

**FINAL ALTERNATIVE ASSESSMENT**  
Examination Paper

(COVER PAGE)

Session : August 2021

Programme : Diploma in Finance (DIF/DFIN)

Course : FIN2151: Budgeting

Date of Examination : December 4, 2021 (Saturday)

Time : 8:00am – 10:30am Reading Time : Nil

Duration : 2 Hours 30 Minutes

**Note: 30 minutes is added into the duration of the examination to factor in any connectivity matters and for you to scan and upload your scripts.**

**Special Instructions :**

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

Materials permitted : Non-Programmable Calculator

Materials provided : Nil

Examiner(s) : Mr. Kelvin Tang Lim Tek and Ms. Doris Koh

Moderator : Mr. Bernard Joseph

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

## INTI INTERNATIONAL UNIVERSITY &amp; COLLEGES

## DIPLOMA IN FINANCE (DIF/DFIN)

## FIN2151: BUDGETING

## FINAL ALTERNATIVE ASSESSMENT: AUGUST 2021 SESSION

**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.

**Question 1**

Gordon's Computer Shop sells new and used computers as well as computer accessories. Each year in December, the accountant for the business is requested to set up budget schedules detailing financing expectations for the coming year, based on information provided by management. The following estimates have been provided for the business:

	Pessimistic Forecast	Most Likely Forecast	Optimistic Forecast
Sales	RM200,000	RM450,000	RM680,000

Costs and expenses, classified according to their behavior in relation to sales as either Variable or Fixed are as follows:

## Variable Costs:

Cost of Sales	60% of sales revenue
Transportation Costs	2% of sales revenue
Sales Commissions	4% of sales revenue

## Fixed Costs:

Depreciation	RM4,700
Insurance	RM1,300
Office Supplies	RM2,800
Power (Gas and Electricity)	RM5,000
Rent of Shop Premises	RM8,400
Salaries and Wages	RM28,000
Sales Promotion Expenses	RM12,000

**Required:**

Based on the above revenue forecasts and cost and expense structures, prepare a detailed Revenue Statement Budget using flexible budgeting techniques with three estimated levels (i) Pessimistic Forecast, (ii) Most Likely Forecast and (iii) Optimistic Forecast.

**(Total: 25 marks)**

**Question 2**

Copperfield Company Sdn Bhd is trying to estimate its needs for funds during each of the months covering the third quarter of 2021 (July, August and September 2021). All information needed is given below:

- (a) The estimated future sales for 2021:

Month	Sales (RM)
April	80,000
May	95,000
June	70,000
July	90,000
August	130,000
September	110,000
October	140,000

- (b) 60% of sales are for cash with remaining 40% collected in the following month of sales.
- (c) The company pays 80% of the sales price for merchandise and the payment schedule is as follows:
- 60% is cash purchase
  - 25% is to be paid in the following month
  - The balance is to be settled in the next 2 months
- (d) Rent expense is RM2,500 per month and pay in the same month.
- (e) 7% quarterly interest payment on RM100,000 notes payable in to be paid in August.
- (f) Wages and salaries in July, August and September are estimated to be RM8,000, RM10,000 and RM12,000 respectively.
- (g) The company plans to pay RM10,000 in cash for the used forklift truck in July and its expected life span will be 5 years. The depreciation expenses are calculated based on the straight-line-method.
- (h) Short-term loans can be obtained at the end of each month at 7.2% annual interest with interest paid during each month for which the loan is outstanding.
- (i) The company's ending cash balance for June is RM67,000 and the minimum balance that the firm wishes to have in any month is RM35,000.

**Required:**

- (i) To prepare an Income Statement for Copperfield Company Sdn Bhd for each month of the third quarter of 2021 (July, August and September 2021). (10 marks)
- (ii) To set up a Cash Budget for each month of the third quarter of 2021 (July, August and September 2021). (15 marks)

**(Total: 25 marks)**

**Question 3**

A small manufacturer makes and sells 'greenhouse' kits for backyard installation. The current material and labour cost to produce each kit is expected to be the following.

Materials:

8 kg. extruded aluminium @ RM4.80 per kg.

14 m<sup>2</sup> Perspex @ RM8.00 per m<sup>2</sup>

Direct Labour (cutting and packing only):

2 hours @ RM15.00 per hour

Analysis of past factory overhead together with the current year's prediction indicates that factory overhead should follow the flexible budget formula of RM96 000 fixed costs per annum plus RM2 per direct labour hour.

Expected sales and production for the following year is 12,000 units.

**Required:**

- (a) Set out a standard absorption cost specification for a kit. This must show full details of standard quantity, hours, price and rates. (4 marks)
- (b) State the standard cost using variable costing approach for a kit. (2 marks)

- (c) Following are the actual results for the business for the year ended 30 June 20X1. Calculate Direct Material Variances, Direct Labour Variances and Factory Overhead Variances, assuming the business uses standard direct costing.

Units produced	11,500
Units sold (at RM245 each)	11,000
Units on hand at start of the year	100

Materials used:

Aluminium:	92,200 kgs @ RM4.90 per kg
Perspex:	161,900 m <sup>2</sup> @ RM7.90 per m <sup>2</sup>

Direct labour incurred (23,100 hours)	RM348, 810
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Factory overhead incurred:

Fixed	RM98,000
Variable	RM47,000

Selling and administration expense:

Variable	RM33,000
Fixed	RM64,000

(13 marks)

- (d) Prepare a revenue statement for the year using standard variable costing and details provided in part (c) above. The revenue statement should be prepared:

- (i) assuming the opening inventory is valued at this year's standard variable cost
- (ii) variances are shown as an adjustment to the standard variable cost of goods sold.

(4 marks)

- (e) Calculate the profit for the year that will be shown on external reports that are prepared using standard absorption costing. (You are **NOT** required, or expected, to prepare a revenue statement for this part.)

(2 marks)

**(Total: 25 marks)**

**Question 4**

The Grape Co. Sdn Bhd provides the following information in relation to its two products, cartons of non-alcoholic wine and grape juice, for the past year. The budget selling prices for the product were RM8.50 per carton for the wine and RM6.20 per carton for the grape juice.

Expected sales were 91,000 cartons of wine and 48,800 cartons of juice. Budgeted cost of goods sold in each case was 40% of the selling price

Actual sales were:

Wine: 53,500 cartons @ RM8.50 and 35,000 cartons @ RM7.80

Juice: 50,200 cartons @ RM6.20

Costs of goods sold were:

Wine: RM240,680

Juice: RM111,650

Budget and actual period costs were:

	Budget (RM)	Actual (RM)
Sales salaries and commission	136,000	133,168
Advertising	73,000	61,520
Depreciation	29,200	29,200
Office expenses	190,000	195,000

**Required:**

- (a) Prepare a performance report for the income statement for the year, showing gross profit, net profit and all variances from budget in Ringgit and percentages.

(18 marks)

- (b) Write a brief report on the observations you can make from the performance report

(7 marks)

**(Total: 25 marks)**

**~THE END~**

*FIN2151 (F)/ August 2021 Session/ formatted*