



Department of Business Studies

HELP Bachelor of Business
(HONS)
Year 1

ACC103 Management
Accounting 2

ASSIGNMENT QUESTIONS 2
Semester 2, 2007

DUE DATE: 20 August 2007
Value : 15%

MANAGEMENT ACCOUNTING 2 (ACC103)
ASSIGNMENT 2 (15%)

SEM 2, 2007

DUE DATE : 20 AUG 2007

Please take note that copying the work of others, allowing others to copy your work, and / or attempting to do any of the above mentioned will result in automatic failure of your assignment. NO EXCUSES FOR ACTS OF PLAGIARISM WILL BE ENTERTAINED. You may of course consult textbooks, journals, or any publications for reference purposes. All sources or materials used should be clearly quoted / referenced.

Before submitting your assignment you should make a copy and submit the original for assessment. Late submissions will not be entertained unless there is (are) some legitimate mitigating factor(s).

QUESTION 1 (14 marks)

Instructions :

- (i) Based on the following case study information, build a spreadsheet model using Excel 97 to answer the accompanying problems.
- (ii) The spreadsheet model should include a "Data Input Section" (whereby all raw / original data from the case should be entered), "Additional Information Section" (whereby other relevant information for the individual problems should be entered) and an "Output Section" (whereby the final answers to each problem is presented).
- (iii) Program your spreadsheet to perform all necessary calculations. Do not "hard code" any amounts, use the addition, subtraction, multiplication, division operations or any other specialised formulas.
- (iv) Print a copy of the spreadsheet with the answers / results to the problems.
- (v) Print a copy of the spreadsheet showing the formulas used therein.

Note : Please submit a copy of your CD with your Excel file.

Case study information :

Right Moulds Ltd. manufactures a single product which passes through 2 departments, Moulding and Finishing.

All work is commenced in Moulding, from which all output is immediately transferred to Finishing where additional materials are added when processing is 30% complete.

In Finishing, conversion costs are incurred uniformly throughout the process. Overhead is allocated on the basis of 120% of direct labour cost.

Work in process, 1 Aug (11,000 units, 90% complete), cost of which includes :

Department - Moulding costs	\$225,500
Department - Finishing direct materials	\$93,500
Department - Finishing direct labour	\$29,700
Department - Finishing overheads	\$?

During the month of Aug, 92,000 units were completed and transferred to finished goods inventory. Units transferred in from Moulding were charged at \$20.80 per unit. Finishing's costs in Aug were :

Materials added	\$708,750
Direct labour	\$303,790
Overheads	\$?

At the end of the month, 29,000 units were still in process in Finishing. These were estimated to be 25% complete.

Required :

Prepare the Finishing production cost report for the month of Aug 2007 using the FIFO method. (14 marks)

QUESTION 2 (11 marks)

TWJ Ltd. produces 2 types of modems, "Wind" and "Storm". TWJ normally produces 12,500 units of Wind at a total direct material cost of \$212,500 and 10,000 units of Storm at a total direct material costs of \$280,000.

Direct labour cost in 2007 is expected to be \$7.80 per unit of Wind and \$19.50 per unit of Storm. Other manufacturing costs are considered as overhead. The estimated total annual overhead for the year is \$650,000.

W.J. To, the CEO is considering the use of activity-based costing (ABC) in order to refine the corporation's costing system. The following information was obtained :

Overhead includes : (Cost Driver)	Total Costs (\$)	Wind (Total driver units)	Storm (Total driver units)
Quality control (No. of inspections)	115,000	20,000 inspections	37,500 inspections
Rental (Space in m ²)	210,000	15,000 m ²	5,000 m ²
Utilities (Machine hours)	325,000	17,500 MH	7,500 MH
Total	<u>650,000</u>		

Required :

- Calculate the total cost of each product (assuming that the expected no. of units are produced) using the activity-based costing system. (6 marks)
- Explain why overcosting and undercosting product occur with traditional costing systems. Why might individuals resist ABM and how could an organization overcome the resistance? (Word limit : 300). (5 marks)

QUESTION 3 (5 marks)

Polar Ltd. manufactures 2 joint products. Both products require additional processing beyond the split-off point. There were no opening inventories at 1 July 2007. The following information relates to the month of Jan :

	Cool-Air	Frost-Bite
Production (units)	90,000	110,000
Sales (units)	71,500	84,800
Closing inventories (units)	18,500	25,200
Selling price per unit	\$20	\$45
Additional processing costs	\$350,000	\$600,000

Total joint processing costs for July were \$1,180,000. Joint costs are allocated using the net realisable value method. The closing inventories are finished goods that are ready for sale.

Required :

- (a) Determine the cost of the ending inventories of each of the products as at 31 July 2007. (3 marks)
- (b) Cool-Air could be processed further into Chilly-Breeze for an additional cost of \$8.00 per unit. Chilly-Breeze would sell for \$33.00 per unit. Should the company produce Chilly-Breeze? (2 marks)