



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
OCTOBER 2024 SEMESTER**

COURSE CODE : EAB31003
COURSE NAME : MANAGEMENT ACCOUNTING 3
PROGRAMME NAME : BACHELOR IN ACCOUNTING (HONS)
DATE : 12 FEBRUARY 2025
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 **FIVE (5) 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**

FreshFoods Bhd. (FF) is a local company, located in Temerloh, Pahang, since 20 years ago. FF produces and distributes tropical fresh fruit juices, under the brand name 'A-Fruits'. They source fruits from local farmers, process them in their own facilities, package the juice, and distribute it to supermarkets and independent retailers. The company faces increasing pressure from competitors offering lower-priced alternatives and private label brands. For strategic analysis purposes, FF adopts 'Porter's Value Chain' framework that provides its primary and support activities.

The following information has been provided:

	RM
Cost of fruit per litre of juice	1.50
Processing costs per litre	0.75
Packaging costs per litre	0.50
Distribution Costs per litre	0.25
Marketing & sales costs per litre	0.30
Current selling price per litre	4.00

Required:

- (a) Evaluate the current profit margin per litre. (5 marks)
- (b) Assess the new profit margin per litre, if FreshFoods Bhd. (FF) could negotiate fruit costs down by 10% and reduce processing costs by 5% through efficiency improvements. (5 marks)
- (c) Discuss Porter's Value Chain framework and its primary activities, as a supportive tool for strategic analysis. (5 marks)
- (d) Discuss the limitations and challenges associated with using Value Chain Analysis. (5 marks)

[20 marks]

Question 2

D&D Assembly Company produces accessories for personal desktops and electronic notebooks. The management is considering a proposal from the production department for a new production line which requires an initial investment of RM18 million. This would mean that the factory workforce will be reduced by 50% of current capacity and a smaller factory space will be needed to accommodate for the change. It is expected that the investment will generate the following net cash flows over its 10-year life:

Year	RM million
1	4.5
2	6.5
3	8.5
4	10.5
5	12.5

The company's current cost of capital is 10%. The discount factors given are as follows:

Year	10%
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

Accuracy of projections remains one of the main challenges when estimating future cash flows. As these projections depend on market conditions, production efficiency, and sales volumes, as well as other resources, the outcome will be uncertain and subject to change. Is the company ready for this?

Required:

- (a) Determine the Net Present Value (NPV) of the investment and recommend if the machine is worth investing. (8 marks)
- (b) Evaluate the payback period of the investment and comment on the results. (2 marks)

- (c) Explain the difference between Internal Rate of Return (IRR) and Net Present Value when considering an investment.

(5 marks)

- (d) Discuss **TWO (2)** qualitative factors that should be considered if the company wants to proceed with the investment. Justify your answer.

(5 marks)

[20 marks]**Question 3**

Aerial Division is part of a multinational company named TREND Manufacturers. Aerial Division manufactures a component that is used by Branson Division to produce a final product. Aerial Division has the following cost structure:

Items	Value
Variable cost per unit:	RM10
Fixed costs (Total)	RM500,000
Capacity	100,000 units

Aerial Division can sell the component in the external market for RM25 per unit. Branson Division needs 50,000 units of the component. Branson can also purchase the component from an external supplier for RM24 per unit.

Required:

- (a) Determine the transfer price under the following methods:
- Cost-based transfer price (at variable cost).
 - Market-based transfer price.
 - Negotiated transfer price (assume the two divisions agree on a price that gives each division an equal share of the potential profit from internal transfer relative to the external option).

(8 marks)

- (b) Calculate the profit for each division and the company as a whole under each transfer pricing method.

(7 marks)

- (c) Discuss the potential benefits and drawbacks of using market-based and cost-based transfer pricing methods in decentralised organizations.

(3 marks)

- (d) Assess the impact of transfer pricing policies on divisional performance evaluation, managerial motivation, and overall organizational goal congruence in a decentralised setting.

(2 marks)

[20 marks]

Question 4

Tech-M manufactures consumer electronic devices. They have experienced declining profitability and increasing liquidity issues in recent years. Given below is a summary of the company's financial results (in RM000s):

Year	Revenue	Cost of Goods Sold	Operating Profit	Current Assets	Current Liabilities	Total Assets
2021	10,000	6,000	2,000	4,000	2,000	8,000
2022	9,000	5,500	1,500	3,500	2,500	7,500
2023	8,000	5,000	1,000	3,000	3,000	7,000

Required:

- (a) Evaluate the performance of Tech-M using the following ratios:

- (i) Current Ratio
- (ii) Quick Ratio (assuming inventory is RM1,000,000 each year)
- (iii) Gross Profit Margin
- (iv) Operating Profit Margin

(12 marks)

- (b) Comment on the performance of Tech-M as indicated by the ratios in (a) above.

(4 marks)

- (c) Discuss how the observed ratios in (a) above could be linked to corporate failure that can lead to insolvency.

(4 marks)

[20 marks]

Question 5

Big-Start, a multinational company in Malaysia, recently adopted Environmental-Social-Governance (ESG) practices and emerging technologies in its operations. The company now uses cloud-based systems to monitor real-time environmental data, track supplier sustainability metrics, and analyse customer feedback.

The management accountant's role has expanded to include:

- Collecting and analysing ESG performance data.
- Reporting on carbon footprints and social impact.
- Utilising predictive analytics for sustainable decision-making.

Despite these advancements, challenges remain. Management accountants face resistance by the human resources to adopt new practices, and the company struggles with the initial costs of implementing ESG-compliant technologies.

Required:

- (a) Discuss how the role of management accountants is evolving with the inclusion of ESG and emerging technologies.

(8 marks)

- (b) Explain **TWO (2)** potential benefits and **TWO (2)** challenges Big-Start may face in integrating ESG and emerging technologies into management accounting.

(8 marks)

- (c) Recommend **TWO (2)** strategies to overcome the challenges highlighted in (b) above.

(4 marks)

[20 marks]

END OF EXAMINATION PAPER