

FINAL
Alternative Assessment

(COVER PAGE)

Session : April 2021

Programme : Diploma in Finance (DIF/DFIN)

Course : FIN2151: Budgeting

Date of Examination : 29 July 2021 (Thursday)

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

Duration : 2 hours + 30 minutes (uploading time)

Special 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.

Materials permitted :

Nil

Materials provided :

Nil

Examiner(s) : Mr. Bernard Joseph

Chief Moderator : Mr. Fan Chen Keat

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

DIPLOMA IN FINANCE PROGRAMME (DIF/DFIN)
 FIN2151: BUDGETING
 FINAL ALTERNATIVE ASSESSMENT: APRIL 2021 SESSION

Instructions: Open book exam. 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

Kingsley Bhd produces a single product called H200 which is being exported to Vietnam. The Cost Accountant wanted to do a variance analysis on the product. He has asked you, the Assistant Management Accountant, to compute the variances for the product by providing the following details.

Standard cost per unit of H200.

	RM
Direct Materials (4 kg @ RM3 per kg)	12.00
Direct Labour (5 hours @ RM 4 per hour)	20.00
Variable Overhead (5 hours @ RM1 per hour)	5.00
Fixed Overhead (5 hours @ RM 3 per hour)	<u>15.00</u>
	<u>52.00</u>

Currently the standard selling price of H200 is RM60 per unit. However, in the last meeting it was discussed that the price needs to be revised. For the 2nd quarter of the year the budgeted production was 10,000 units. The overheads are absorbed based on the direct labour hours.

The actual results for the 2nd quarter are as follows :

	RM	RM
Sales @ 9,500 units		588,500
Cost of Sales :		
Direct Materials @ 37,000kg	120,000	
Direct Labour @ 49,000 hours	200,000	
Variable Overhead	47,000	
Fixed Overhead	145,000	
		512,000
		76,500

There were no stocks of the work-in-progress of finished goods at the beginning or at the end of the quarter.

Required:

(a) Calculate the following variances:

- i. Direct Material Price Variance
- ii. Direct Material Usage Variance
- iii. Direct Labour Rate Variance
- iv. Direct Labour Efficiency Variance
- v. Variable Overhead expenditure Variance
- vi. Variable Overhead Efficiency Variance
- vii. Fixed Overhead Expenditure Variance
- viii. Fixed Overhead Efficiency Variance
- ix. Fixed Overhead Capacity Variance

(18 marks)

(b) Explain the two (2) possible causes for the following:

- i. Direct Material Price Variance
- ii. Direct Labour Efficiency Variance

(3 marks)

(4 marks)

(Total : 25 marks)

Question 2

Nestum Corporation is a manufacturing business. Their accountant had recently resigned and you have just joined them as the Accounts Assistant. You have been furnished with the following budgeted income statement for the month of May 2021.

Budgeted Income Statement for June

		<u>RM</u>
Sales		412,000
Less: Operating expenses		
Direct labour costs	50,000	
Raw materials purchased	155,000	
Manufacturing overheads	55,000	
Selling and marketing expenses	132,000	
		<u>392,000</u>
Net loss		(12,000)

After seeing the data, the Managing Director said, "I was sure we could make our targeted profits for May 2021, but it looks like that's not happening. I'm quite disappointed."

The director has requested you to look into the matter before he makes his final decision.

Further budgeted information that you have found are stated below:

	1st June	30th June
	RM	RM
Raw materials	8,000	13,000
Work in progress (unfinished goods)	12,000	21,000
Finished goods	40,000	50,000

Required:

(a) Using the information provided, you required to compute the

i) Cost of Good Manufactured **(10 marks)**

ii) Cost of Goods Sold **(3 marks)**

iii) Net Profit **(6 marks)**

(b) Advise the director to re-consider the decision by briefly explaining why the earlier budgeted income statement was inappropriate.

(6 marks)

(Total : 25 marks)

Question 3

On 1st September PYP Bhd has a bank balance of RM6,000. The budgeted income statement for the next three months is as follows :

	<u>September</u> RM'000	<u>October</u> RM '000	<u>November</u> RM'000
Sales	40	44	52
Factory Costs			
Material	15	15	20
Labour	8	10	11.5
Overhead	7	8	8.5
	30	33	40
Finish Goods			
(Increase)/Decrease	(1)	(1)	(1)
	29	34	3
Administration Costs	4	4	4
Selling Costs	2	2	2
Total Cost	35	40	45
	====	====	====
Profit	5	4	7
	==	==	==
The Material Costs is Made up of			
Opening Stock	3	4	6
Purchases	16	17	20
	19	21	26
Closing Stock	4	6	6
	15	15	20
	====	====	====

Other additional information in relation to the budgeted income statement :

- On average half of the debtors pay in the month after being invoiced and half in the subsequent month. Sales for the previous July and August were RM38,000 and RM40,000 respectively.
- Material purchased is paid for in the month following delivery. The materials purchased during August were RM17,000.
- Factory overheads include depreciation at RM1,500 per month; other than this, assume all overheads are paid in the month shown.
- The capital budget allows for a payment of RM8,500 in November.

Required:

a) Prepare a cash budget for the three months from September to November. **(19 marks)**

b) Highlight THREE (3) differences between a Cash Budget and a Profit and Loss Budget.

(6 marks)

(Total : 25 marks)

Question 4

Ali Bhd. operates a system of variance accounting and make only two products. Direct workers are on holiday for 6 weeks out of the 52 weeks in the year and 5% of the normal working week of 40 hours is budgeted to be lost due to absenteeism.

The following data has been used in the preparation of next year's plans:

1.	Standard costs per unit:	Product C	Product D
		RM	RM
	Direct material:		
	DM1 @ RM3 per kg	39	45
	DM2 @ RM4 per kg	16	16
	Direct labour @ RM4 per hour	60	44
	Production overhead @RM5 per hour	75	55
		-----	-----
	Standard factory cost	190	160
	Add 50% for other overhead & profit	95	80
		-----	-----
	Standard selling price	285	240
		=====	=====
2.	Production budget (units)	2,626	3,570
3.	Finished good stock values:	RM	RM
	Opening stock	52,060	132,800
	Closing stock	95,000	112,000
4.	Raw material stock levels:	DM1	DM2
		kg	kg
	Opening stock	16,688	3,284
	Closing stock	14,000	4,500

Required:

Prepare the following budgets for next year:-

- | | | |
|-------|--|---------------------------|
| (i) | Sales (in quantities and value) | (8 marks) |
| (ii) | Purchases (in quantities and value) | (8 marks) |
| (iii) | Direct labour (in hours and number of employees) | (9 marks) |
| | | (Total : 25 marks) |

~ The End ~
FIN2151(F)Apr 2021