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**UNIVERSITI TUN HUSSEIN ONN MALAYSIA**

**FINAL EXAMINATION  
SEMESTER I  
SESSION 2018/2019**

COURSE NAME : PRINCIPLES OF ACCOUNTING  
COURSE CODE : BPA 11403  
PROGRAMME CODE : BPA  
EXAMINATION DATE : DECEMBER 2018 / JANUARY 2019  
DURATION : 3 HOURS  
INSTRUCTION : ANSWER ALL QUESTIONS

THIS QUESTION PAPER CONSISTS OF FIVE (5) PAGES

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**Q1** Assume that one of The Sweety Candy Company’s factories produces 50-kg blocks of dark chocolate and that it needs to prepare a year-end balance sheet and income statement, as well as a statement of cost of goods manufactured. During the year, the factory purchased RM361,920 of direct materials. The factory’s direct labor costs for the year were RM99,085 (10,430 hours at RM9.50 per hour); its indirect labor costs totaled RM126,750 (20,280 hours at RM6.25 per hour). Account balances for the year 2018 were as in **Table Q1**.

**Table Q1: Account Balances of The Sweety Candy Company in December 2018**

<b>Items</b>	<b>RM</b>
Plant Supervision	42,500
Factory Insurance	8,100
Factory Utilities	29,220
Depreciation, Factory Building	46,200
Depreciation, Factory Equipment	62,800
Factory Security	9,460
Factory Repair and Maintenance	46,200
Selling and Administrative Expenses	76,480
Inventory:	
Work in process as at January 1, 2018	26,490
Raw materials as at January 1, 2018	101,640
Finished goods as at January 1, 2018	148,290
Work in process as at December 31, 2018	24,910
Raw materials as at December 31, 2018	100,400
Finished goods as at December 31, 2018	141,100

Based on the given information, you are required to:

- (a) Prepare;
  - (i) The Statement of Cost of Materials used for the year ended December 31, 2018. (5 marks)
  - (ii) The Statement of Total Manufacturing Costs in Production for the year ended December 31, 2018. (11 marks)
  - (iii) Prepare the Statement of Total Cost of Goods Manufactured for the year ended December 31, 2018. (5 marks)
- (b) Determine the actual product unit cost if 13,397 units (1 unit =50 kg block of dark chocolate) were manufactured during the year 2018. (Round your answer to two decimal places). (3 marks)



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- (c) Identify whether the following cost is a direct labor cost, indirect labor cost, direct material cost, indirect material cost, factory overhead cost, selling overhead cost, distribution overheads costs, and office and administrative overheads cost.
- (i) Salary and fee of factory directors and technical directors
  - (ii) Silver for making jewellery
  - (iii) Small tools, brushes for sweeping, sundry supplies etc.
  - (iv) Depreciation and repair of office building
  - (v) Rent and insurance of showroom
  - (vi) Travelling and entertainment expenses
  - (vii) Wages of store-keepers
  - (viii) Sugarcane for making sugar
  - (ix) Cost of a tailor in producing readymade garments
  - (x) Insurance of factory building, plant, and machinery
  - (xi) Freight carriage outwards and other transport charges
  - (xii) Cost of packing material

(6 marks)

**Q2** ZM Herbs Sdn Bhd sells non prescription health food supplement. The company has recently obtained a right to distribute a new herb mixture, Qruxin, a weight loss supplement. Qruxin is sold in bottles of 100 tablets at a cost-plus pricing strategy. The sales price for Qruxin is set at cost plus markup that is equal to 40 % of cost. The cost per bottle of Qruxin is RM48.00.

ZM Herbs Sdn Bhd currently has a store in Kluang. The monthly fixed cost incurred per month for the store are as **Table Q2**:

**Table Q2: Monthly Fixed Costs**

Description	(RM)
Store Rent	3,000
Salaries	10,000
Advertising	1,500
Other fixed costs	1,200

The company employs a manager and two sales staff who are given fixed salaries. Sales commission are also given to the sale staffs at a rate of 5% per bottle of Qruxin sold. The sales commission costs are inclusive in the variable cost per bottle of Qruxin. The variable cost per bottle of Qruxin is estimated at 70 % of Qruxin cost per bottle.

- (a) Determine the contribution margin per unit of Qruxin.

(8 marks)



- (b) A scientific research done had found the benefit of Qruxin in efficiently and naturally reducing weight loss in laboratory animals without endangering the liver function as other weight loss supplement in the market. The researchers has hypothesized that the substance would have similar effect on humans. The research findings had been reported by the news media and also went viral on the internet. Thus, increasing the demand for Qruxin and boosting the sales up.
  - (i) Construct the income statement using the contribution margin format for the month of November, 2018 for the sales of 800 bottles of Qruxin. (7 marks)
  - (ii) Calculate the magnitude of operating leverage for ZM Sdn Bhd. (up to two decimal point). (3 marks)
  - (iii) Discuss the effect of a 15 % increase in revenue of sales in Qruxin to the profitability of ZM Herb Sdn Bhd. based on **Q2 (b) (ii)**. (2 marks)
- (c) ZM’s management team suspects that the enthusiasm for Qruxin will abate quickly as the media shifts to other subjects. Thus, the manager proposes to open a web page for the company and online sponsored advertising as many consumers can be reached effectively through this medium. The web page maintenance and online advertising will cost an additional RM1,100 to the advertising costs per month.

Determine;

- (i) The break even in dollar sales for the year. (7 marks)
  - (ii) The sales volume in sales dollars if ZM’s CEO decided that the campaign should produce RM80,000 profit. (3 marks)
- (d) The margin of safety quantifies the amount by which actual sales can fall short of expectations before the company will begin to incur losses. The company CEO is concerned because Qruxin is a new product and no one can be certain on how the public will react. He does not want to take the risk.
- (i) Calculate the margin of safety for Qruxin. (3 marks)
  - (ii) Discuss the analysis of the margin of safety. (2 marks)

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**Q3** Valeria Trading manufactures and sells furniture that has peak sales in the third quarter. The following information concerns operations for Year 2018.

The company’s single product sells for RM20 per unit. Budgeted sales in units for the next six quarters are as in **Table Q3** (all sales are on credit):

**Table Q3: Budgeted Unit Sales of Valeria Trading**

Quarter	Year 2018			
	1	2	3	4
Budgeted unit sales	60000	90000	80000	40000

It takes 2 hours to produce one product. The average wage cost per hour is RM7.

Sales are collected in the following pattern:

- 60% in the quarter the sales are made,
- and the remaining 40% in the following quarter.

On January 1, Year 2018, the company’s balance sheet showed RM50,000 in accounts receivable, all of which will be collected in the first quarter of the year. Bad debts are negligible and can be ignored.

- (a) Prepare the following budgets and a schedule for the year, showing both quarterly and total figures:
- (i) Sales budget. (5 marks)
  - (ii) Direct labour budget. (10 marks)
  - (iii) Schedule of expected cash collections. (17 marks)
- (b) Identify **THREE (3)** benefits of budgeting. (3 marks)

**-END OF QUESTIONS -**

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