the center were to open for 30 weeks in the year, what price would have to be charged to each resident to break-even? (4 marks)
- (b) If the average occupancy were only **75 residents** per week at RM90 each
 - (i) How many weeks must the center to open to break-even? (4 marks)
 - (ii) What profit/loss would be incurred if the center is opened for 60 weeks? (4 marks)

SECTION B : (25 marks)

Answer any **ONE (1)** question.

Question 5

- (a) Describe and sketch a chart for each of the followings:
- (i) Variable cost (3 marks)
 - (ii) Fixed cost (3 marks)
 - (iii) Semi variable cost (3 marks)
 - (iv) Step Fixed cost (3 marks)
- (b) Differentiate between 'Prime cost' and 'Conversion cost'. (3 marks)
- (c) Describe the term 'management accounting'. (3 marks)
- (d) Discuss the importance of relevant range when estimating cost. (7 marks)

Question 6

- (a) Briefly discuss **TWO (2)** advantages and **THREE (3)** disadvantages of time base system. (10 marks)
- (b) Briefly discuss **TWO (2)** advantages and **ONE (1)** disadvantages of FIRST IN FIRST OUT method (FIFO). (6 marks)
- (c) Discuss the term "cost accounting system". (4 marks)
- (d) List **TWO (2)** financial data and **THREE (3)** non-financial data commonly are used by management accountant. (5 marks)

~The End~

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