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FINAL EXAMINATION

COURSE NAME : MANAGEMENT ACCOUNTING 2
COURSE CODE : DAC2043
EXAMINATION : JUNE 2023
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 Answering Booklet

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

This examination paper consists of 10 printed pages including front page



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

Answer ALL questions in the Answering Booklet.

QUESTION 1

SweetBelle Cosmetic Sdn Bhd is a manufacturing company located in Ipoh, Perak. The company produces a revitalizing nourishing creams. It is a safe and effective product of the highest quality, created to satisfy the beauty requirements of women of any age and skin colour. At the end of this year, Bella, the founder of SweetBelle Cosmetic Sdn Bhd, plans to expand the target market to a few Asian countries. She therefore asks the accountant to prepare the company's cash budget for the fourth quarter of 2023. She believes that with the information then, she will be able to make the best decision. The following information is available:

1. Budgeted sales revenues, production units, material costs, and labour costs are as follows:

Particulars	JUL	AUG	SEP	OCT	NOV	DEC
Sales (RM)	148,000	150,000	160,000	180,000	200,000	260,000
Direct material costs (RM)	68,500	71,250	76,150	85,450	88,800	89,150
Direct labour costs (RM)	16,500	17,500	18,500	19,500	20,500	21,500
Variable overheads (RM)	15,240	13,560	14,040	15,360	16,080	18,240

2. The payment for the material purchases is as follows:
 - 60% paid in the month of purchase.
 - The remaining balance will be paid one month after purchase.
3. The collection of the monthly sales is as follows:
 - 10% of the sales are cash sales.
 - All credit sales are collected one month after sales.

4. Variable overhead is paid in the month incurred.
5. The monthly fixed overhead is RM20,000 and is paid as it is incurred. The fixed overhead costs include monthly depreciation of the cosmetic mixer machine and bottle filling machine, amounting to RM2,400 and RM1,800, respectively.
6. The company plans to purchase a new motor van costing RM100,800 in December, with payment over seven (7) years in equal monthly installment. The company agrees to make the first installment payment starting December 2023.
7. The company will receive interest on a fixed deposit amounting to RM25,500, which will be paid in three (3) equal installments starting from November 2023.
8. Direct labour costs are paid as it is incurred.
9. The closing cash balance for the third quarter is an overdraft of RM14,500.

REQUIRED:

Prepare a cash budget for SweetBelle Cosmetic Sdn Bhd for the fourth quarter of 2023.

(20 marks)

[20 MARKS]

QUESTION 2

SmartIdea Enterprise produces a type of toddler toys call SMART WOODEN. The management of the company has established the following standards for SMART WOODEN for the month of December 2022:

Selling price per unit	RM5.00
Material price per kg	RM1.20
Labour rate per hour	RM3.00
Variable overhead per unit	RM1.00
Fixed overhead per unit	RM1.40
Material usage per unit	0.5 kg
Labour hour per unit	0.5 hour

Variable overhead is absorbed based on direct labour hour while fixed overhead is absorbed based on the number of units produced.

The actual productions and sales for the month were 5,500 units of SMART WOODEN against a budget of 5,000 units to be produced and sold. The details of the actual operation are as follows:

Sales revenue	RM25,850
Material purchased	RM3,250
Material purchased and used	2,500 kg
Labour cost	RM8,000
Labour hours	2,500 hours
Variable overhead	RM6,000
Fixed overhead	RM7,500

REQUIRED:

- a) Prepare a standard cost card for one unit of SMART WOODEN.

(4 marks)

- b) 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 volume variance
 - v. Sales margin price variances
 - vi. Sales margin volume variances

(14 marks)

[18 MARKS]**QUESTION 3**

Candy Crush Sdn Bhd is a supplier of halal food that specialises in manufacturing and trading of confectionery. The company produces candy canes which is one of its highly demanded products. The company supplies the candy canes in boxes that contain 6 sticks of the candy canes per box. Given below is the information to produce one box of candy canes:

	RM
Direct material: Granulated sugar (30 g)	2.25
Light corn syrup (1 bottle)	1.50
Peppermint extracts (5 ml)	0.15
Direct Labour	1.50
Production overhead	2.00
Total cost	7.40

A quarter of the production overhead cost is fixed in nature with an annual production of 6,000 boxes.

Currently, the company purchases one of the main ingredients, which is the light corn syrup, from outside supplier. The supplier has notified Sweet Sugar Crush Sdn Bhd that they must increase the price of the light corn syrup by 180%.

The management accountant of Sweet Sugar Crush Sdn Bhd proposes that the company makes its own light corn syrup and below is the information in making one bottle of the light corn syrup:

	RM
Direct material: Corn kernels	0.50
Sugar	0.35
Vanilla extracts	0.05
Direct Labour	0.13
Production overhead (50% is variable)	0.60
Total cost	1.63

In order to make the light corn syrup, Sweet Sugar Crush Sdn Bhd needs to purchase a special refrigerator and a liquid packaging pouch to store it. Each will cost RM4,800 and RM6,600 respectively.

The production manager of Sweet Sugar Crush Sdn Bhd informs that if the company makes its own light corn syrup, the company has to use the same workers that currently are producing another product called lollipop. The lollipop production line has to be reduced by 900 boxes in order to make the required light corn syrup. The selling price per box and the variable cost per box of the lollipop are RM1.50 and RM0.30 respectively.

REQUIRED:

- a) Calculate the opportunity cost if Sweet Sugar Crush Sdn Bhd decides to make its own light corn syrup.

(4 marks)

- b) Compute the relevant cost of making and the relevant cost of buying the light corn syrup.

(14 marks)

- a) Based on your computation in part (b) (i) above, advise the management of Sweet Sugar Crush Sdn Bhd whether the company should make its own light corn syrup or continue buying the light corn syrup.

(2 marks)

[20 MARKS]

QUESTION 4

FlashGB Sdn Bhd produces and sells mobile modem products known as ThinFlash. This product is being sold at RM280 per unit. The company normally producing 2,200 units of ThinFlash per month which is at 80% of its maximum capacity. The costs per unit of ThinFlash are as follows:

	<u>RM</u>
Direct material:	80
Direct labour	55
Production overhead (75% fixed in nature)	40
Selling overhead (70% fixed in nature)	25
Administration Overhead	<u>10</u>

Production and selling overhead are semi-variable costs.

The company received an offer from LightSpeed Enterprise offers to supply 700 ThinFlash in bulk with the offer price of RM240

Required:

- a) Calculate the total opportunity cost if FlashGB Sdn Bhd sacrifices the regular sales to accept the order from LightSpeed Enterprise.
- (3 marks)
- b) Compute the incremental profit or loss from the special order for the following independent situations

Situation 1

FlashGB Sdn Bhd must cut down regular sales if there is shortage in capacity to accept the order

Situation 2

FlashGB Sdn Bhd has no intention to cut down regular sales but is willing to pay the direct labour at a rate of 150% higher than the normal rate per unit for the exceeded units and to incur additional 15% and 20% respectively of the fixed production overhead cost and fixed administration overhead cost to entertain the order.

(12 marks)

- c) Suggest to the management of Softel Sdn Bhd whether to accept or to reject the offer from Alcat Enterprise

(2 marks)

[18 MARKS]**QUESTION 5**

House World Sdn Bhd produces three types of indoor furniture. Below is the Statement of Profit or Loss for the quarter ended 31 December 2022:

	Console Table RM	Shoe Storage Bench RM	4-Tier Cabinet RM
Sales	208,800	278,500	230,000
Less: Manufacturing costs			
Direct materials	48,000	125,000	108,000
Direct wages	26,400	74,900	42,000
Variable manufacturing overhead	17,200	17,500	23,400
Fixed manufacturing overhead	41,000	34,700	11,470
Less: Non-manufacturing costs			
Administrative overhead	15,000	27,000	9,600
Variable selling and distribution overhead	10,500	19,495	17,600
Fixed selling and distribution overhead	11,880	5,440	2,700
Net profit/(loss)	38,820	(25,535)	15,230

The managing director of House World Sdn Bhd has raised his concern regarding the performance of the company and he plans to eliminate the production of Shoe Storage

Bench. He discusses the matter with the marketing manager who then estimates the following changes if the respective production line is eliminated:

- i. The production and sales of Console Table and 4-Tier Cabinet will increase by 6% and 9% respectively.
- ii. Administrative overhead cost represents the salary of administrative employees. If the production line of Shoe Storage Bench, two-thirds of the employees will need to be dismissed and the company has to pay a total of RM45,000 as compensation. The remaining employees will be relocated as administrative staff to the Console Table.
- iii. Three quarters of the fixed manufacturing overhead cost of Shoe Storage Bench represents the depreciation expense of machines used in that production line. None of those machines can be sold. The remainder is avoidable cost.
- iv. One quarter of fixed selling and distribution overhead cost of Shoe Storage Bench is unavoidable. The amount will be borne equally by the remaining production lines.
- v. It is estimated that the company will earn additional income of RM400 per month by renting out the area that is currently used to produce Shoe Storage Bench.

REQUIRED:

- a) Prepare the Revised Statement of Profit or Loss for the quarter ended 31 December 2022 by using marginal costing approach if the production of Shoe Storage Bench is eliminated (Round up the figure to the nearest RM).

(21 marks)

- b) Based on your answer in part (b) (i) above, suggest to the managing director of House World Sdn Bhd whether the production of Shoe Storage Bench should be eliminated or not.

(3 marks)

[24 MARKS]

[TOTAL : 100 MARKS]

END OF QUESTION PAPER

