

**FINAL**  
Examination Paper

(COVER PAGE)

Session : APRIL 2019

Programme : Diploma In Business (DIB)

Course : ACC1113: Cost Accounting

Date of Examination : 27 July 2019, (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) : Cheah Kong Yong, Janice Malibin, Yap Kok Leong and Jessie Lee Pei Ee

Moderator : Dr Chee Hong Kok

*This paper consists of 7 printed pages, including the cover page*

DIPLOMA IN BUSINESS PROGRAMME (DIB)  
ACC1113: COST ACCOUNTING  
FINAL EXAMINATION: APRIL 2019 SESSION

**Instruction:** This paper consists of **TWO (2)** sections. Answer any **THREE (3)** questions from **SECTION A** and any **ONE (1)** from **SECTION B** in the answer booklet provided.

**SECTION A: (75 marks)**

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

**Question 1**

**Part A**

GSI Wood Product (M) Sdn. Bhd., a subsidiary of GSI Holding Bhd, supplies processed-plywood to its corporate customers in Peninsula Malaysia. There was an opening inventory (**120 units at RM9 each**) brought forward from March 2019. During April 2019, the company's operations had the following transactions:

Date	Purchases	Issued out to production
April 2	80 units @RM10 each	
April 5		140 units
April 10	90 units @ RM10.50 each	
April 15	110 units@RM11 each	
April 23		80 units
April 27		120 units

**Required:**

- (a) Using the following methods calculate the value of closing inventory as at 30 April 2019. (Round your answers to 2 decimal points)
- (i) First in, First out method (FIFO) (7 marks)
- (ii) Moving Average method (MAVG) (6 marks)
- (b) Describe **TWO (2)** advantages of FIFO method (4 marks)

**Part B**

- (a) Define the 'Direct cost concept' with **ONE (1)** example. (4 marks)
- (b) Describe **TWO (2)** functions of source document. (4 marks)

**(Total: 25 marks)**

**Question 2**

Wicker Furniture (M) Sdn. Bhd. produces commercial and household use furniture for its customers in Malaysia. The company has three production departments: Cutting, Assembly, Polishing and they are serviced by store and maintenance departments. The following are the budgeted data:

		RM
Indirect wages	Cutting Department	17,100
	Assembly Department	19,200
	Polishing Department	21,400
	Store Department	9,300
	Maintenance Department	11,400
Rate		5,600
Depreciation of machine		13,000
Cafeteria		21,000
Depreciation of factory (floor area)		8,300
Consumable materials		14,500
Production Supervision		23,000

Additional information:

Item	Cutting	Assembly	Polishing	Store	Maintenance
Floor Area (Sq. m.)	2,600	4,440	3,210	4,450	1,300
No. of employees	18	12	15	8	7
Machine book value	RM17,600	RM38,000	RM13,000	RM12,000	RM2,400
Maintenance hours	4,000	10,000	6,000	-	-
No. of direct materials requisition	1,200	500	300	-	-
Direct labour hours	12,000	18,000	20,000	-	-
Machine hours	900	1,000	1,100	-	-

**Additional information:**

All production departments are mainly operated by direct labor.

**Required:**

- (a) Prepare an Overhead Cost Analysis sheet **after** the costs of the service departments have been re-apportioned to each production departments. (19 marks)
- (b) Calculate Overhead Absorption Rate (OAR) for each production department (Round up your answer to two decimal points) (6 marks)

**(Total=25 marks)**

**Question 3**

Teak Wood Sdn. Bhd. (Teak Wood) mainly produces wooden product as raw materials for other factories in the furniture industry. In 2018, the company plans to launch a new product and the information below was extracted from business's records:

	RM
Selling price	35 per piece
Direct materials	5 per piece
Direct labour	8 per piece
Production: Variable overheads	2 per piece
Fixed overheads	35,000
Selling & Admin: Variable overheads	2.5 per piece
Fixed overheads	125,000
Existing sales	12,200 pieces
Relevant range	4,300 – 14,000 (pieces)

**Required:** (Unless otherwise stated, consider each of the following separately)

- (a) Calculate the break-even point in pieces and sales value.  
(Note: round up your answers to nearest whole number) (4 marks)
- (b) Calculate the margin of safety in pieces and sales value. (4 marks)
- (c) Calculate the number of pieces to be sold if the targeted profit is RM210,000. (3 marks)
- (d) Calculate the selling price per piece if Teak Wood wants to achieve a profit of RM255,000 for the year and if existing sales pieces can be achieved, direct material costs increase by 5% and total fixed costs increased by 5% respectively? (Note: round up your answer to 2 decimal points) (4 marks)
- (e) If the factory can only produce 560 pieces per week, how many weeks will the factory take to achieve break-even? (3 marks)
- (f) Calculate the Contribution margin/Sales (C/S) ratio. (3 marks)
- (g) Describe **TWO (2)** limitations of Break-even analysis. (4 marks)

**(Total: 25 marks)**

**Question 4**

Borneo Timber (M) Sdn. Bhd. manufactures and sells a partial-processed wooden product for local furniture industry. The following information is provided by the company for the year of 2018:

Per piece:	RM
Selling price	45
Variable production costs:	
Direct materials	15.10
Direct labour	18.20
Variable factory overheads	5.50
Variable selling & admin. Overheads:	
Sales commission for May	5% of sales value
Sales commission for June	10% of sales value
Sales commission for July	5% of sales value
Fixed selling costs	1,500,000
Fixed production costs	6,720,000

Actual details for the months are as follows:

	May	June	July
Production in pieces	105,000	86,400	108,100
Sales in pieces	98,000	109,800	102,000

Additional information:

The opening inventory on 1 May was 21,000 pieces.

**Required:**

Prepare a Statement of profit and loss for each of the three months ended 31 July 2018, using marginal costing method.

**(Total: 25 marks)**

**SECTION B: (25 marks):** Answer any **ONE (1)** question.

**Question 5**

- (a) Define the term 'Management accounting'. (3 marks)
- (b) Describe **Three (3)** differences between Financial Accounting and Management Accounting. (9 marks)
- (c) The following costs have been extracted from the records of FarEx Production:

<b>Month</b>	<b>Activity level</b>	<b>Total cost</b>
	Pieces	RM
July	21,900	277,100
August	23,100	287,900
September	22,200	269,800
October	21,900	265,200
November	20,500	264,500
December	22,050	263,450

**Required:**

Calculate the fixed costs per month and variable cost per piece using the

**High-Low method.**

(6 marks)

- (d) Describe the purpose of analyzing Cost Behavior. (4 marks)
- (e) Describe and sketch the term Stepped-fixed cost. (3 marks)

**(Total=25 marks)**

**Question 6**

- (a) Describe the accounting treatment of 'Expired cost' and 'Unexpired cost' as to financial reporting. (6 marks)
- (b) Describe the following terms:  
 (i) Prime cost (2 marks)  
 (ii) Conversion cost (2 marks)
- (c) Calculate Overtime paid and Overtime premium if the basic rate per hour is RM25, with overtime paid at time-and-a-quarter. (3 marks)
- (d) The following information is provided:
- |  | RM    |
|--|-------|
| (i) Basic wages paid to direct labour who work overtime:   | 9,900 |
| (ii) Basic wages paid to direct labour who is sent for training:   | 5,400 |
| (iii) Overtime premium paid to direct labour who work on special projects requested by customer:                         | 8,100 |
| (iv) Basic wages paid to supervisor who oversee product delivery:  | 7,500 |
| (v) Overtime premium paid to direct labour who work on Special projects instructed by management:                        | 8,880 |
| (vi) Shift allowance paid to direct labour who sign up for night shift which is required to recover the loss production: | 9,100 |

**Required:**

Calculate the following:

- (i) direct labour costs and (1.5 marks)  
 (ii) indirect labour costs. (1.5 marks)
- (e) Describe **TWO (2)** conditions in which Time-base-system is the most suitable Method to apply. (5 marks)
- (f) Determine and describe which type of labour remuneration method will provide an advantage to company in a very competitive environment. (4 marks)

**(Total=25 marks)**

-The End-

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