



STAMFORD COLLEGE

**SCHOOL OF BUSINESS AND MARKETING**

**FOUNDATION STUDIES IN BUSINESS  
(SEMESTER 2 )**

**FSBN 107: COST ACCOUNTING**

**Date :** 28 May 2007 (Monday)

**Time :** 9.30AM – 11.30AM

**Duration :** 2 Hours

**Instructions to Candidates**

There are TWO sections in this paper. The question in section A is compulsory.  
Answer

any TWO out of THREE questions from Section B.

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

**SECTION A****Question 1 (Compulsory)**

Classify the items 1-20 below into the following categories:

- (a) Prime cost
  - (b) Production overhead
  - (c) Administration overhead
  - (d) Selling overhead
  - (e) Distribution overhead
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- 1. Production manager's salary
  - 2. Depreciation (machinery)
  - 3. Boiler fuel
  - 4. Insurance (finished stocks)
  - 5. Assemblers wages
  - 6. Foreman salaries
  - 7. Repairs to machinery
  - 8. Office salaries
  - 9. Chief accountant's salary
  - 10. Advertising
  - 11. Raw materials used
  - 12. Electric power
  - 13. Hire of computer
  - 14. Running costs (delivery vans)
  - 15. Bad debts
  - 16. Timekeeper's wages
  - 17. Lubricating oil (works)
  - 18. Traveling expenses (workers on outside job)
  - 19. Overtime premium job (at customer's request)
  - 20. Salesman's traveling expenses

**SECTION B**

Answer TWO out of THREE questions.

**Question 2**

The following data relates to two successive accounting periods.

	<u>Period 1</u>	<u>Period 2</u>
Sales	RM 400,000	RM 500,000
Profit	RM 20,000	RM 30,000

**Required :**

- (a) Calculate the unit variable cost. (8 marks)
- (b) Calculate the fixed costs per period. (8 marks)
- (c) Calculate the profit if sales are RM600,000 per period. (8 marks)
- (d) Calculate the sales at break-even level. (8 marks)
- (e) Calculate the sales required to earn a profit of RM15,000. (8 marks)

(Total 40 marks)

**Question 3**

The manager of a maintenance department (that services the maintenance requirements of a number of production departments) wishes to develop a method of predicting his department's costs in any period.

The following total costs have been recorded at two different activity levels (based on the number of maintenance requisitions).

	<u>Maintenance requisitions</u>	<u>Total cost</u>
		RM
Period 1	1,380	15,332
Period 2	2,100	19,940

**Required:**

- (a) Calculate the variable cost per maintenance requisition. (8 marks)
- (b) Calculate the fixed costs of the maintenance department. (8 marks)
- (c) What would be the total costs of the maintenance department if the budget of 2,690 requisitions in Period 3 was achieved? (8 marks)
- (d) If the total maintenance requisitions, in Period 3, was 2,550 and the average charge, to the Production departments, was RM8.50 per requisition, what would be the profit, or loss, of the maintenance department? (8 marks)
- (e) What would be the financial impact, on the maintenance department, of a reduction in fixed costs of RM1,500? (8 marks)

(Total 40 marks)

**Question 4**

MM manufacturing Berhad produces three products – X, Y and Z - with unit material costs of RM16, RM37 and RM91 respectively. There are four production departments in the business and one service department. For next year, the budgeted overhead costs are as follows:

<b>Assembly</b>	<b>Tracking</b>	<b>Looping</b>	<b>Machining</b>	<b>Service</b>
RM 96,000	RM 164,000	RM 252,000	RM 104,000	RM 90,000

Budgeted direct labour hours are:

<b>Assembly</b>	<b>Tracking</b>	<b>Looping</b>	<b>Machining</b>
5,700	4,550	27,450	2,170

The company spreads the service department costs to the production departments on the following basis:

Assembly	20%
Tracking	20%
Looping	25%
Machining	35%

To produce each product, the following labour times apply in hours:

	<b>X</b>	<b>Y</b>	<b>Z</b>
Assembly	1.5	1.0	0.5
Tracking	2.0	3.0	4.0
Looping	9.0	6.0	5.0
Machining	4.0	4.0	4.0

The hourly labour rates in each department are:

Assembly	RM9
Tracking	RM8.50
Looping	RM10
Machining	RM8

Overheads are absorbed into product costs on the basis of direct labour hours.

**Required:**

- Calculate the overhead absorption rate for each of the four production departments.  
(30 marks)
- Calculate the estimated fully absorbed cost of each of the three products - X, Y and Z.  
(10 marks)  
(Total 40 marks)

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**-END OF PAPER-**