

## SECTION A

## OBJECTIVES (25 marks)

## INSTRUCTION:

This section consists of **TWENTY FIVE (25)** objective questions. Write your answer's in the answer booklet.

1. The preparation of financial statement is primarily governed by: [CLO 1 : C2]
  - A. Generally Accepted Accounting Principles (GAAP)
  - B. Company Act 1965
  - C. Securities Commission (SC)
  - D. Bank Negara Malaysia (BNM)
  
2. Following are the examples of unit measurement in cost accounting **EXCEPT**:  
[CLO 1: C2]
  - A. Labour hours
  - B. Machine hours
  - C. Kilowatt hours
  - D. Monetary value (RM)
  
3. If units sold exceeds unit produced, net income will be \_\_\_\_\_ than variable cost [CLO 1 : C1]
  - A. Higher
  - B. Lower
  - C. Unchanged
  - D. Equal
  
4. In terms of nature, \_\_\_\_\_ is used to classify, record, present, and interpret financial characters and provides the figures for preparation of financial statements. [CLO 1: C2]
  - A. budgeting and controls
  - B. time dimension
  - C. financial accounting
  - D. accounting method

**POLITEKNIK**  
Jabatan Pengajian Politeknik

EXAMINATION AND EVALUATION DIVISION  
DEPARTMENT OF POLYTECHNIC EDUCATION  
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION  
JUNE 2012 SESSION

**PA202: BASIC COST ACCOUNTING**

**DATE : 18 NOVEMBER 2012 (SUNDAY)**  
**DURATION : 2 HOURS (11.15 AM - 1.15 PM)**

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This paper consists of **TWELVE (12)** pages including the front page.  
Section A: Objective (25 questions – answer all)  
Section B: Structured (3 questions – answer all)

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**BY THE CHIEF INVIGILATOR**

(The CLO stated is for reference only)

9. Cost Accounting is different from Financial Accounting. Which of the following is the **BASIS** of their difference? [CLO 1 : C2]

- i. Unit of measurement
- ii. Report frequency
- iii. Accounting Principle
- iv. Taxation Principle

- A. i, ii and iii
- B. ii, iii and iv
- C. i, ii and iv
- D. iii and iv

10. Cost accounting is important to the management in determining the \_\_\_\_\_ of their product. [CLO 1 : C1]

- A. budget price
- B. selling price
- C. market price
- D. replacement price

11. The following information relates to Chong Wei Sdn Bhd:

Annual Demand	12,000 units
Purchase price per unit	RM 24
Fixed cost per order	RM 24
Storage cost per unit per year	15% of purchase price

As their consultant, the management has asked you about the optimal order size.

Calculate the economic order Quantity (EOQ). [CLO 1 : C3]

- A. 400 units
- B. 420 units
- C. 410 units
- D. 450 units

5. The following parties are considered as internal parties of cost accounting information **EXCEPT**: [CLO 1 : C2]

- A. supplier
- B. manager of the company
- C. Chief Executive Officer (CEO)
- D. shareholders

6. Which of these are the functions of Cost Accounting? [CLO 1 : C2]

- i. Planning function
- ii. Control function
- iii. Budgeting function
- iv. Marketing function

- A. i and ii
- B. i, ii and iii
- C. ii, iii and iv
- D. i, ii and iv

7. Cost accounting is a process of determining and accumulating the cost of product or activity. Which of the following is **NOT** the importance of cost accounting to management? [CLO 1 : C2]

- A. Measuring performances activities, managers, and other employee
- B. Motivating managers and other employees towards organization's goals
- C. Facilitating preparation of audit report
- D. Assessing the organization's competitive position

8. The following are the characteristics of cost accounting **EXCEPT** \_\_\_\_\_. [CLO 1 : C2]

- A. The primary users are the members of management.
- B. Reports are prepared whenever is required based on needs.
- C. All information is in monetary terms only ( Ringgit Malaysia )
- D. The focus is on specific area in the company, such as materials.

16. Examine the following data: [CLO 3: C3]

**Material A:**

Standard price per kg RM5.00

Standard usage per unit 7 kg

Actual price per kg RM4.50

Actual usage per unit 8 kg

The material price variance would be:

- A. RM4.00 (Adverse)
- B. RM3.50 (Favourable)
- C. RM4.00 (Favourable)
- D. RM3.50 (Adverse)

17. Which of the following would not explain a favourable wage rate variance? [CLO 3: C2]

- A. New technology
- B. Introduction of minimum wage legislation
- C. Reduction in power of trade unions
- D. Higher unemployment in industrial sector

18. Examine the following relating to Job X3: [CLO 3: C3]

Standard hours worked 64.50

Actual hours worked 61.25

Standard wage rate RM4.15/hour

Actual wage rate RM4.25/hour

The total labour variance for Job X3 is:

- A. RM6.13 (Adverse)
- B. RM13.49 (Favourable)
- C. RM7.36 (Favourable)
- D. RM6.13 (Favourable)

12. A machine breaks down for six hours. The total working time is forty-two hours excluding six hours idle time. The rate is RM1.50 per hour. How much is the operator's gross wage? [CLO 1 : C3]

- A. RM54.00
- B. RM72.00
- C. RM63.00
- D. RM81.00

13. Reorder level is the level between the maximum and minimum stock levels to make sure the supplies of material is adequate. It is determine by the items below EXCEPT: [CLO 1 : C2]

- A. Economic Order Quantity (EOQ)
- B. The rate of consumption of materials
- C. The time required to obtain new supplies
- D. The minimum level

14. Which of these are the avoidable causes of labor turnover? [CLO 1 : C2]

- i. Low wages and earning
- ii. Retrenchment or lay off due to shortage of resources
- iii. Bad relations among workers and supervisors
- iv. Unsuitable job

- A. i and ii
- B. i, ii and iii
- C. i, iii, and iv
- D. i, ii and iv

15. Which of the following is an example of fixed cost? [CLO 1: C2]

- A. Direct material cost
- B. Works manager's salary
- C. Depreciation of machinery – using straight line method
- D. Chargeable expenses

23. The following are the results of last year's production: [CLO 2 : C3]

Budgeted overheads	RM8,000
Budgeted production	4,000 units
Actual overheads	RM8,500
Actual production	3,800 units

Calculate the over/under absorption?

- A. RM500 under absorption
  - B. RM500 over absorption
  - C. RM900 under absorption
  - D. RM900 over absorption
24. A company budgeted to produce and sell equal numbers of units. In fact production was above budget whilst sales were below budget. Which of the following statements about marginal costing and absorption costing profits is most likely to be true? [CLO 2 : C4]
- A. Absorption costing profits will be higher than marginal costing profits
  - B. Absorption costing profits will be equal to marginal costing profits
  - C. Absorption costing profits will be lower than marginal costing profits
  - D. Absorption costing profits could be higher or lower or equal to marginal costing profits
25. Absorption costing measures contribution to profit as: [CLO 2 : C1]
- A. Sales less unit- level costs spent of goods sold.
  - B. Sales less absorption cost of goods sold.
  - C. Sales less all costs including operating expenses.
  - D. None of above.

19. If the standard cost is higher than the actual cost then the difference would be known as: [CLO 3: C4]

- A. Favourable
- B. Positive
- C. Negative
- D. Adverse

20. The correct formula for the labour efficiency variance is: [CLO 3: C1]

- A. Standard hours less actual hours multiplied by standard wage
- B. Standard wage rate less actual wage rate multiplied by standard hours
- C. Standard wage rate less actual wage rate multiplied by actual hours
- D. None of the above

21. Which of the following is a correct description of absorption costing?

[CLO 2: C1]

- A. Variable costs of products are allocated to products and the unsold stock is measured at total variable cost of production
- B. All direct costs of production are absorbed into products and the unsold stock is measured at direct cost of production
- C. All production costs are absorbed into products and the unsold stock is measured at total cost of production
- D. All production costs are absorbed into products and the unsold stock

22. Which of the following is a variable overhead cost? [CLO 2 : C3]

- A. Annual rent payable for the factory
- B. The wages of a cleaner whose working hours vary with the level of output achieved
- C. The wages of a production employee paid on the basis of output achieved
- D. A constant annual bonus paid to the store man

You are required to:

- a) Prepare a Cost Statement for the year ended 31 December 2011. [CLO 1 : C3]  
(18 Marks)
- b) Calculate the profit, if the total sales for 2011 are 500% of the value of materials purchased (in RM). [CLO 1 : C3]  
(4 Marks)
- c) Briefly define variable cost and give **ONE (1)** example. [CLO 1 : C2]  
(3 Marks)

## SECTION B

## STRUCTURED (75 marks)

## INSTRUCTION:

This section consists of **THREE (3)** structured questions. Answer all questions.

## QUESTION 1

The information below relates to Kilang Berseri Sdn. Bhd for the year ended 31

December 2011:

	<u>RM</u>
Purchase - materials	13,000
Direct labour	10,000
Factory salary	6,000
Royalty	12,500
Freight for materials	6,000
Factory rental	1,000
Electricity and power	2,500
Opening stock - materials	2,000
- work in progress	1,100
Closing stock - materials	2,300
- work in progress	1,000
Promotion expense	?

Additional information:

- i. In a year 2011, 25,000 units were produced whereas 22,750 units were sold.
- ii. Promotion expense is charged at RM0.30 for each unit sold.

## QUESTION 3

The standard cost of materials and labours for one unit product name Alfa are as follows:

Materials : 20kg of materials @ RM5/kg

Labours : 15 hours labours @ RM2/hour

Below are the actual cost occurred in the month of June 2011:

The actual productions are 110 units.

Materials : 2,000kg of materials costing RM9,840

Labours : 1,800 hours labours costing RM3,960

- a) You are required to calculate: [CLO 3 : C3]
- i. Material Price Variance (5 marks)
  - ii. Material Quantity Variance (5 marks)
  - iii. Labour Rate Variance (5 marks)
  - iv. Labour Efficiency Variance (5 marks)
- b) Give **TWO (2)** reasons for labour rate variance [CLO 3 : C2]  
(4 marks)
- c) Define what is standard cost [CLO 3 : C1]  
(1 mark)

## QUESTION 2

The following information was extracted from Syarikat Slim Bagus for the year 2011:

Sales (unit)	120,000
Production (unit)	150,000
Closing stock (unit)	30,000

Selling price per unit (RM) 8.00

	<u>RM</u>
Direct material cost	120,000
Direct labour cost	300,000
Variable overhead cost	45,000
Fixed overhead cost	65,000
Variable sales cost	30,000
Fixed sales cost	45,000

You are required to:

- a) Calculate cost per unit using marginal and absorption costing method. [CLO 2 : C4]  
(5 marks)
- b) Prepare Income Statement for the year 2011 using marginal and absorption costing method. [CLO 2 : C4]  
(20 marks)