



**FINAL EXAMINATION**

**COURSE : PRINCIPLES OF BUSINESS ACCOUNTING**

**COURSE CODE : PAC1163**

**DURATION : 2 HOURS**

**INSTRUCTIONS TO CANDIDATES:**

1. This question paper consists of **THREE (3)** questions.
2. Answer ALL questions in your answer booklet.
3. Please check to make sure that this examination pack consists of:
  - i. The Question Paper
  - ii. An Answer Booklet
4. Do not bring any material into the examination hall unless permission is given by the invigilator.
5. Please write your answer using a ball-point pen.

**MYKAD NO :** \_\_\_\_\_

**ID. NO. :** \_\_\_\_\_

**LECTURER :** \_\_\_\_\_

**SECTION :** \_\_\_\_\_

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

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*The question paper consists of 05 printed pages*

**MAR2023/A/PAC1163**

**1. (5 points)**

State the following statement is '**TRUE**' or '**FALSE**'.

- |   |              |
|---|--------------|
| a. Management accounting information is used to assess the organization's competitive position and working with other managers to ensure the organization long run competitiveness in industry. | TRUE / FALSE |
| b. Management accounting information that will be reported in company's report must be audited and accurate.  | TRUE / FALSE |
| c. Cost accounting is related to preparation of financial statement.  | TRUE / FALSE |
| d. Conversion cost consists of direct labour cost and manufacturing overhead cost.  | TRUE / FALSE |
| e. Fixed cost is the cost that change in direct proportion with activity level.   | TRUE / FALSE |

2. (15 points)

- a. Classify each of the following costs as either a “**product cost**” or a “**period cost**” and classify its behavior as either “**variable cost**” or “**fixed cost**”. (10 points)

**Example: General and administrative expenses – Period cost, Fixed cost.**

- i. Cost of steel used for cars.
- ii. Salaries paid to sales personnel.
- iii. Annual fire insurance policy cost for the factory.
- iv. Depreciation expenses on painting machine.
- v. Electricity and water bills of the factory.
- vi. Wages of assembly workers.
- vii. Overtime paid for the security guard at sales gallery.
- viii. Rental cost paid for administrative office.
- ix. Factory equipment maintenance cost.
- x. Cost of tires used for the cars.

- b. Fill in the blank with suitable cost term given below: (5 points)

direct	prime	conversion	product	indirect
fixed	variable	manufacturing overhead	period	production

- i. A \_\_\_\_\_ cost varies proportionately with the level of output.
- ii. Depreciation on baking equipment for bakery would be classified as a \_\_\_\_\_ cost. In terms of cost behavior, depreciation would probably classify as \_\_\_\_\_ cost.
- iii. Taken together the \_\_\_\_\_ cost and \_\_\_\_\_ cost are known as production cost.

**3. (30 points)**

Ammara Coffee (AC) Sdn Bhd manufactures and sell a tasty blended coffee drinks. Given below is AC's extract income statement for the year ended 31 December 2022 :

	<b>Total (RM)</b>
Sales (35,000 units)	525,000
(-) Direct Materials	105,000
Direct Labour	98,000
Manufacturing Overhead	77,000
Contribution Margin	245,000
(-) Administrative Expenses	52,000
Selling Expenses	60,000
Net Operating Income	133,000

**Required:**

- a. Compute the company's contribution margin per unit and contribution margin ratio. (3.5 points)
- b. Compute the company's break even point both in units and RM. (3.5 points)
- c. Compute the company's margin of safety both in units and RM. (2 points)
- d. Assume that selling price increased by 20% for next year, fixed expenses increased by 10% and other costs remain unchanged. Calculate the new break even point in units and RM. (5 points)
- e. In an effort to increase sales and profit, the management is considering using high quality coffee. This would increase the direct material cost by RM2 per unit and simultaneously reduce the total fixed cost by RM20,000. Compute the new break even point in units. (4.5 points)
- f. Assume that the total sales will increased by RM15,000 for next year and other cost remain constant, by how much (%) will the company's net operating income increased? (Reconstruct the extract income statement). (8.5 points)

- g. Refer to the original data. Compute the required sales unit to earn after-tax income of RM150,000 when the tax rate is 25%. (3 points)

(Note: Show all calculations)

**END OF QUESTION PAPER**