

**FINAL
ALTERNATIVE ASSESSMENT**

(COVER PAGE)

Session : April 2020

Programme : Diploma in Finance (DIF / DFIN)

Course : FIN 2151 : BUDGETING

Date of Examination : 3 August 2020, (Monday)

Time : 12:00pm – 2:30pm Reading Time : Nil

Duration : 2 Hours 30 Mins

Special Instructions :

Instructions: Answer ALL **FOUR (4)** questions. The answers should be Hand-Written, copied to a file and uploaded back into Black Board(BB) within the time frame.

Material permitted : Non-programmable calculator

Materials provided :

Examiner(s) : Mr. Bernard Joseph; Mr. Yap Kok Leong

Chief Moderator : Dr. Asri Osman

This paper consists of 6 pages, including the cover page

DIPLOMA IN FINANCE (DIF/DFIN)
 FIN2151: BUDGETING
 FINAL ALTERNATIVE ASSESSMENT : APRIL 2020 SESSION

Instructions: **OPEN BOOK** Assessment. Answer **ALL FOUR (4)** questions. The answers should be Hand-Written, copied to a file and uploaded back into Black Board (BB) within the time frame.

Question 1

Willow Sdn. Bhd. wishes to calculate an operating budget for the forthcoming period. The company produces two products, A and B. Both these products requires material X (in kg) and Y (in litres). Information regarding sales level of the products, material and labour information are as follows:

<u>Product</u>	A	B
Sales level (units) of Products	2,000 units	1,500 units
Opening inventory (units)	100 units	200 units

Materials required per unit of Product

Material X (in kg)	2kg	3kg
Material Y (in litres)	1 litre	4 litres

Labour hours required

Skilled (hours)	4 hours	2 hours
Semi-skilled (hours)	2 hours	5 hours

Closing inventory of both Product A and B will be sufficient to have 10% of current month sales.

Opening inventory of material X was 300 kg and for material Y was 1,000 litres. Material prices are RM 10 per kg for material X and RM 7 per litre for material Y. The closing inventory of Material X is 850 kg and for Material Y is 800 litres.

Labour costs are RM 12 per hour for the skilled workers and RM 8 per hour for the semi-skilled workers.

Required:

Based on the information given above, prepare the following budgets:

- (a) Production (in units) (5 marks)
- (b) Materials usage (kg and litres) (5 marks)
- (c) Materials purchases (kg, litres and RM); and (10 marks)
- (d) Labour (hours and RM). (5 marks)

TOTAL (25 marks)

Question 2

Monica and Andrew have taken up a franchise arrangement with Florida Fried Chicken (FFC). The following are the forecast figures for the next six months:

	Purchases	Sales	Wages and Salaries	Overheads
	RM'000	RM'000	RM'000	RM'000
November	40	85	20	15
December	50	110	20	15
January	30	58	40	18
February	40	75	20	18
March	60	120	25	20
April	60	120	25	20

Additional Notes :

- Franchise payments of RM6,000 are made per month.
- 50% of the sales are for cash, 25% is received one month later and 25% two months later.
- Purchases are paid one month later.
- Wages are paid in the month incurred.
- Overheads do not include :
 - Rent of RM4,000 per month paid three monthly in advance, in December, March, June and September of each calendar year.
 - Depreciation of RM6,000 per month.
- Capital Expenditure payments will be made as follows :

Month	Amount
February	RM8,500
March	RM2,250
April	RM5,000

- A cash balance of RM2,250 is forecast as at 1 January.

Required :

- a) Prepare a cash budget for January, February and March based on the information provided.

(20 marks)

- b) Comment on the closing balances of the three months cash budget and advise the owners on appropriate actions to be taken to improve the expected situation.

(5 marks)**(Total : 25 marks)**

Question 3

Trio Sdn Bhd budgets to make and sell product A. Standard cost per unit is as follows:

	<u>RM</u>
Direct material 5kg at RM2.50 per kg	12.50
Direct labour 6 hours at RM4.00 per hour	24
Variable production overhead	9
Fixed production overhead	<u>3</u>
Total Cost per Unit	<u>48.50</u>
Selling price per unit	50.00
Budget sales and production units for the month	5,000

The variable and fixed overheads are absorbed based on labour hours.

The actual production and sales units for the month was 5,500 units. Below are the actual results in relation to the month :

	<u>RM</u>
Sales	280,500
Direct material 30,250 kgs	66,550
Direct labour 32,450 hours	136,290
Variable production overhead	53,550
Fixed production overhead	17,800

Required :

(a) Calculate the following variances for the month:

- i. Material price **(2 marks)**
- ii. Material usage **(2 marks)**
- iii. Labour rate **(2 marks)**
- iv. Labour efficiency **(2 marks)**
- v. Variable overhead expenditure **(2 marks)**
- vi. Variable overhead efficiency **(2 marks)**
- vii. Fixed overhead expenditure **(2 marks)**
- viii. Fixed overhead capacity variance **(2 marks)**
- ix. Fixed overhead efficiency variance **(2 marks)**

- (b) Describe two (2) possible causes of material price variances and two (2) possible causes of material usage variance which you have calculated for month.

(4 marks)

- (c) Discuss three (3) disadvantages of using standard costing.

(3 marks)

(Total : 25 marks)

Question 4

- (a) Discuss the **SIX (6)** problems that arise from managers using top down budgets within their organisations.

(12 marks)

- (b) Discuss **THREE (3)** ingredients for successful implementation of budgeting.

(9 marks)

- (c) Explain **FOUR (4)** responsibilities of a budget committee.

(4 marks)

(Total : 25 marks)

~ The End ~

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