



UNIVERSITI KUALA LUMPUR BUSINESS SCHOOL

FINAL EXAMINATION

JANUARY 2016 SEMESTER

SUBJECT CODE : EAB31003
SUBJECT TITLE : MANAGEMENT ACCOUNTING 3
LEVEL : BACHELOR
TIME / DURATION : 9.00 AM - 12.00 P.M / 3 HOURS
DATE : 27th 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 FIVE (5) questions. Answer ALL questions.
4. Please write your answers on the answer booklet provided.
5. All questions must be answered in English (any other language is not allowed).
6. This question paper must not be removed from the examination hall.

THERE ARE FIVE (5) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

(Total: 100 marks)

Question 1

- A. State **THREE (3)** of the areas of concern that make cost estimation and prediction difficult. (3 marks)
- B. Determine whether or not a company should purchase larger quantities in order to take advantage of quantity discounts. (4 marks)
- C. The roles of management accountants in today's business environment have to change in line with the changes in the business environment and organisations. The change in the role of management accountants is mainly in the tasks that they must undertake.

Required:

Discuss the roles of a management accountant in today's business environment.

(8 marks)

[15 marks]

Question 2

You have been called by Perdana Medical Centre (PMC) to attend an interview for an Accounts Executive position.

Required:

For the interview, you are requested to prepare a presentation on Balanced Scorecard for PMC.

- A. Briefly explain the Balanced Scorecard. (3 marks)
 - B. Explain **THREE (3)** benefits of Balanced Scorecard. (3 marks)
 - C. Explain **THREE (3)** limitations of Balanced Scorecard. (3 marks)
 - D. State any **TWO (2)** potential measures for each of the **FOUR (4)** perspectives of Balanced Scorecard for PMC. (6 marks)
- 15 marks**

Question 3

Target costing can be a critical tool for management as it seeks to strategically manage the company's costs and profits. Management can achieve and maintain a sustainable competitive position in the market by ensuring that products are designed at the lowest costs in order to be priced competitively.

Required:

A. Using your own illustration, discuss the target costing process. (6 marks)

B. Explain **THREE (3)** benefits of adopting a target costing approach in the product development process. (9 marks)

[15 marks]

Question 4

Maju Global Builders Sdn. Bhd., a real estate developer and building contractor consists of two divisions; Real Estate Division and Construction Division. Each division is managed by a divisional manager who has the power to make all investments decisions. The weighted average cost of capital for the company is 10%. Investment decision is made based on return on investment (ROI). The average return on investment of each division is 16% and the tax rate is 30%.

The company is seeking to maximise the shareholders' wealth and planning to use the economic value added (EVA) to enhance the current performance measurement system.

Each division is considering the following opportunities for investments:

	Project for Real Estate Division	Project for Construction Division
Capital required for investment	RM828,000	RM406,000
Sales generated by investment	RM446,000	RM218,000
Sales Margin	28%	33%

Required:

- A. Calculate both the return on investment (ROI) and economic value added (EVA) of the new investment for each of the two divisions. (8 marks)
- B. Based on the ROI and EVA results calculated in 'A' above, compare and evaluate the results by taking into consideration the new performance measurement planning. (4 marks)
- C. Suggest **THREE (3)** critical factors that should be monitored by Maju Global Builders Sdn. Bhd. for its business success. (3 marks)

[15 marks]

Question 5

Super Digital Sdn. Bhd. (SDSB) has several autonomous divisions. However, only two divisions, Subang Division and Shah Alam Division are involved in the internal transfer of products.

Subang Division manufactures and sells lithium battery for digital products. The market price and the variable costs are RM140 per unit and RM100 per unit respectively. The division sells to external customers 50% of the monthly capacity which is 10,000 units.

Shah Alam Division uses one unit of lithium battery to produce one unit of its final product, scale machine. Other variable cost is RM120 per unit. Shah Alam Division is selling 5,000 units of its product per month at RM240 per unit.

Currently, transfer price is based on the market price. The manager of Shah Alam Division is not satisfied with this price and proposes that the transfer price to be set at variable cost plus 10% mark-up. Meanwhile, an external supplier, Mascom Sdn. Bhd. has offered Shah Alam Division to supply 5,000 units of lithium battery at the price of RM135 per unit.

Required:

- A. Discuss **THREE (3)** benefits of decentralisation to Super Digital Sdn. Bhd. (6 marks)
- B. Discuss **THREE (3)** limitations of decentralisation to Super Digital Sdn. Bhd. (6 marks)
- C. Explain **THREE (3)** methods that can be used for determining transfer prices. (9 marks)
- D. Calculate the minimum transfer price for the lithium battery. (2 marks)
- E. Evaluate and advise the management of each division and SDSB on the following proposals:

Proposal 1:	Subang Division to transfer lithium battery at current price.
Proposal 2:	Subang Division to transfer lithium battery at variable cost plus markup.
Proposal 3:	Shah Alam Division to purchase lithium battery from Mascom Sdn. Bhd.

(17 marks)

[40 marks]

END OF QUESTION PAPER