

**FINAL
ALTERNATIVE ASSESSMENT**

(COVER PAGE)

Session : August 2020

Programme : Diploma in Finance (DFIN)

Course : FIN2151: Budgeting

Date of Examination : December 10, 2020 (Thursday)

Time : 12.00pm – 2.30pm 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 :

This paper consists of **FOUR (4)** questions. Answer **ALL FOUR (4)** questions.

Materials permitted : NIL

Materials provided : NIL

Examiner(s) : Dr. Yap Kok Leong

Moderator : Fan Chen Keat

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

INTI INTERNATIONAL UNIVERSITY & COLLEGES

DIPLOMA IN FINANCE (DFIN)

FIN2151: BUDGETING

FINAL ALTERNATIVE ASSESSMENT: AUGUST 2020 SESSION

Instructions: This paper consists of **FOUR (4)** questions. Answer **ALL FOUR (4)** questions. All questions carry equal marks.

Question 1

Pertama Enterprise is a retailer, buying and selling handphone accessories. Pertama Enterprise had the following budget:

Month	Sales (RM)	Wages and salaries (RM)	Electricity (RM)	Stationery (RM)
May	80,000	15,000	15,000	2,000
June	90,000	15,000	15,000	2,250
July	100,000	35,000	18,000	2,500
August	105,000	25,000	18,000	2,625
September	110,000	20,000	20,000	2,750
October	120,000	20,000	20,000	3,000

Additional notes:

1. The depreciation of RM6,000 per month.
2. Office rent of RM12,000 per month.
3. Telephone expenses of RM500 per month.
4. Travelling expenses will be made as follows:

Month	Amount (RM)
July	5,500
August	5,250
September	5,000

5. In order to increase the market share of the company, Pertama Enterprise has decided to expand the business by renting a bigger office, increasing the number of salesperson and purchasing an additional equipment. The actual results for the total three months ending 30 September as follows:

Item	RM
Sales	330,000
Wages and salaries	90,000
Electricity	62,000
Stationery	8,200
Depreciation	18,000
Office rent	30,000
Telephone	1,800
Travelling expenses	13,750

- (a) Prepare a performance report to compare the budget with the actual results for the quarter ending 30 September. (12 marks)
- (b) Pertama Enterprise's policy is to investigate all variances that deviate by plus or minus 5% from budget. Identify and comment the items to be investigated. (13 marks)

(Total: 25 marks)

Question 2

The Perry Co. provides the following information in relation to its two products, cartons of bubble tea and orange juice, for the past year. The budget selling prices for the product were RM8 per carton for the wine and RM5.50 per carton for the grape juice.

Expected sales were 90,000 cartons of bubble tea and 47,800 cartons of orange juice. Budgeted cost of goods sold in each case was 40% of the selling price.

Actual sales were:

bubble tea: 53,000 cartons @ RM8 and 34,500 cartons @ RM7.20

orange juice: 49,200 cartons @ RM5.50

Costs of goods sold were:

bubble tea: RM235,340

orange juice: RM113,652

Budget and actual period costs were:

	Budget (RM)	Actual (RM)
Sales salaries (fixed)	144,000	141,204
Advertising (fixed)	72,000	60,516
Depreciation	28,000	28,000
Office expenses (fixed)	180,000	185,000

Prepare a performance report to compare among the original budget, flexible budget and actual results for the income statement for the year. Write a brief report on the observations you can make from the performance report.

(25 marks)

(Total: 25 marks)

Question 3

Mega Trading Sdn Bhd had the following budget for the current year:

Item	RM
Salaries	282,550
Stationery	6,440
Telephone	9,080
Electricity	10,284
Office rent	30,000
Depreciation	9,156
Insurance	12,000
Total	361,986

Assume the budget for December for the Mega Trading Sdn Bhd was 10% of the year's total budget for salaries; 7.5% for stationery, telephone and electricity, and one twelfth for office rent, insurance and depreciation. Actual results for December were:

Item	RM
Salaries	30,650
Stationery	384
Telephone	717
Electricity	957
Office rent	3,325
Depreciation	780
Insurance	1,100
Total	37,913

- (a) Prepare a performance report for December (8 marks)
- (b) Mega Trading Sdn Bhd's policy is to investigate all variances that deviate by plus or minus 5% from budget. Identify items to be investigated. (6 marks)
- (c) Comment on the performance report and advise the owners on appropriate actions to be taken to improvise the expected situation. (8 marks)

(d) For each of the following organizational subunits indicate the type of responsibility centre:

(i) the business studies department at Intel college (1 mark)

(ii) the Australian subsidiary of an American multinational company (1 mark)

(iii) the mayor's office in a large city (1 mark)

(Total: 25 marks)

Question 4

Kensor Manufacturing makes drinking mugs. Its budgeted income statement for the coming year shows:

Kensor Manufacturing - Budgeted income statement for the year ending 30 September			
	RM	RM	RM
Sales (200,000 mugs)			600,000
(-) Cost of goods sold			390,000
Direct materials		210,000	
Direct labour		72,000	
Variable factory overhead		48,000	
Fixed factory overhead		60,000	
Gross profit			210,000
(-) Operating expenses			91,500
Selling		42,000	
Variable expenses	33,000		
Fixed expenses	9,000		
Administration and financial		49,500	
Variable expenses	12,000		
Fixed expenses	37,500		
Net profit			118,500

However, due to the coronavirus pandemic, the actual sales volume is only 190,000 mugs. The actual income statement as follows:

Kensor Manufacturing - Income statement for the year ending 30 September			
	RM	RM	RM
Sales (190,000 mugs)			551,000
(-) Cost of goods sold			380,600
Direct materials		221,400	
Direct labour		60,500	
Variable factory overhead		38,700	
Fixed factory overhead		60,000	
Gross profit			170,400
(-) Operating expenses			83,400
Selling		37,400	
Variable expenses	28,400		
Fixed expenses	9,000		
Administration and financial		46,000	
Variable expenses	8,500		
Fixed expenses	37,500		
Net profit			87,000

Prepare a performance report for the income statement for the year to compare the flexible budget with the actual budget. Write a brief report on the observations you can make from the performance report.

(25 marks)

(Total: 25 marks)

~THE END~

FIN2151 (F)/ August 2020 Session/ formatted