



**UNIVERSITI KUALA LUMPUR  
BUSINESS SCHOOL**

**FINAL EXAMINATION  
OCTOBER 2025 SEMESTER**

<b>COURSE CODE</b>	<b>EAB31003</b>
<b>COURSE NAME</b>	<b>MANAGEMENT ACCOUNTING 3</b>
<b>PROGRAMME NAME</b>	<b>BACHELOR IN ACCOUNTING (HONS)</b>
<b>DATE</b>	<b>26 JANUARY 2026</b>
<b>TIME</b>	<b>9.00 AM – 12.00PM</b>
<b>DURATION</b>	<b>3 HOURS</b>

**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)** 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 SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

(Total: 100 marks)

**INSTRUCTION: Answer ALL questions.**

**Please use the answer booklet provided.**

**Question 1**

Nexus Automation Sdn. Bhd. (Nexus) is a Malaysian-based company specialising in the design and manufacture of industrial automation and control systems used in smart factories and advanced manufacturing plants. Due to the complexity of its operations, Nexus adopts a decentralised organisational structure, where each division operates as a profit centre and divisional managers are evaluated based on divisional profitability and return on investment.

Two of the company's key divisions are the Parts Manufacturing Division and the Assembly Division. The Parts Manufacturing Division produces a precision control module, which is an essential component used by the Assembly Division in assembling automated robotic equipment. The company allows internal transfers between divisions, but divisional managers are free to source components externally if it is more beneficial to their own division.

The cost of manufacturing one control module in the Parts Manufacturing Division is as follows:

	<u>RM</u>
Direct materials	72
Direct labour	18
Variable manufacturing overhead	30
Fixed manufacturing overhead*	50
Total cost per unit	170

\* Fixed manufacturing overhead is based on a practical capacity of 180,000 units per year.

Additional costs incurred by the Parts Manufacturing Division are:

	<u>RM</u>
Fixed selling and administrative expenses (per year)	600,000
Variable selling expense (per unit)	3

The control module is sold in the external market at prices ranging from RM245 to RM265 per unit. Currently, the Parts Manufacturing Division sells the module externally at RM255 per unit. Due to a slowdown in capital investment by manufacturing clients, the Parts Manufacturing Division expects to sell only 130,000 units externally in the coming year, although it has a maximum production capacity of 180,000 units.

The Assembly Division currently purchases the same control module from an external supplier at RM248 per unit and expects to require 50,000 units in the coming year. The manager of the Assembly Division has proposed purchasing the modules internally at a transfer price of RM160 per unit. The variable selling expense of RM3 per unit will be avoided if the modules are transferred internally.

**Required:**

- (a) Determine the minimum transfer price that the Parts Manufacturing Division would be willing to accept. (2 marks)
- (b) Determine the maximum transfer price that the Assembly Division would be willing to pay. Would the Assembly Division accept a transfer price of RM255? Explain. (2 marks)
- (c) From the perspective of Nexus Automation Sdn. Bhd. as a whole, should the internal transfer take place? If you were the manager of the Parts Manufacturing Division, would you accept the offer of RM160 per unit? Explain clearly. (6 marks)
- (d) Assuming that 50,000 units are transferred internally at RM185 per unit and 130,000 units are sold externally, prepare the income statement of the Parts Manufacturing Division and calculate its operating income. (8 marks)
- (e) If the average operating assets of the Parts Manufacturing Division amount to RM90 million, calculate the Return on Investment (ROI) for the coming year. (2 marks)
- [20 marks]**

**Question 2**

You are a graduate with a Bachelor in Accounting (Hons) from a public university in Malaysia and have four years of working experience as a management accounting executive in a food processing company. You are attending an interview at Orchid Bakery Berhad (OBB), a well-established bread manufacturer in Malaysia. During the interview, the panel asks you to explain issues relating to corporate failure, how it can be predicted and prevented, and the current developments and emerging issues in performance management, particularly the changing roles of management accountants in today's business environment.

After successfully securing the position, during your probation period, you are assigned to the stores and inventory department. The department manager requests your assistance in managing flour inventory costs and determining the optimal order quantity of the flour. OBB currently orders 3,000 kg of wheat flour at a time. It has decided that it may be better to use the Economic Order Quantity method to establish an optimal reorder quantity.

Information regarding stocks is given below:

Purchase price	RM18/kg
Ordering cost per order	RM300
Holding cost	12 per cent of purchase price per annum
Annual usage	36,000 kg (even consumption throughout the year)

Current annual total stock costs are RM702,000, being the total of the purchasing, ordering and holding costs of the wheat flour.

**Required:**

- (a) Explain the following to the interview panel:
- i. How corporate failure can be predicted and prevented. (8 marks)
  - ii. State **FOUR (4)** factors that drive changes in the role of management accountants in today's business environment. (8 marks)

(b) Advise the inventory manager on the following matters:

- i. How to determine whether purchasing larger quantities of materials to obtain quantity discounts is beneficial.

(6 marks)

- ii. Calculate the Economic Order Quantity (EOQ) and compare the revised annual stock costs with the current annual stock costs.

(12 marks)

- iii. Explain the importance of Just-In-Time (JIT) purchasing.

(6 marks)

**[40 marks]**

### Question 3

You have recently been appointed as an Assistant Management Accountant of Prima Sweet Manufacturing Sdn. Bhd. (PSM), a medium-sized Malaysian company specialising in the production of chocolate snacks and confectionery products for the domestic and regional markets. PSM operates in a highly competitive industry where customers are price-sensitive and product quality plays a crucial role in maintaining market share.

Upon joining the company, you are assigned to the Operation and Production Department, which is headed by Mr Hafiz, an experienced production manager. After reviewing production reports and cost data, you identify two major operational problems affecting PSM's competitiveness and profitability.

Firstly, you discover that the selling price of PSM's chocolate snack is significantly higher than its closest competitors. A detailed analysis reveals that this is mainly due to inefficient cost structures, including high material wastage, inefficient production processes, and limited cost control at the product design stage. Secondly, you notice that the company incurs excessive quality-related costs, including costs of inspection and testing, rework and scrap, warranty claims, customer complaints, and opportunity costs arising from lost production time and lost sales due to poor-quality products. These costs should ideally be avoided or minimised through better quality management practices.

Six months later, after successfully completing your probation period, you are transferred to the Investment and Performance Management Department. The department manager, Ms Aisyah,

requests your assistance in explaining an investment proposal to a newly recruited junior executive, Miss Aina, to help her understand how investment decisions are evaluated within PSM. PSM evaluates the performance of its departments using Return on Investment (ROI).

Relevant income-related information for one of its operating divisions, the Chocolate Bar Department, is presented below:

Prima Sweet Manufacturing Sdn. Bhd.  
 Chocolate Bar Department  
 Income Statement (Extract)  
For the Year Ended 31 December 2025

	RM
Sales:	4,000,000
Less: Variable expenses:	<u>2,000,000</u>
Contribution margin:	2,000,000
Less: Fixed expenses:	<u>1,400,000</u>
Net operating income (NOI):	<u>600,000</u>

The average operating assets employed by the Chocolate Bar Department amount to RM3,000,000.

The department is currently considering a new investment opportunity which requires an initial capital outlay of RM500,000. Additional information relating to this investment is as follows:

Expected annual sales: RM1,400,000
Variable expenses: 55% of sales
Additional fixed expenses: RM520,000 per year
Increase in current liabilities: RM40,000

**Required:**

(a) As the assistant management accountant, explain to Mr Hafiz and his production team **THREE (3)** of each of the following, with suitable explanations:

- i. The benefits of target costing in improving cost competitiveness.

(9 marks)

- ii. Cost reduction techniques that can be employed to reduce production costs.  
(9 marks)
- iii. The benefits of adopting a cost of quality approach to improve product quality and operational efficiency.  
(9 marks)
- (b) Explain to Miss Aina the effect on Return on Investment (ROI) if the Chocolate Bar Department accepts the proposed investment. Clearly state whether the investment should be accepted based on ROI.  
**(Note: Show all relevant calculations)**  
(8 marks)
- (c) Assuming that departmental performance is evaluated using Economic Value Added (EVA) instead of ROI, advise whether the proposed investment should be accepted.  
Assume that:  
Weighted Average Cost of Capital (WACC) = 9%  
Corporate tax rate = 30%

(5 marks)

**[40 marks]****END OF EXAMINATION PAPER**