UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL

FINAL EXAMINATION
FEBRUARY 2024 SEMESTER

COURSE CODE	**: KFP08104**
COURSE NAME	**: INTRODUCTION TO MANAGEMENT ACCOUNTING**
PROGRAMME NAME	**: FOUNDATION IN BUSINESS**
DATE	**: 25 JUNE 2024**
TIME	**: 09.00 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 **THREE (3)** sections. **Section A, Section B and Section C.**
4. Answer **ALL** questions in **Section A, Section B and Section C**.
5. Please write your answers on the OMR answer script and 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.**
8. **Formula has been appended for your reference.**

THERE ARE EIGHT (8) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 20 marks)

INSTRUCTION: Answer ALL questions.
Please use the objective answer sheet provided.

1. Which of the following would use a process costing system rather than a job order costing system?
   A. A health-care service provider
   B. A music production studio
   C. A paint manufacturer
   D. A home remodeling contracting company

2. Which of the following businesses is most likely to use a process costing system?
   A. A baker producing cakes to order
   B. A legal service provider
   C. An audit service provider
   D. A candy manufacturer

3. Which of the following statements is true of absorption costing?
   A. It considers variable selling and administrative costs as product costs.
   B. It considers fixed selling and administrative costs as product costs.
   C. It considers fixed manufacturing overhead costs as product costs.
   D. It considers variable manufacturing overhead costs as period costs.

4. A company makes a single product and incurs fixed costs of RM12,000 per month. The variable cost per unit is RM 2 and each unit sells for RM 6. The monthly sales demand is 7,000 units. The breakeven point in terms of monthly sales units is:
   A. 2,000 units B. 3,000 units
   C. 4,000 units D. 6,000 units

5. Manager use cost-volume-profit (CVP) analysis to _____.
   A. forecast the cost of capital for a given period of time
   B. to study the behavior of and relationship among the elements such as total revenues, total costs, and income
   C. estimate the risks associated with a given job
   D. analyse a firm's profitability and help to decide wealth distribution among its stakeholders

6. The contribution-margin format is used for _____.
   A. Variable costing income statement
   B. Job-order costing income statement
   C. Absorption costing income statement
   D. Mixed costing income statement

7. Contribution margin is calculated by deducting _____ from sales revenue.
   A. Total product costs
   B. Total selling and administrative costs
   C. Total fixed costs
   D. Total variable costs

8. Which of the following is a feature of job costing?
   A. Associated with the continuous production of large volumes of low-cost items
   B. Establishes the costs of services rendered
   C. Production is carried out in accordance with the wishes of the customer
   D. Costs are aggregated and divided by units produced

9. Classifying costs based on how they respond to changes in activity is known as classification by:
   A. Function B. Behaviour
   C. Type D. Trend

10. One possible means of determining the difference between operating incomes for absorption costing and variable costing is by _____.
    A. subtracting sales of the previous period from sales of this period
    B. subtracting fixed manufacturing overhead in beginning inventory from fixed manufacturing overhead in ending inventory
    C. multiplying the number of units produced by the budgeted fixed manufacturing cost rate
    D. adding fixed manufacturing costs to the production-volume variance

SECTION B (Total: 50 Marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Qudrat Manufacturing has the following data for the year ended 31st May 2024:

Selling price	RM 40 per unit
Variable manufacturing costs	RM 22 per unit
Variable selling costs	RM 6 per unit
Fixed factory overheads	RM 1,080,000 per year
Fixed selling costs	RM 504,000 per year

Required:

(a) Calculate the company's break-even point in unit and value.

(8 marks)

(b) The sales units that must be sold if the owners decided to earn a net income of 10% of sales.

(6 marks)

(c) The number of units the company needs to sell in order to achieve a target net profit of RM120,000.

(6 marks)

(d) Briefly explain the assumptions of the break-even analysis.

(4 marks)

(25 marks)

Question 2

Makmur Sdn Bhd (MSB) manufactures and sells a single product, ABC. MSB produce 950 units and their sales are at 900 units.

	RM
Selling price per unit	1,100
Variable costs per unit:	
- Direct Materials	450
- Direct Labour	200
- Manufacturing Overheads	150

Fixed overheads were as follows:

Fixed overheads:	Budgeted
- General and administration overheads	36,000
- Manufacturing overheads	90,000
- Selling and distribution overheads	45,000

Budgeted production for the month was 1,000 units. There were no opening stocks as at 1st March 2024.

Required:

Prepare a Statement of Comprehensive Income for the year ended 31st March 2024 using the following methods *(round up your answer to the nearest decimal places)*

(a) Absorption Costing

(10 marks)

(b) Marginal Costing

(10 marks)

(c) Contrast **FIVE (5)** differences between absorption costing and marginal costing.

(5 marks)

(25 marks)

SECTION C (Total: 30 Marks)

INSTRUCTION: Answer ALL questions.

Please use the answer booklet provided.

Question 1

Azri runs a small factory in Bukit Mertajam producing banana chips. He sells 10,000 packets in January and 15,000 packet in February at RM5.00 per packet. For production, the factory desires to have an ending inventory equal to 20% of the next month's sales. March sales are expected to be 20,000 units.

Raw material required is 2 kg of bananas per packet at RM1.30 per kg. The factory desires the ending balance in Raw Materials Inventory to be 20% of the next month's direct materials needed for production. Closing stock in February Raw Materials Inventory are 4,860 kg. The labour rate is RM3.00 per hour and each packet of banana chips takes 0.25 hours to make. Manufaturing overheads are charged at RM0.80 per packet.

The following stock level are maintained:

	Opening stock
Raw materials	4,800 kg
Banana chips	1,280 packets

Required:

(a) You are required to calculate:

(i) Sales budget (5 marks)

(ii) Production budget (6 marks)

(iii) Raw materials budget (11 marks)

(iv) Direct labour budget (4 marks)

(b) Discuss **TWO (2)** financial and management accounting differences. (4 marks)

END OF QUESTION PAPER

Formula Sheet

Marginal & Absorption costing

Contribution per unit = Selling price – Variable costs per unit

Contribution (total) = Sales – Total variable costs

Cost Volume Profit relationship and Break Even Analysis

Break even point (in units)	=	Fixed Costs / Contribution per unit
Break even point (in $ sales)	=	Fixed Costs / C/S Ratio or P/V ratio
C/S Ratio or P/V ratio	=	Contribution / Sales = Contribution / Selling Price
Target Sales	=	Fixed Costs + Target Profit / Contribution per unit or C/S Ratio.
Profit	=	Margin of safety x C/S ratio

Standard Costing and Variance Analysis

Material price variance	=	(Actual Price – Standard Price) Actual Quantity (use purchase quantity if it is given)
Material Usage variance	=	(Actual Quantity used – Standard Quantity of actual production) Standard Price
Material Cost variance variance	=	Material Price Variance + Material usage
Material Mix variance	=	(Actual Mix – Standard Mix) Standard Price
Material Yield variance	=	(Actual Output – Standard Output) Standard Cost of Output
Labour rate variance	=	(Actual rate – Standard rate) actual hours paid
Labour efficiency variance	=	(Actual hours worked – Standard hours of actual production) standard rate
Labour idle variance	=	Idle time x standard rate
Labour cost variance	=	Labour rate variance + labour efficiency variance + Idle variance

Variable Overhead:

Expenditure Variance worked	=	*(Actual rate – Standard rate) Actual hours*
Efficiency variance	=	(Actual hours worked – standard hours of actual production) standard rate
Cost variance	=	Expenditure variance + Efficiency variance

Fixed Overhead:

Expenditure Variance	=	(Actual expenditure – Budgeted expenditure)
Volume variance	=	(Budgeted hours – standard hours of actual production) standard rate
Cost variance	=	Expenditure variance + Volume variance
Capacity variance	=	(Budgeted hours – Actual hours) standard rate
Efficiency (Productivity) Variance	=	(actual hours – standard hours of actual production) standard rate
Volume variance	=	Capacity variance + efficiency variance

Sales Variances:

Price variance	=	(Actual Price – Standard Price) Actual Quantity
Sales volume variance: Sales value method	=	(Actual Quantity – Budgeted Quantity) Standard Selling price
Sales Margin method	=	(Actual Quantity – Budgeted Quantity)Standard Price

Under the standard marginal costing techniques:

(a) No volume variance under fixed overhead

(b) Sales margin volume variance = (actual quantity – Budgeted Quantity) standard contribution