



FINAL  
Examination Paper

(COVER PAGE)

Session : August 2016

Programme : Diploma In Business (DIB)

Course : ACC1113: Cost Accounting

Date of Examination : 10 December, 2016 (Saturday)

Time : 8:00am – 10:00am 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

Examiner(s) : Remeo Dass Annaniah, Tirukumar Thiagarajah and Alex Aung Moe

Moderator : Dr Chee Hong Kok

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

DIPLOMA IN BUSINESS PROGRAMME (DIB)  
ACC1113: COST ACCOUNTING  
FINAL EXAMINATION: AUGUST 2016 SESSION

**Instruction:** This paper consists of **TWO (2) SECTIONS**. Answer any **THREE (3)** questions in **SECTION A** and any **ONE (1)** question from **SECTION B**.

**SECTION A:** Answer any **THREE (3)** questions in the answer booklet provided.

**Question 1**

Rahim Berhad produces a single product which is bottled and sold in cases. The normal annual level of operations on which the production fixed overhead absorption is based is 36,000 cases. Data for the last financial year was as follows :

Production	40,000	cases
Sales	32,000	cases
	Per case	
	RM	
Selling price	60	
Costs:		
Production:		
Direct labour	12	
Direct material	14	
Variable overhead	8	
		RM
Fixed overhead (budgeted and incurred)	216,000	
Selling and administration costs:		
Fixed	50,000	
Variable	15% of sales	revenue

There was no opening stock of finished goods and the work-in progress stock may be assumed to be the same at the end of the year as it was the beginning of the year.

**Required:**

From the information given below you are required to prepare profit statements for the year based on:

- (a) Prepare variable costing profit statement (10 marks)
- (b) Prepare absorption costing profit statement (10 marks)
- (c) comment on the difference in the profit figures you reported for (a) and (b) above. (5 marks)

**Question 2**

VXM Berhad currently issues raw materials on a First In, First Out (FIFO) on an actual cost basis. The detailed store records and suppliers' ledgers are updated daily from goods received notes (GRN), invoices and material requisition forms.

On 1 February, 2016, the store records on component Z shows a balance of 60 units priced at RM5.50 each. The summarized entries for the month of February 2016 were as follows:

<b>Materials Received</b>		
Day	Quantity (units)	Total Invoice Price(RM)
3	400	2100
8	400	2040
16	600	3000
23	200	1200
28	400	2320

<b>Materials Issued</b>	
Day	Quantity (units)
4	300
10	400
17	500
24	200

**Required:**

- (a) Prepare the stores ledger record for February, 2016 for the component Z using (i) FIFO basis (ii) LIFO basis. (16 marks)
- (b) List two characteristics of using FIFO and LIFO costing methods. (4 marks)
- (c) Explain the difference between perpetual inventory system and the periodic inventory system. (5 marks)

**(Total: 25 marks)**

**Question 3**

BB Berhad is a small company which undertakes a variety of jobs for its customers

**Budgeted Profit and Loss Statement for the year ended 31 March 2016**

	RM	RM
Sales		750000
Costs – Direct materials	100000	
Direct wages	50000	
Prime Cost	150000	
Fixed production overheads	300000	
Production Costs	450000	
Selling, distribution and administrative costs	160000	610000
Profit		140000
<b>Budgeted Data:</b>		
Labour hours for the year	25000 hours	
Machine hours for the year	15000 hours	
Number of jobs for the year	300	

A job inquiry has been received and the Production Department has produced estimates of the prime cost involved and of the hours required to complete that job labeled as Job B58.

Job B58	RM
Direct materials	250
Direct Wages	200
Prime Cost	450
Labour hours required	80 hours
Machine hours required	50 hours

**Required:**

(a) Calculate overhead absorption rates based on:

- (i) Percentage of direct materials
- (ii) Percentage of direct wages
- (iii) Number of jobs
- (iv) Labour hour
- (v) Machine hour

(10 marks)

(b) Calculate the estimated total cost for job B58 using each of the five overhead absorption rates in (a). (10 marks)

(c) Describe the advantages and disadvantages of using a blanket overhead rate. (5 marks)

**(Total: 25 marks)**

**Question 4**

- (a) A company manufactures and retails clothings. You are required to group the costs which are listed below and numbered (1) – (20) into the following classifications (each cost is intended to belong to only one classification): (1 mark each)

(i) Direct materials
(ii) Direct labour
(iii) Direct expenses
(iv) Indirect production overhead
(v) Research and development costs
(vi) Selling and distribution costs
(vii) administration costs
(viii) finance costs

1. Lubricant for sewing machines
2. Hard disks for general office computer
3. Maintenance contract for general office photocopying machine
4. Telephone rental plus metered calls
5. Interest on bank overdraft
6. Performing Rights Society charge for music broadcast throughout the factory
7. Market research undertaken prior to a new product launch
8. Wages of security guards for factory
9. Carriage on purchase of basic raw material
10. Royalty payable for product produced
11. Road fund licences for delivery vehicles
12. Parcels sent to customers
13. Cost of advertising products
14. Audit fees
15. Chief accountant's salary
16. Wages of operatives
17. Cost of painting advertising slogans on delivery vans
18. Wages of storekeepers in materials store
19. Wages of fork lift truck drivers who handle raw materials
20. Developing a new product in the laboratory

(20 marks)

- (b) Costs can be classified in a variety of ways. Discuss how costs can be classified based on cost behaviour.

(5 marks)

**(Total: 25 marks)**

**SECTION B:** Answer any **ONE (1)** question in the answer booklet provided.

**Question 5**

(a) Describe the term 'Contribution' using a suitable graph. (12 marks)

(b) Explain how contribution analysis could help managers to make decisions in a company. Use relevant examples to support your answer.

(13 marks)

**(Total: 25 marks)**

**Question 6**

(a) State **FOUR (4)** differences between cost accounting and financial accounting. (10 marks)

(b) Discuss **THREE (3)** main purposes served by cost information. Support your answer with appropriate examples in relation to the operation of a manufacturing business.

(15 marks)

**(Total: 25 marks)**