CONFIDENTIAL

UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
MARCH 2024 SEMESTER

COURSE CODE	:	EAB31003
COURSE NAME	:	MANAGEMENT ACCOUNTING 3
PROGRAMME NAME	:	BACHELOR IN ACCOUNTING (HONS)
DATE	:	5 JULY 2024
TIME	:	9.00 AM – 12.00 PM
DURATION	:	3 HOURS

INSTRUCTIONS TO CANDIDATES

1. **Please CAREFULLY read the instructions given in the question paper.**
2. **This question paper has information printed on both sides of the paper.**
3. This question paper consists of **FOUR (4)** questions.
4. Answer **ALL** questions.
5. Please write your answers on 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 FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

TOTAL: 100 Marks
INSTRUCTION: Answer ALL questions.
Please use the answer booklet provided.

Question 1

Your company is developing a new product for the water filter industry. You have discussed with several suppliers about the possibility of supplying quality component for this new product. The product designer is satisfied with the capability of the company to produce the product using existing facilities. A research has also been conducted with prospective customers and most have expressed their willingness to purchase the product if the price is reasonable.

Required:

Describe the **FIVE (5)** steps of benchmarking for the development and production of this new product.

(10 marks)

Question 2

Smart Digital Berhad (SDB) has several autonomous divisions. However, only two divisions, Sepang Division and Bangi Division are involved in the internal transfer of products.

Sepang Division manufactures and sells lithium battery for digital products. The market price and the variable costs are RM200 per unit and RM100 per unit respectively. The division sells to external customers 50% of the monthly capacity which is 10,000 units.

Bangi Division uses one unit of lithium battery to produce one unit of its final product, scale machine. Other variable cost is RM120 per unit. Bangi Division is selling 5,000 units of its product per month at RM420 per unit.

Currently, transfer price is based on the market price. The manager of Bangi Division is not satisfied with this price and proposes that the transfer price to be set at variable cost plus 20% mark-up. Meanwhile, an external supplier, Alibibi Sdn. Bhd. has offered Bangi Division to supply 5,000 units of lithium battery at the price of RM180 per unit.

Required:

Evaluate and advise the management of each division and SDB on the following proposals:

Proposal 1:	Sepang Division to transfer lithium battery at current price.
Proposal 2:	Sepang Division to transfer lithium battery at variable cost plus markup.
Proposal 3:	Bangi Division to purchase lithium battery from Alibibi Sdn. Bhd.

(18 marks)

Question 3

You are a graduate with a Bachelor in Accounting (Hons) from Universiti Kuala Lumpur Business School and have a five-year working experience as an assistant management accountant in a medium-sized manufacturing company. You have just passed and completed the ACCA programme and look forward to serve a bigger company for your career advancement. Today, you have an interview at Jasmine Confectionery Berhad (JCB), a well-known fruit candy manufacturer in South East Asia. During the interview session, one of the panels has asked you about the corporate failure; how to predict and prevent the occurrence of corporate failure and also the current development and emerging issues in performance management specifically regarding the four factors that drive the changing roles of management accountants in today's business environment.

Two weeks after the interview session, you have received a call from the human resource manager of JCB. Your interview has been successful and they have offered you a position as a management accountant. However, during the six-month probation period and before the confirmation of the position, you have been assigned to lead and monitor several departments and give your opinion and advice to the department manager relating to management accounting matters.

During the first and second months, you are required to be at the purchasing department. The department manager, Mr Sunny, needs your help on the management of stocks and materials. He needs your advice on how to determine whether to purchase larger quantities of materials in order to take advantage of quantity discounts.

JCB currently orders 2000 kg of raw cane sugar at a time at a price of RM30 per kg. It uses 24,000 kg of raw cane sugar per year and the usage occurs evenly throughout the year. The fixed cost per order is RM400 and the holding cost is 16% of the purchase price per annum. The current annual total stock costs are RM732,000, being the total of purchasing, ordering and holding costs of raw cane sugar. Mr Sunny seeks your advice whether or not to use the Economic Order Quantity (EOQ) method in order to establish an optimal reorder quantity. Besides helping Mr Sunny and his team to determine the EOQ for the purchase of raw cane sugar, you are also requested by Mr Sunny to explain to them the importance of Just-in-Time (JIT) system in purchasing the raw materials.

Required:

(a) Briefly state what you should have explained to the panel of interviewers during the interview session on the following matters:

i. How to predict and prevent corporate failure.

(8 marks)

ii. Four factors that drive the changes in the role of management accountant in today's business environment.

(8 marks)

(b) Advise Mr Sunny and his team accordingly regarding his enquiries on the following matters:

i. How to determine whether to purchase larger quantities of materials in order to take advantage of quantity discounts.

(6 marks)

ii. How to determine the Economic Order Quantity (EOQ) for the purchase of raw cane sugar in order to establish an optimal reorder quantity and compare the revised stock costs with the current annual stock costs to know whether there is any savings.

(12 marks)

iii. The importance of Just-In-Time (JIT) purchasing of the raw materials.

(6 marks)

(40 marks)

Question 4

You have just been appointed as an assistant management accountant of Johan Food and Confectionery Sdn. Bhd. (JFC) and assigned to look after its operation and production department where Mr Budiman is the department manager. You realised that there are two major problems regarding the operation and production of the company. One of the problems relates to the selling price of the fruit candy set by JFC. You have discovered that the selling price is higher than JFC's closest competitor due to its higher production costs. The second problem relates to excessive costs associated with the prevention, identification, repair and rectification of poor quality, as well as opportunity costs from lost production and lost sales as a result of poor quality. These costs should have been avoided in total or at least minimised to maintain good quality in its production process.

After six months of your probation period, you have been assigned to work at the investment department. The manager, Miss Intan needs your help to explain the following situation to her new staff, Miss Melur regarding the opportunity to make an investment. There are four departments in JFC which are evaluated based on the change in return on investment (ROI). Income related information for one of the departments, that is the Lolly Candy Department is as follows:

Johan Food and Confectionery Sdn. Bhd. – Lolly Candy Department Income Statement (Extract) For the Year Ended 31 December 2023	
	RM
Sales	5,000,000
Less: Variable expenses	(2,500,000)
Contribution margin	2,500,000
Less: Fixed expenses	1,800,000
Net operating income	700,000

At present, the average operating assets of Lolly Candy Department is RM3,600,000. The Lolly Candy Department has the opportunity to make an investment of RM600,000. Related new investment data is shown as follows:

Sales	RM1,600,000
Variable expenses	60% of sales
Fixed expenses	RM600,000
Increase in current liabilities	RM60,000

Required:

(a) Explain to Mr Budiman and his team in the operation and production department **THREE (3)** of each of the following:

i. Possible benefits of target costing.

(6 marks)

ii. Techniques that can be employed for cost reduction.

(6 marks)

iii. Benefits of cost of quality approach that JFC should implement to improve the quality of its products.

(6 marks)

(b) Explain and show the calculation to Miss Melur how to determine the effect on return on investment (ROI) should Lolly Candy Department continue with the investment opportunity.

(8 marks)

(c) If the four departments in JFC are evaluated based on the change in economic value added (EVA) instead of return on investment (ROI), should the new investment opportunity be made by Lolly Candy Department with an assumption that weighted average of capital cost is 8% and the tax rate is 30%? Explain and show the calculation to Miss Melur.

(6 marks)

(32 marks)

END OF EXAMINATION PAPER