



**KOLEJ YAYASAN PELAJARAN JOHOR
FINAL EXAMINATION**

COURSE NAME : MANAGEMENT ACCOUNTING 2
COURSE CODE : DAC2043
EXAMINATION : DECEMBER 2022
DURATION : 3 HOURS

INSTRUCTION TO CANDIDATES

1. This examination paper consists of **FIVE (5)** questions.
2. Candidates are not allowed to bring any material to examination room except with the permission from the invigilator.
3. Please check to make sure that this examination pack consist of:
 - i. The Question Paper
 - ii. An Objective Answer Paper
 - iii. An Answering Booklet

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

*This examination paper consists of **8** printed pages including front page*

This examination paper contains **FIVE (5)** questions.

Answer ALL questions in the Answering Booklet.

QUESTION 1

Mewah Sdn Bhd manufactures and sells women's apparel. The management accountant of the company has been instructed to prepare a cash budget for the first quarter of 2023. The operational budgets of the company for 2022 and 2023 are as follows:

Month	Sales RM	Purchases RM	Wages RM	Factory overhead RM	Selling and distribution overhead RM
November	500,000	230,000	210,000	110,000	48,000
December	470,000	270,000	205,000	155,000	55,000
January	400,000	255,000	210,000	135,000	40,000
February	350,000	230,000	210,000	110,000	39,000
March	315,000	225,000	192,000	115,000	40,000

Additional information:

- 20% of the total sales are in cash and the balance are credit sales.
Debtors collection will be made in two stages:
Stage one - 50% of debtors pay one month following the sales.
Stage two - 50% of the debtors pay in the second month following the sales.
- All purchases are cash and are entitled for a 5% purchase discount.
- 90% of wages expenses are paid in the month incurred while the accrued amount will be paid within the first week of the following month.
- Factory overheads and selling and distribution overhead are to be settled in the month incurred.
The company adopts the straight-line method for calculation of depreciation expenses.
The depreciation expenses included in the overheads are as follows:
 - Factory overhead is inclusive of depreciation on factory machinery of RM32,000 per month.
- In March 2023, the company is expected to gain a profit of RM5,000 from selling its motor vehicle with a carrying value of RM40,000.
- The cash balance as at 1 January 2023 is RM450,000.

REQUIRED:

a) State TWO (2) reasons for preparing cash budget. (2 marks)

b) Prepare a cash budget for the first quarter of year 2023. (20 marks)

[22 MARKS]

QUESTION 2

Apple Leaf Sdn Bhd produces product called Cube Storage. You are asked by Mr Ahmad, the owner of Apple Leaf Sdn Bhd to prepare the analysis on the performance of Cube Storage for the month of December 2022.

The following are the budgeted data for the month of December 2022:

	RM	RM
Sales		1,000,000
Costs:		
Direct materials (15,000 kgs)	90,000	
Direct labour (25,000 hours)	250,000	
Production overheads:		
Variable	50,000	
Fixed	60,000	<u>(450,000)</u>
Budgeted Profit		<u>550,000</u>

Budgeted production and sales of Cube Storage is 10,000 units per month. Variable overhead are absorbed based on direct labour hour whereas fixed overhead is absorbed based on units produced.

Below are the actual results for the month of December 2022:

	RM	RM
Sales (9,500 units)		1,045,000
Costs:		
Direct materials (15,000 kgs)	87,000	
Direct labour (26,600 hours)	260,680	
Production overheads:		
Variable	55,860	
Fixed	61,500	<u>(465,040)</u>
Budgeted Profit		<u>579,960</u>

REQUIRED:

- a) Prepare a standard cost card for one unit of Cube Storage. (4 marks)
- b) Calculate the following variances:
- i. Direct material price and usage variances
 - ii. Direct labour rate and efficiency variances
 - iii. Variable overhead expenditure and efficiency variances
 - iv. Fixed production overhead expenditure and volume variances
 - v. Sales margin price and volume variances
- (14 marks)
- c) Prepare the Profit Reconciliation Statement for the month of December 2022. (4 marks)

[22 MARKS]**QUESTION 3**

Smart Healthy Sdn Bhd, inspired by nature, is one of the most reputable manufacture that sells essential oils and diffuser. Smart Healthy Sdn Bhd is currently producing an affordable diffuser called Eye Drop. This diffuser require a special ultrasonic vibration plate to create a cool mist that gently adds essential oils into the air you breathe. There is no heat, no muss, no fuss and just a simple way to enjoy 100% natural diffuser blends without compromising the essential oil's intergrity.

The following costs have been accumulated for 5,000 units special components that the company manufactured during the previous year.

	Ceramic Plate (CP)	Power Driver Board (PDB)
Units	5,000	5,000
Direct material (RM)	150,000	100,000
Direct labour (RM)	50,000	25,000
Overhead (RM)	66,600	50,600

Out of the overhead cost shown above, 60% is variable in nature.

The production manager approaches suppliers who is willing to supply the same components that have similar specifications as Ceramic Plate (CP) and Power Driver Board (PDB). The prices offered by the suppliers are as follows:

Components	Price per unit
Ceramic Plate (CP)	RM 60
Power Driver Board (PDB)	RM 30

However if the management of Smart Healthy Sdn Bhd agrees to buy the components from the suppliers, the company needs to incur inspection cost amounting to RM5.00 per unit for both components. This additional costs need to be incurred for both components. At the same time, the fixed overhead cost will be reduced by RM15,000 for each components. It will also be able for company to rent MAGIC I and MAGIC II machines that currently used to make components CP and PDB to another company for RM10,000 and RM8,000 respectively.

The company's management will evaluate whether to manufacture or buy the components independently, which means that it is not required to manufacture or to buy both components at the same time.

REQUIRED:

- a) Calculate total variable cost per unit for each components (4 marks)
- b) Determine the total relevant cost of making and the total relevant cost of buying for each of the components. (12 marks)
- c) Based on your answer in part (a) above, suggest to the management of the company whether it should make or buy each of the components. (2 marks)

[18 MARKS]

QUESTION 4

Purify Water Sdn Bhd produce water dispenser namely Purify100 market in Johor. Currently, the company producing 400 units each month and they now operating at 80% capacity. The sales revenue of the company for current month is RM1,520,000 and now company is considering to accept a special order so they will be able to fully utilise the production facilities. The costs in producing the water dispenser for the current production activity is as follows:

List of cost	RM
Direct materials	600,000
Direct labor (8 hours @RM35.00 per hour)	112,000
Production overhead	320,000
Sales commission	60,000
Advertisement	8,700
Fixed administration overhead	76,000

70% of the production overhead cost above is variable in nature.

In December 2022, the company received special order of water dispenser from Shine Water Enterprise which will be marketed under their own label. Shine Water was offered RM3000.00 per unit for 200 units of water dispenser to be shipped by end of January 2023.

According to the specifications provided by Shine Water Enterprise, the special order requires another type of material for different cover, which resulted in 20% addition in material cost. Besides that, due to constraints on direct labor hour requirement, the company has to allocate additional 3 hours for overtime for the exceeded units. If the special order accepted, Purify Water Sdn Bhd has no intention to cut down regular sales but is willing to pay the direct labour at a rate of 70% higher than the normal rate per unit for the exceeded units. It is also agreed that the buyer will have to bear the transportation and insurance costs of RM1,500.

In addition, Purify Water Sdn Bhd will hire a temporary assistant to entertain for this special order at a cost RM1800 and no sales commission will be incurred for this order

REQUIRED:

- Calculate the opportunity cost. (4 marks)
- Determine the incremental profit/loss of Purify Water Sdn Bhd if the company accepts the offer from Shine Water Enterprise (12marks)
- Based on the calculation in b (i) above, should the company accept or reject the order from Shine Water Enterprise? (2 marks)

[18 MARKS]

QUESTION 5

Dippinglicious Sdn Bhd (DSB) distributes sauce in three different areas; Kota Tinggi, Kulai and Mersing. Recently, the Mersing area has consistently suffered losses. As a result, the DSB board of directors has asked you, as a newly appointed management accountant, whether Mersing area should be continued or closed down. The following is the Profit or Loss for the month of June 2022:

	<u>Kota Tinggi</u> (RM)	<u>Kulai</u> (RM)	<u>Mersing</u> (RM)
Direct material	15,625	12,500	8,750
Direct labour	14,375	11,500	8,050
Production overhead	56,250	45,000	31,500
Managers' salary	7,000	6,000	6,700
Admin staff' salary	10,000	10,000	12,000
General expenses	7,500	6,000	4,200
Miscellaneous expenses	4,750	4,000	3,100
Utilities	1,250	1,000	700
General advertising	6,250	5,000	3,500
Specific advertising	2,500	2,800	2,900
Selling and Distribution	11,250	9,000	6,300
Profit / Loss	19,500	12,200	(200)
Sales unit	12,500	10,000	7,000

Additional information:

- i) The selling price per unit is RM12.50.
- ii) The variable production is 50% of the fixed production overhead. If Mersing area is closed down, 40% of its fixed production overhead could be avoided. While, the balance will be absorbed by Kota Tinggi and Kulai area by 60% and 40% respectively.
- iii) The manager of Mersing area will be transfer to Kota Tinggi area with the same salary. While, all staffs at Mersing area will be laid off with redundancy payment of RM12,000.
- iv) General expenses and general advertising are allocated on the basis of sales revenues.
- v) Out of total miscellaneous expenses, RM3,000 which is allocated equally to all areas is considered as fixed cost and unavoidable. If Mersing area discontinue, its fixed cost will be absorbed by Kota Tinggi (75%) and Kulai (25%). Meanwhile, the fixed miscellaneous expenses of both Kota Tinggi and Kulai area will increase by 15% and 10% respectively due to increase in its sales units by 25% and 15% when the Mersing area is closed down.

- vi) Out of total Selling and Distribution overhead, RM11,800 is considered as fixed cost which is allocated based on sales revenue.

REQUIRED:

- a) Calculate the total avoidable costs if DSB discontinues in Mersing area.
(4 marks)
- b) Assess the decision of discontinuation by preparing a Revised Income Statement for the month ended 30 June 2022 using Marginal Costing approach.
(10 marks)
- c) Based on your assessment in part (b) above, recommend to the management of DSB whether to continue or to discontinue in Mersing area.
(2 marks)
- (All calculations must be made of two decimal points)
- d) Give FOUR (4) qualitative factor add or delete short term decision making.
(4 marks)

[20 MARKS]**[TOTAL : 100 MARKS]****END OF QUESTION PAPER**