



STAMFORD COLLEGE
SCHOOL OF BUSINESS, MARKETING AND ACCOUNTING

DIPLOMA IN BUSINESS ADMINISTRATION
(SEMESTER 4)

DBA 202: COST & MANAGEMENT ACCOUNTING

Date : 23 April 2007

Time : 9.30am – 12.30pm

Duration: 3 hours

Instructions to Candidates

Answer FOUR out of FIVE questions.

Please ensure that this examination paper contains FIVE questions on SIX printed pages before you start the examination.

Books, papers and other written materials are not allowed to be brought into the examination hall. A candidate who violates the examination rules of Stamford College or commits a malpractice will be disqualified from the examination.

Write your Examination Index Number on each page of your answer booklet.

Candidates are required to answer any FOUR out of FIVE questions.

Question 1

- (a) Explain each of the cost classifications below, supported by a sketch or graph, which need not be on graph paper and with examples of the types of costs that may be included.
- (i) fixed costs (indirect costs) (5 Marks)
- (ii) variable costs (direct costs) (5 Marks)
- (b) Explain briefly the overhead absorption rate. (3 Marks)
- (c) What is the relationship between Perpetual Inventory Systems and Continual Stocktaking? (4 Marks)
- (d) What is the difference between marginal and absorption costing? (4 Marks)
- (e) State TWO (2) situations in which marginal costing is very useful for management in decision making. (4 Marks)
- (Total = 25 Marks)

Question 2

Cindy and Peter are in the business of buying and selling goods for resale. Neither of them are accountants but Cindy has read a book on stock control whereas Peter has purchased a software package for daily stock records. During September 2006, the following transactions occurred:

September	1	Balance brought forward	NIL
September	3	Received 200 units @ RM1.00 each	
September	7	Issued 180 units	
September	8	Received 240 units @ RM1.50 each	
September	14	Issued 170 units	
September	15	Received 230 units @ RM2.00 each	
September	21	Issued 150 units	

Cindy prepares the store ledger card using the LIFO method while Peter uses the same data to test the software package which uses the weighted average method of pricing.

Required:

- (a) to show the ledger cards as they would appear for **each** method (calculations should be made to two decimal places of RM1.00) (21 Marks)
- (b) to comment on the effect on profits of using each method of valuing stock. (4 Marks)
- (Total=25 marks)

Question 3

The Reliance Hotel is developing a cost accounting system. Initially it has been decided to create four cost centres: Residential and Catering deal directly with customers whilst Housekeeping and Maintenance are internal service cost centres.

The following overhead details have been estimated for the next period:

	Residential RM	Catering RM	Housekeeping RM	Maintenance RM	Total RM
Consumable materials	14,000	23,000	27,000	9,000	73,000
Staff costs	16,500	13,000	11,500	5,500	46,500
Rent and Rates					37,500
Contents insurance (equipment)					14,000
Heating and lighting					18,500
Depreciation on equipment					37,500
					<u>227,000</u>

The following information is also available:

	Residential	Catering	Housekeeping	Maintenance	Total
Floor area (m ²)	2,750	1,350	600	300	5,000
Value of equipment (RM)	350,000	250,000	75,000	75,000	750,000
Number of employees	20	20	15	5	60

Housekeeping works 70% for Residential and 30% for Catering, and Maintenance works 20% for Housekeeping, 30% for Catering and 50% for Residential.

Required:

- (a) Prepare an overhead statement showing clearly allocations and apportionments to each cost centre (round up the figure to the nearest RM).

(19 Marks)

- (b) Calculate appropriate overhead absorption rates for Residential and Catering.

(6 Marks)

(Total = 25 Marks)

Question 4

Barwell Sdn Bhd produces one product (a bird feeding table) that sells for RM50.00 each. Each bird table has variable costs as follows:

- i) 4 labour hours at RM5.25 per hour
- ii) 3 square metres of wood at RM6.10 per square metre

The fixed costs of Barwell Sdn Bhd are RM12,600 per annum.

Required:

- (a) Calculate the contribution per unit towards the fixed costs of Barwell Sdn Bhd. (5 Marks)
- (b) Calculate the number of units that would have to be sold to achieve break-even. (5 Marks)
- (c) Calculate the profit earned if Barwell Sdn Bhd sells 2,850 units. (4 Marks)
- (d) Calculate the profit earned if the selling price is reduced by 10% and demand rises by 20% (from 2,850). (6 Marks)
- (e) State FIVE (5) major assumptions behind Cost- Volume-Profit Analysis (commonly known as Break-Even Analysis). (5 Marks)

(Total = 25 Marks)

Question 5

The following forecasts are available from the present budgets being prepared by Perton Sdn Bhd:

	March	April	May	June
	RM'000	RM'000	RM'000	RM'000
Purchases	440	280	560	160
Sales	640	420	160	150
Salaries/Wages	133	140	119	124
Overhead expenses	77	75	84	70

Other information is available as follows:-

- (i) 10% of all sales are made on a cash basis, the remainder being sold to customers who pay in the month following sale.
- (ii) All goods are bought on credit from suppliers who allow 2½% cash discount for payment in the month following purchase.
- (iii) Salaries and wages are paid in the month in which they are earned.
- (iv) Overhead expenses include depreciation amounting to RM12,000 each month. Payments are made in the month following the month in which expenses are incurred.
- (v) A dividend amounting to RM88,000 will be paid in May.
- (vi) A delivery van is to be sold for RM3,000 cash in June.
- (vii) The balance at the bank on 1 April is expected to be RM90,000.

Required:

- (a) Construct a monthly cash budget in columnar form for the three months (from April to June) showing the bank balance at each month end. (21 Marks)
- (b) List two benefits of monthly cash budgets. (4 Marks)

(Total = 25 Marks)

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