

FINAL  
Examination Paper

(COVER PAGE)

Session : AUGUST 2018

Programme : Diploma In Business (DIB)

Course : ACC1113: Cost Accounting

Date of Examination : 7 December 2018, (Friday)

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, Ng Kean Wai, Remeo Dass, Doris Koh and  
Janice Malibin

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: AUGUST 2018 SESSION

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

**SECTION A:** Answer any **THREE (3)** questions. **(75 marks)**

**Question 1**

Lam Seng Plastics Sdn. Bhd., a subsidiary of Lam Seng Malaysia, supplies commercial-use plastic bags to its customers in Peninsula Malaysia. There was no opening inventory brought forward from previous month. During September 2017, the company's operations had the following transactions:

Date	Purchases	Issued out to customer
September 1	100 units @RM5 each	
September 2		50 units
September 10	50 units @ RM5.5 each	
September 20		60 units
September 27	100units@RM5.60 each	

**Required:**

- (a) Using the following methods to calculate the value of closing inventory as at 30 September 2018. (Round your answers to 2 decimal points)
- (i) First in-First Out method (FIFO) (7 marks)
- (ii) Moving Average method (MAVG) (7 marks)
- (b) What happens to the pricing of inventory using the above methods, when inflation ceases to exist? (3 marks)
- (c) Describe the differences between Prime cost and Conversion costs (4 marks)
- (d) Describe the function(s) of source document. (4 marks)

**(Total: 25 marks)**

**Question 2**

Chong Wah Plastic Sdn. Bhd., a subsidiary of Lam Seng Malaysia, produces household-used packing materials for its customers in West Malaysia. The company has two production departments: Compress and Stamping and they are serviced by maintenance department and store departments. The following are the budgeted data:

		RM
Indirect labor	Compress Department	21,100
	Stamping Department	15,700
	Store Department	11,000
	Maintenance Department	14,000
Rent		100,000
Depreciation of plant		60,000
Plant insurance		38,000
Heating and lighting		75,000
Canteen costs		24,000
Rate		50,000
Supervision		120,000

Additional information:

Item	Compress	Stamping	Stores	Maintenance
Floor Area (Sq. m.)	10,000	10,000	2,500	2,500
Employees	40	20	10	10
Plant book value ('000)	RM100	RM100	RM20	RM30
Maintenance hours	35,000	15,000		
Direct materials requisition	RM200,000	RM300,000		
Machine Hours	60,000	40,000		

**Additional information:**

Overheads are absorbed in both production departments on a Machine Hour basis.

**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. (6 marks)

**(Total=25 marks)**

**Question 3**

Ralco Plastic Sdn. Bhd. (Ralco) mainly supplies plastic containers to industry which produces laundry detergent for commercial use. In 2018, the company plan to launch a new design of container and the information below was extracted from business's records:

RM	
Selling price	5 per unit
Direct materials X	0.3 per unit
Direct materials Y	0.2 per unit
Direct labor	0.6 per unit
Production: Variable overheads	0.2 per unit
Fixed overheads	42,000
Selling & Admin: Variable overheads	0.3 per unit
Fixed overheads	30,000
Existing sales	25500 units
Relevant range	15300 – 31000 (units)

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

- (a) Calculate the break-even point in units and value. (4 marks)
- (b) Calculate the margin of safety in units and value. (4 marks)
- (c) Calculate the number of unit to be sold if the targeted profit is RM54,000. (3 marks)
- (d) Calculate the selling price per unit if Ralco wants to achieve a profit of RM68,000 for the year and if existing sales units can be achieved, total direct material costs increase by 20 cents and total fixed costs increased by 10% respectively? (Note: round your answer to 2 decimal points) (4 marks)
- (e) If the factory can only produce 1,200 units per week, how many weeks will it take to achieve break even? (3 marks)
- (f) Calculate the Contribution/Sales (C/S) ratio. (3 marks)
- (g) Based on the information given above, draw a Traditional Breakeven chart and highlight all the relevant and important areas (Sales and Total cost lines, Profit and loss areas, Relevant ranges, Break-even points/values, Margin of safety) (Note: choose any four items) (4 marks)

**(Total: 25 marks)**

**Question 4**

KPI Plastic (M) Sdn. Bhd. manufactures and sells a single type of plastic bag for local agriculture industry as well as abroad. The following information is provided by the company for the year of 2018:

Per bag:	RM
Selling price	6.80
Variable production costs:	
Direct materials	1.10
Direct labor	2.20
Variable factory overheads	0.80
Variable selling & admin. Overheads:	
Sales commission	10% of sales
Others	5% of sales
Fixed selling overheads	20,000
Fixed production overheads	50,000

Actual Details for the months are as follows:

	April	May	June
Production in bags	85,000	91,400	86,000
Sales in bags	78,000	84,000	95,000

Required:

- (a) Prepare an Income Statement for each of the months ended 30 June 2018, using marginal costing method. (21 marks)
- (b) Describe **TWO (2)** disadvantages of marginal costing method. (4 marks)

**(Total: 25 marks)**

**SECTION B: Answer any ONE (1) question. (25 marks)****Question 5**

- (a) Describe **TWO (2)** differences between Financial Accounting and Management Accounting. (6 marks)
- (b) A subsidiary of Ralco Plastic Sdn. Bhd. has incurred the following costs for the last five months of 2017:

Month	Activity level units	Total cost RM
June	16,300	153,700
July	14,000	154,800
August	16,900	159,700
September	18,400	176,450
October	17,500	164,500

**Required:**

Calculate the fixed costs per month and variable cost per bottle using the **High-Low method**. (5 marks)

- (c) Describe **TWO (2)** Advantages and **TWO (2)** Limitations of High-low method. (8 marks)
- (d) Describe the term 'Cost Accounting' and **TWO (2)** functions of cost accounting. (6 marks)

**(Total=25 marks)****Question 6**

- (a) Describe the term 'Cost Object' and identify an example of cost object (4 marks)
- (b) Refer to your example given at part (a), identify and describe the direct cost and indirect cost that associated with the example. (6 marks)
- (c) Describe **TWO (2)** advantages and **THREE (3)** disadvantages of Piece-work system (10 marks)

- (d) Identify **TWO (2)** industries which normally adopting Piece-work system (2 marks)
- (e) Describe the difference between 'Overtime' and 'Overtime Premium'. (3 marks)

**(Total=25 marks)**

**The End~**

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