



**FINAL EXAMINATION
NOVEMBER 2023**

COURSE TITLE	COST ACCOUNTING
COURSE CODE	AACT1223
DATE/DAY	21 FEBRUARY 2024 / WEDNESDAY
TIME/DURATION	02:00 PM - 05:00 PM / 03 Hour(s) 00 Minute(s)

INSTRUCTIONS TO CANDIDATES:

1. Please read the instruction under each section carefully.
2. Candidates are reminded not to bring into examination hall/room any form of written materials or electronic gadget except for stationery that is permitted by the invigilator.
3. Students who are caught breaching the Examination Rules and Regulation will be charged with an academic dishonesty and if found guilty of the offence, the maximum penalty is expulsion from the University.

(This Question Paper consists of 4 Printed Pages including front page)

*****DO NOT OPEN THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO*****

This question paper consists of FOUR (4) questions. Answer ALL questions in the answer booklet. (50 MARKS)

QUESTION 1

(10 Marks)

The information below is taken from the job cost sheets of O'Leary Company:

Job Number	Manufacturing Costs as of Oct. 31 (RM)	Manufacturing Costs in November (RM)
350	10,955	-
351	8,810	-
352	2,375	5,593
353	6,522	10,279
354	2,128	5,573
355	-	3,987

During November, job numbers 352 and 353 were completed and job numbers 350, 351 and 352 were delivered to customers. Jobs nos. 354 and 355 are still in process at November 30. From this information, compute the following:

Required:

Compute the following with detailed workings:

(2 marks each)

- What is the work in process inventory at October 31?
- What is the finished goods inventory at October 31?
- What is the cost of goods sold during November?
- What is the work in process at November 30?
- What is the finished goods inventory at November 30?

QUESTION 2

(10 Marks)

Paulsen Company sells only one product. The regular selling price is RM50. Variable costs are 70% of this selling price, and fixed costs are RM7,500 per month.

Management decides to increase the selling price from RM50 to RM55 per unit. Assume that the cost of the product and the fixed operating expenses are not changed by this pricing decision.

Required:

Compute the following with detailed workings: (2 marks each)

- a) At the original selling price of RM50 per unit, what is the contribution margin ratio?
- b) At the original selling price of RM50 per unit, how many units must Paulsen sell to break even?
- c) At the original selling price of RM50 per unit, what dollar volume of sales per month is required for Paulsen to earn a monthly operating income of RM5,000?
- d) At the increased selling price of RM55 per unit, what is the contribution margin ratio?
- e) At the increased selling price of RM55 per unit, what dollar volume of sales per month is required to break-even?

QUESTION 3

(20 Marks)

Maya Bhd makes only one product, the detailed standard cost of which is as follows:

	Per unit RM	Per unit RM
Direct materials	40	
Direct labour	25	
Variable factory overhead	10	
Fixed factory overhead	25	
Production cost	<u>100</u>	100
Variable selling overhead		15
Fixed selling overhead		<u>20</u>
Net profit		<u>15</u>
Selling Price		150

The above unit cost for fixed factory overhead and fixed selling overhead are based on a monthly budget of 3,000 units produced and sold.

2,400 units are in stock at the beginning of Month 1 and budgets for the next two months are as follows:

	Month 1	Month 2
Production (units)	2,800	2,600
Sales (units)	2,200	3,800

Required:

Prepare budgeted Income statement for each of Month 1 and 2 in tabular format:

- a) using the absorption principle. (10 marks)
- b) using the marginal principle. (10 marks)

QUESTION 4

(10 Marks)

You are required to answer all of the following: (2 marks each)

- a) Explain the concept of incremental analysis and its importance in decision-making. Provide an example of a business decision where incremental analysis would be beneficial.
- b) A company is considering whether to continue producing a product or to buy it from an external supplier. The cost to produce one unit internally is RM30, while the supplier offers to sell it for RM25. What is the incremental cost per unit, and should the company continue to produce internally or buy from the supplier?
- c) A bookstore is contemplating whether to introduce e-books to its inventory. The estimated revenue from selling e-books is RM5,000 per month, and physical book sales are expected to decrease by RM3,000 per month if e-books are introduced. What is the incremental revenue, and should the bookstore add e-books to its inventory?
- d) A manufacturing company is currently producing a component in-house at a cost of RM50 per unit. An external supplier offers to provide the same component for RM45 per unit. The company estimates additional costs of RM2 per unit in transportation and inspection if they buy from the supplier. What is the incremental cost, and should the company make or buy the component?
- e) A factory is operating at a loss, with total variable costs of RM80,000 and total fixed costs of RM30,000. The factory can generate RM70,000 in revenue. If the factory continues to operate, it will incur an additional RM10,000 in fixed costs. Should the factory shut down or continue operations, and what is the incremental effect on profit?

***** END OF QUESTION PAPER *****