



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION
JANUARY 2016 SEMESTER

SUBJECT CODE : EAB10603
SUBJECT TITLE : MANAGEMENT ACCOUNTING 1
LEVEL : BACHELOR
TIME / DURATION : 9:00AM – 12:00PM / 3 HOURS
DATE : 30TH MAY 2016

INSTRUCTIONS TO CANDIDATES

1. Please read the instructions given in the question paper CAREFULLY.
2. This question paper is printed on both sides of the paper.
3. This question paper consists of **TWO (2)** sections; Section A and Section B.
4. Answer **ALL** questions.
5. Please write your answers in the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE FOUR (4) PAGES OF QUESTIONS EXCLUDING THIS PAGE.

SECTION A (Total: 50 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Terra Energy Consultants Bhd offers two primary services, training on entrepreneurial skills and Islamic Finance consultations. The partners of the center have recently directed his accountant to implement the activity-based costing system to analyse and compare which of the two services is contributing the greater amount to the profit of the firm. The area of contention is the assignment of overhead. Traditionally, the basis for assigning overhead is 40 percent of the direct labor costs.

The following overhead data are collected to develop the comparison for the month of September 2015.

Activity Costs Pools	Costs Drivers	Estimated Overhead (RM)	Expected Use of Cost Drivers (RM)	Expected Use of Cost Drivers per Services (RM)	
				Entrepreneurial	Islamic Finance
HR training	Direct labor	316,000	2,375,000	1,451,400	923,600
Secretarial	Number of reports/forms	76,200	2,500	800	1,700
Computing	Number of minutes	234,000	60,000	27,000	33,000
Facility rental	Number of participants	242,500	60	22	38
Travel	Per expense reports	87,300	Direct	56,000	25,300
TOTAL		RM950,000			

Required

- i. Using the traditional product costing, compute the total overhead cost assigned to both services of the firm. (4 marks)
- ii. Using activity-based costing, prepare a schedule showing the computations of the activity-based overhead rates (per cost driver). (6 marks)

- iii. Prepare a schedule assigning each activity's overhead cost pool to each service based on the use of the cost drivers. (14 marks)
- iv. Comment on the comparative overhead cost for the two services under both traditional costing and ABC. Provide **THREE (3)** advantages of using activity based costing (6 marks)

Total: 30 marks

Question 2

A. Chang Lee Sdn Bhd is a wholesale distribution firm which has provided you with the following information from stores in relation to one of their product line:

Date	Details	Unit	Unit Price (RM)
01/03/15	Begging inventory	250	8.00
08/03/15	Delivery from Manufacturer	500	10.00
12/03/15	Delivery from Manufacturer	100	11.20
17/03/15	Issued to sales	400	
25/03/15	Delivery from Manufacturer	300	11.50
27/03/15	Issued to sales	250	

Sales of 650 units @ RM20 per item are recorded for the month.

Required:

Calculate the gross profit for the month of March 2015 using each of the following methods of inventory valuation:

- i. FIFO (7 marks)
- ii. LIFO (7 marks)

B. A company manufactures a product from a raw material, which is purchased at RM54 per kg. The company incurs a handling cost of RM350 plus freight of RM400 per order. The incremental carrying cost of inventory of raw material is RM0.50 per kg per month. In addition, the cost of working capital finance on the investment in inventory of raw material is RM8 per kg per annum. The annual production of the product is 94,500 units and 2 units are obtained from one kg of raw material. Lead time is 2 days and annual business days are 250 days.

Required:

- i. Calculate the economic order quantity of raw materials. (3 marks)
- ii. Calculate the reorder point of raw materials. (3 marks)

Total: 20 marks

SECTION B (Total: 50 marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

The ledger of Aramco Company has the following work in process

1/3/2015	Balance	3,680
31/3	Material	6,600
31/3	Labor	2,400
31/3	Overhead	1,150

Production records show that there were 800 units in the beginning inventory, 30% complete, 1100 units started, and 1,500 units transferred out. The units in ending inventory were 40% complete. Materials are entered at the beginning of the painting process. Aramco uses the FIFO methods to compute the equivalent units.

Required:

- i. Determine the inventory of unit in process at March 31 (4 marks)
- ii. Compute the cost per unit for March's production. (7 marks)
- iii. Compute the conversion cost per unit for March's production. (7 marks)
- iv. Compute the total costs for production started in February and completed in March? (3 marks)
- v. Compute the total cost of units started and finished in March. (2 marks)
- vi. Compute the cost of the March 31 inventory (3 marks)
- vii. Explain briefly FOUR (4) features of process cost system. (4 marks)

Total: 30 marks

Question 2

- A. Atad Chemicals produces four products from a joint process costing RM150,000 per month. After leaving the joint process, the products must be further refined before they are salable. You have been provided with the following information:

Product	Volume	Further processing costs	Selling price @ unit
A	15,000	350,000	80
B	25,000	400,000	40
C	10,000	100,000	22
D	50,000	250,000	10

Required:

- Allocate the joint costs using the physical unit's method. (6 marks)
- Allocate the joint costs using the net realizable value method. (40 marks)
- Define the terms joint costs and split-off point. (4 marks)

Total: 20 marks**END OF QUESTION PAPER**

