



جامعة السلطان الشريف علي الإسلامية  
UNIVERSITI ISLAM SULTAN SHARIF ALI  
SULTAN SHARIF ALI ISLAMIC UNIVERSITY

## Faculty of Islamic Economics and Finance Semester I, 2020/2021 Academic Session

### Final Examination Question Paper

**Course Code : BF3304**

**Course Name : Management Accounting**

**Course Level : Bachelor of Science in Islamic Finance,  
Bachelor of Business Management**

**Time : 3 hours**

#### **Notes:**

1. This examination is divided into **Two (2)** Sections with 60 Marks
2. Write **ALL** of your answers in the answer booklet provided
3. Section A consists of **three** questions with 30 marks. Answer **ALL** the questions
4. Section B consists of **three** questions with 30 marks. Answer only **TWO** questions out of Three questions
5. Candidates are not allowed to take the Answer Booklet out of the examination venue.

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**SECTION A: ANSWER ALL OF THE QUESTIONS (30 MARKS)**

**QUESTION 1 (10 Marks)**

Hewlett Packard Company must decide whether to make or buy some of its components from Sole Corp. The cost of producing 50,000 electrical connectors for its printers is \$165,000 broken down as follows:

Direct materials	\$90000
Direct labour	\$40000
Variable manufacturing overhead	\$22000
Fixed manufacturing overhead	\$13000

Instead of making the electrical connectors at an average cost per unit of \$3.30, the company has an opportunity to buy the connectors at \$3.00 per unit. If the connectors are purchased, all variable costs and one half of the fixed costs will be eliminated.

**Required**

- Prepare the incremental analysis showing whether the company should make or buy the electrical connectors (3 Marks)
- Will your answer be different if the released productive capacity resulting from the purchase of the connectors will generate additional income of \$25000 (3 Marks)
- What steps are frequently involved in management's decision making process (2 Marks)
- Define the term 'opportunity cost' and how may this cost be relevant in a make – or – buy decision? (2 Marks)

**QUESTION 2 (10 Marks)**

Marlowe Corporation makes a mechanical stuffed alligator that sings the national anthem. The following information is available for Marlowe Corporation's anticipated annual volume of 500,000 units

	Per unit	Total
Direct materials	\$7	
Direct labour	\$9	
Variable Manufacturing overhead	\$15	
Fixed manufacturing overhead		\$3,300,000
Variable selling administrative expenses	\$14	
Fixed selling and administrative expenses		\$1,500,000

The company has a desired ROI of 25%. It has invested assets of \$24,000,000

**Required**

- Compute the total cost per unit (2 Marks)
- Compute the desired ROI per unit (3 Marks)
- Compute the markup percentage using total cost per unit (2 Marks)
- Compute the target selling price (1 Marks)
- What is target cost, and how does management use it (2 Marks)

**QUESTION 3 (10 Marks)**

J limited sells a single product at a mark up of 25%. The following information is available:

## 1) Sales revenue:

2017	\$
November	150,000
December	180,000

2018	\$
January	200,000
February	210,000
March	225,000
April	240,000

- 2) All sales are on credit and customers have a credit period of 2 months.
- 3) All purchases are on credit and suppliers are paid in the month following purchases.
- 4) Inventory level at the end of each month will be maintained at 25% of the sales volume in the following month.
- 5) Monthly operating costs are expected to be \$18 000, which includes \$3000 depreciation.
- 6) Balance at bank at 1 January 2018 is expected to be \$4500.

**Required**

- (a) Prepare the cash budget for **each** of the three months from January to March 2018 (6 Marks)
- (b) Prepare a budgeted income statement for the three – month period ending 31 March 2018 (2 Mark)

**Additional Information**

The directors are considering investing \$60 000 in a new computer system to improve inventory control. According to the payment terms, 50% is payable in March 2018 and the remaining 50% in the following month.

**Required**

- (a) Advise the directors whether or not they should purchase the new computer. Justify your answer (2 Marks)

**SECTION B: CHOOSE ANY TWO QUESTIONS (30 MARKS)**

**QUESTION 4 (15 Marks)**

Rahel manufactures a single product X and wishes to know the break-even point.

**Required**

- (a) What is meant by break-even point. (1 Mark)

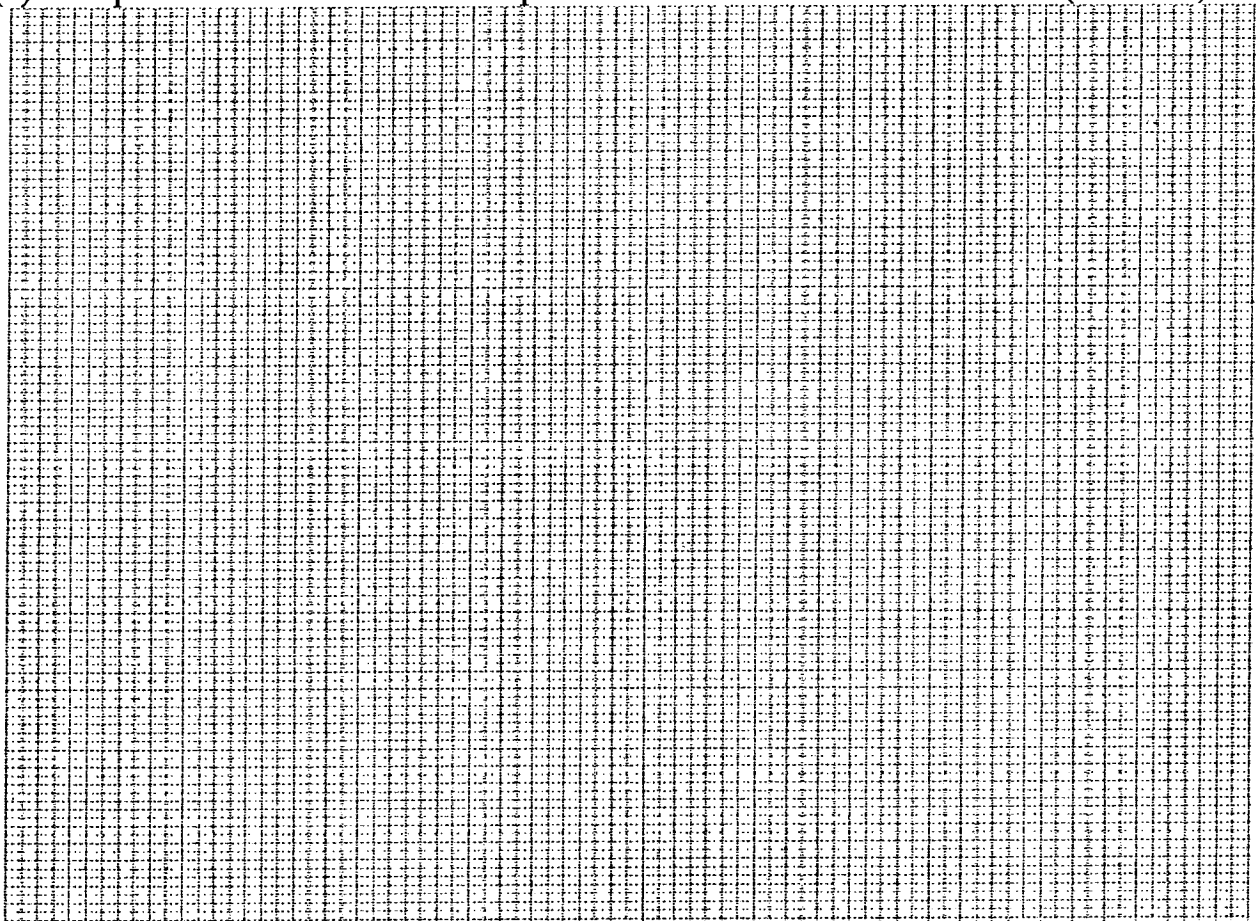
**Additional Information**

The following budgeted information is available for product X

Selling price per unit	\$2.00
Contribution to sales ratio	62.5%
Fixed costs	\$50,000
Production and Sales	100,000 units

**Required**

- (b) Calculate the break-even point in units and \$ revenue (6 Marks)  
(c) Prepare a break-even chart for product X (4 Marks)



**Additional Information**

Rachel is considering opening another factory to produce two new products: Y and Z.

The following information is available:

	Y (\$ per unit)	Z (\$ per unit)
Direct material;	2	4
Direct labour (\$ 5 per hour)	10	5
Variable overhead	1.5	1.5
Selling price	23	18

Forecast demand for April is 4000 units of Y and 6000 units of Z.

**Required**

(d) Calculate the contribution per unit of **each** product Y and Z (2 Marks)

**Additional information**

During April, fixed costs are forecast to be \$60,000

**Required**

(e) Calculate the forecast profit for the new factory for the month of April (2 Marks)

**QUESTION 5 (15 Marks)**

Khalid owns a business making blankets. He currently uses a standard costing system.

**Required**

- (a) What is Standard Costing? (1 Mark)

**Additional Information**

For the year ending 31 August 2015 Khalid budgeted to sell 2700 blankets at \$40 each. Each blanket requires 1.5 meters of material at \$10 per meter and 30 minutes of labour. All of his workforce are employed full time and paid \$14 per hour.

For the year ended 31 August 2015 his actual sales were 2700 blankets. He used 4320 meters of material at a cost of \$34560 and 2025 hours of labour were required at a cost of \$24300.

**Required**

- (b) Calculate the following variances for the year ended 31 August 2015 (8 Marks)
- (i) The material price and quantity variances
  - (ii) The labour rate and efficiency variances
- (c) Discuss possible reasons why Khalid's actual costs are different to the budgeted costs (3 Marks)

**Additional Information**

In an attempt to control costs, Khalid is considering to:

- 1 Stop the quality assurance checks usually made during the production process
- 2 Find a cheaper supplier for materials to make the blankets
- 3 Keep the selling price at \$40 per blanket

**Required**

- (d) Recommend to Khalid which option or options should he choose. (3 Marks)  
Justify your answer

**QUESTION 6 (15 Marks)**

Wong Ho owns a small factory. A machine has started to break down regularly and needs to be replaced.

A replacement machine is expected to cost \$55 000. It is expected to last 5 years and will be depreciated using the straight-line method of depreciation. At the end of the period the machine will be scrapped with no residual value.

The following information is available for the replacement machine:

- 1 The selling price for each unit produced by the machine is expected to be \$40 for years 1 and this is expected to increase by 25% for year 3. There is no expected change for year 4. However, the selling price is expected to increase by a further 10% for year 5.
- 2 The cost of production for each unit produced is expected to be \$20 for years 1 and 2. This will increase by 25% for year 3 and then remain unchanged.
- 3 The present value for the net cash flows for the years 1 to 5 have been calculated as follows:

Year	Discount Factor (14%)	Present Value (\$)
1	0.877	3683.40
2	0.769	6536.50
3	0.675	9483.75
4	0.592	14977.60
5	0.519	21019.50

**Required**

- (a) Distinguish between the payback method of investment appraisal and the net present value method (2 Marks)
- (b) Calculate the expected net present value-for the replacement machine (1 Mark)
- (c) (i) Calculate the annual net cash flow for the year 1 to 5 for the replacement machine (5 Marks)  
(ii) Calculate the payback period for the replacement machine (2 Marks)
- (d) Recommend whether or not Wong Ho should purchase the replacement machine. Justify your answer (5 Marks)

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