



FINAL
Examination Paper

(COVER PAGE)

Session : April 2019

Programme : Diploma In Finance (DIF/DFIN)

Course : FIN2151: Budgeting

Date of Examination : July 26th, 2019 (Friday)

Time : 5:00 pm – 7:00 pm Reading Time : Nil

Duration : 2 Hours

Special Instructions :

This paper consists of **SIX (6)** questions. Answer any **FOUR (4)** questions in the answer

booklet provided. All questions carry equal marks

IMPORTANT NOTE : THIS PAPER SHOULD NOT BE TAKEN OUT OF THE EXAMINATION HALL

Material permitted : Non-Programmable Scientific Calculator

Materials provided : NIL

Examiner(s) : Ms. Jessie Lee Pei Ee and Yap Kok Leong

Moderator : Dr. Phua Lian Kee

This paper consists of 8 printed pages, including the cover page

INTI INTERNATIONAL COLLEGE PENANG
 DIPLOMA IN FINANCE (DIF)
 FIN2151: BUDGETING
 FINAL EXAMINATION: APRIL 2019 SESSION

Instructions: Answer any **FOUR (4)** questions out of SIX questions in the answer booklet provided.

Question 1

Siti Sdn Bhd manufactures Product ST and sells at a standard price of RM18. The company is in the process of preparing its budgets for the first 4 months of 2020.

An extract of the statement of financial position at the end of December 2019 is given below:

	RM
Trade receivables	40,000
Cash at bank	8,500
Payables for materials	22,300
Payables for variable overhead	8,600
Payables for fixed overhead	5,000

The following budgeted information for 2020 are available:

1. The sales of the first four months are forecasted as follows:

January	February	March	April
7,200	6,500	7,300	7,000

2. 20% of the total sales are expected to be cash sales. The remainder (80%) of the sales will be received in the month following the month of sales.

3. The budgeted production units are given below:

January	February	March	April
6,600	7,300	7,500	8,400

4. Production costs are expected to be incurred as follows:

Materials	RM	6	per unit
Labour	RM	4	per unit
Variable overhead	RM	2	per unit

5. Materials will be purchased in the month of usage and are paid for 1 month after purchase.

6. Labour will be paid in the month it is being incurred.

7. Variable overhead is paid for one (1) month after it is incurred.

8. Fixed overhead is budgeted to be RM45,000 in total for the four-month period. This figure includes depreciation charges of RM25,000. The remainder will accrue evenly throughout the period and are paid for one (1) month after they are incurred.

9. The company is planning to sell an old vehicle for RM6,000 which will be received in March. A new vehicle will be purchased for RM30,000 and paid for in January.

Required:

(a) Prepare a cash budget for the first 4 months of 2020, showing all relevant workings.

(20 marks)

(b) Comment on the financial position and advise the management accordingly, based on your answer in (a) above.

(5 marks)

(Total: 25 marks)

Question 2

Withfields Bhd manufactured a single product called 'Lanny'. The following are the details of the product's standard prime cost.

Direct material - 3kgs @ RM 2.00/ kg

Direct Labour - 5 hours @ RM 3.00 / hr

Budgeted production and sales was 5,000 units per month.

Actual for April 2018 is as following:-

Production and Sales 5,800 units

Direct materials purchased and used 17,000kgs

Actual cost / kg was RM2.25 per kg.

Actual labour hours paid was 26,200 hours at the rate of RM3.25 per hour. Actual hours worked were 26,000 hours.

Required:

- (a) To calculate the following variances and give 1 possible cause for the variance.
- (i) Direct material cost variance (3.5 marks)
 - (ii) Direct material price variance (3.5 marks)
 - (iii) Direct material usage variance (3.5 marks)
 - (iv) Direct wage cost variance (3.5 marks)
 - (v) Direct wage rate variance (3.5 marks)
 - (vi) Direct labour efficiency variance (3.5 marks)
- (b) Discuss the benefits of having a standard costing system.

(4 marks)

(Total: 25 marks)

Question 3

Limau Sdn Bhd produces and sells 4 products, W, X, Y and Z. The details of prices and unit costs are as follows:

	W	X	Y	Z
	RM/unit	RM/unit	RM/unit	RM/unit
Selling price	4.60	5.00	7.00	7.50
Costs:				
Material G (RM8 per kg)	0.40	0.80	0.80	1.40
Other direct materials	1.00	1.15	1.60	1.80
Direct wages	1.20	1.20	1.80	1.80
Variable overheads	0.50	0.50	0.75	0.75

Fixed overheads amounts to RM50,000 per month.

The monthly sales demand for the products are as follows:

	W	X	Y	Z
Units	8,000	12,000	10,000	10,000

All the products use material G in the manufacturing process. The supply of material G is limited to 4,000 kg per month.

Required:

- (a) Determine the quantity of **each** product that should be manufactured per month in order to maximise profit. **(20 marks)**
- (b) Calculate the maximum monthly profit. **(5 marks)**

(Total: 25 marks)

Question 4

- (a) Critically discuss **FIVE (5)** roles played by budgets in organisations.

(15 marks)

- (b) Budgets can be used as a form of control. Explain how this is achieved in the form of variance analysis.

(10 marks)

(Total: 25 marks)

Question 5

- (a) The accountant for Wooden Décor Inc. has been told to prepare budgets to facilitate planning and also to facilitate the coming labour negotiations with trade unions. In anticipation of increase in labour costs, the accountant has collected the following data to find out the anticipated total labour costs involved for the coming fiscal period.

Wooden Décor Inc currently hires professional carvers, polishers and painters in its production process. They are all housed under one roof in a go down facility.

Currently the labour wage rates are RM40 per hour for the carvers, RM14 per hour for the polishers and RM12 per hour for the painters.

The current productivity level is benchmarked against the following standard: the carvers are expected to take up to maximum 3 hours to carve one unit of decorative item, the polishers should use up to only 2.5 hours to complete their work while the painters are given more time to ensure a high quality finishing. They are allowed up to 6 hours to finish painting the item.

For the quarter ending December 2020, sales are expected to be 4,600, 5,000 and 3,500 units respectively for each of the months in the quarter.

Wooden Décor has a policy of targeting 20% of the next months anticipated sales as buffer inventories for current months, while inventory as at 30 September 2020 is expected to be at the level of 2,000 units.

Required:

Show the direct labour budget for the first two months of the quarter ending December 2020.

(15 marks)

- (b) Pottery Ltd is a business that uses highly skilled labour in its carving, polishing and painting department to produce a variety of high end decorative items for sale.

For two of its models, clay and marble variety, it had inventory on hand at the beginning of the fiscal year amounting to 6,000 and 5,000 units respectively.

The budgeted sales for the coming fiscal year for the clay variety is 16,000 units and for the marble variety is 13,500 units.

As the economic outlook is good, Pottery Ltd intends to have some buffer stock on hand, in case of excess demand from the anticipated sales figures.

It intends to stock 6,000 units for the clay variety but for the marble variety, the demand is expected to be less, hence only 4,680 units will be stocked.

Required:

Show the production budget for the clay and marble models for Pottery Ltd.

(10 marks)

(Total: 25 marks)

Question 6

Boots Bhd manufactures and sells a single product to which the following average figures refer to a single unit of their product.

Particulars	Per unit
	RM
Selling price	5.00
Variable cost	1.75
Fixed cost	2.00

It planned to produce and sell 20,000 units per month. The actual results achieved were:

	Production	Sales
	(Units)	(Units)
July	20,000	20,000
August	20,000	10,000
September	10,000	20,000

It is intended that the budgeted figures should be used as the basis for inventory valuation.

Required:

- (a) To prepare profit reports for each month using:
- (i) Marginal costing method (7 marks)
 - (ii) Absorption costing method (7 marks)
- (b) Explain why the profits reported in August and September differ between the two costing systems. (3 marks)
- (c) Outline **TWO (2)** advantages and **TWO (2)** disadvantages of each of the marginal costing system. (8 marks)
- (Total: 25 marks)**

- THE END -

(JL/APR2019 (F)/FIN2151)