



STAMFORD COLLEGE

SCHOOL OF BUSINESS

DIPLOMA IN CORPORATE ADMINISTRATION (SEMESTER 4)

DCA 201: COST ACCOUNTING

Date : 23 July 2007 (Monday)

Time : 10.00 AM – 12.00 NOON

Duration: 2 hours

Instructions to Candidates

Question 1 from Section A is compulsory. Answer TWO out of FOUR questions from Section B.

Please ensure that this examination paper contains FIVE questions on FIVE 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.

Candidates may use calculators provided the calculators give no printout, have no work display facilities, are silent and cordless.

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

SECTION A (COMPULSORY)

Question 1

ANDY Limited manufactures a single product, PA4. A standard costing system is in operation. In June, 5,200 units of PA4 were sold for RM4,992,000 but finished stocks were decreased by 540 units.

There were no opening or closing stocks of work-in-progress.

The standard cost for one unit of PA4, set at the early of the year, is:

		RM
Material		332
Direct labour	3 hours	<u>168</u>
Variable cost		500
Fixed overhead	3 hours	<u>300</u>
		<u>800</u>

The standard cost is based upon a monthly production of 4,000 units of PA4. The actual cost for Month 7 were:

		RM
Material		1,570,320
Direct labour	13,000 hours	739,480
Fixed overhead		1,205,840

Before going on holiday, your manager leaves you a note stating that she had calculated the cost variance for Month 7 as RM212,360 Favorable, and asks you to analyse this before her return.

Required:

(a) Show, by calculation, how your manager has arrived at the cost variance for Month 7
(3 marks)

(b) Analyse the cost variance to:

- (i) Material cost variance
- (ii) Direct labour rate variance
- (iii) Direct labour efficiency variance
- (iv) Fixed overhead expenditure variance
- (v) Fixed overhead volume variance (5 marks)

(c) What are the main purposes of Standard Costing? (2 marks)

(Total = 10 marks)

SECTION B

Answer TWO out of FOUR questions.

Question 2

LingLing Company has a bank overdraft limit of RM40,000. The followings are the forecast figures for the next six months:

	Purchases	Sales	Wages and Salaries	Overhead
	RM'000	RM'000	RM'000	RM'000
July	40	85	20	15
August	50	110	20	15
September	30	58	40	18
October	40	75	20	18
November	60	120	25	20
December	60	120	25	20

Notes:

- (i) A franchise payment is made of RM6,000 per month
- (ii) 50% of the sales are for cash, 25% is received one month later and 25% two months later
- (iii) Purchases are paid one month later
- (iv) Wages are paid for in the month incurred
- (v) Overheads do not include:
 - Rent RM4,000 per month paid three monthly in advance, in March, June, September and December
 - Depreciation RM6,000 per monthAll other overhead is paid one month later.
- (vi) Capital expenditure payments will be:
October RM8,500 November RM2,250 December RM5,000
- (vii) A cash balance of RM2,250 is forecast at 1 August.

Required:

- (a) Prepare a Cash Budget for each Months from September to November (16 marks)
- (b) Describe TWO benefits of a budget setting process in business (4 marks)

(Total = 20 marks)

Question 3

A company makes three products, the details of which are:

Product	Per Unit	
	Machine Hours	Variable Cost RM
A	4	48
B	2	72
C	3	40

48,000 hours of machine time will be available. The company is considering sub-contracting the products at the following buying prices:

Product A	RM68
Product B	RM80
Product C	RM58

Required:

Assuming the company plans to sell 8,000 units of each product:

- Calculate the shortfall of machine hours if the company manufactures 8,000 units of each product (4 marks)
- State the order in which the company should manufacture, showing supporting figures and state which products should be sub-contracted and the quantities

(16 marks)

(Total = 20 marks)

Question 4

A factory manufactures and sells two products, M and P. The following information is provided:

	M	P
	RM	RM
Selling price	48	34
Direct material	10	8
Direct labour at RM8 per hour	16	8
Variable production overhead	12	6

Production	Units	Units
March	1,400	1,200
April	800	800

Fixed cost covering both products were March RM9,200 and April RM5,400

Required:

Prepare Statements for March and April on the basis of:

- (i) Marginal costing
- (ii) Absorption costing where fixed costs are absorbed on the basis of labour hours

(Total = 20 marks)

Question 5

Hudson Limited started using components H12 in year 2006. During the 2 months ended 30 March 2007, the following took place:

Purchases	Units	Unit Price, RM	Issues	Units
1 Feb	350	10.00	2 Feb	300
8 Feb	300	10.50	11 Feb	300
15 Feb	320	10.80	18 Feb	200
22 Feb	400	11.20	25 Feb	300
8 March	200	11.50	5 March	250
17 March	300	11.80	12 March	150
25 March	250	12.10	28 March	400

Required:

(a) Using the following pricing systems; FIFO and LIFO, calculate: -

- a. The value of stock issued of each month
- b. The value of stock at the end of each month (15 marks)

Generally accepted definitions of other costing terms are as follows:

- (i) A rate charged to a cost unit intended to account for the overhead at a predetermined level of activity
 - (ii) The way in which costs of output are affected by fluctuations in the level of activity
 - (iii) Expenditure on labour, materials or services which cannot be economically identified with a specific saleable cost unit
 - (iv) The activity levels within which assumptions about behavior in a break-even chart remain valid
 - (v) The cost which is incurred for a period, and which, within certain output and turnover limits, tends to be unaffected by fluctuations in the level of activity (output or turnover)
- (b) Using no more than three words for each, state the precise name of the costing term, which is being described in each case. (5 marks)

(Total = 20 marks)