UNIVERSITI POLY-TECH MALAYSIA UPTM

FINAL EXAMINATION

BACHELOR OF ACCOUNTANCY (HONOURS)

COURSE	:	**MANAGEMENT ACCOUNTING IN BUSINESS DECISIONS**
COURSE CODE	:	**MAC3153**
DURATION	:	**3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. This question paper consists of **FOUR (4)** questions.
2. Answer **ALL** questions in the Answer Booklet provided.
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. The use of calculator is allowed.
5. Please write your answer using permanent ink.

MYKAD/ PASSPORT NO : ______________________

ID. NO. : ______________________

LECTURER : ______________________

SECTION : ______________________

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

This question paper consists of 8 printed pages including the front page

QUESTION 1

BlueAqua & Co. is a recently established business specialising in the manufacture of a range of products of a range of products for the fitness and health food market. It has recently developed a new product, "Protein Bar", which it is almost ready to launch. BlueAqua & Co. estimates that demand will be between 3,000 and 4,500 units per month, but Protein Bar can only be manufactured in batches of 500 units. Therefore, BlueAqua & Co. must decide whether to manufacture 3,000, 3,500, 4,000 or 4,500 units. Given the short shelf life of Protein Bar, any units remaining unsold at the end of each month must be thrown away with no scrap value.

The variable production cost of making one unit of Protein Bar is as follows:

	RM
Direct materials	6.20
Direct labour	2.70
Variable overhead	1.35

Protein Bar will be processed on Machine X. Below are the charges for machine setup based on the supply units.

Supply units (units)	Machine X charges (RM)
3,000	1,440
3,500	1,680
4,000	1,920
4,500	2,160

In addition to the above production costs, BlueAqua & Co. incurs selling and distribution costs of RM0.90 for every unit sold. BlueAqua & Co. can sell the Protein Bar at RM35 per unit if total sales do not exceed 3,500 units. However, if sales exceed this level, the selling price will reduce to RM33 per unit.

Required:

a. Determine the expected net profits for each demand.
(Students are required to prepare a pay-off table to support the answers and show ALL workings)
(16 marks)

b. Recommend units of Protein Bar should be produced, based on the following decision rules:
   i. Maximin.
   ii. Maximax.
   iii. Minimax regret.

   (Show ALL calculations and justify your decisions based on the management styles)
(10 marks)

c. Distinguish between **Risk Seeker** and **Risk Averse** decision maker.
(4 marks)

(Total: 30 marks)

QUESTION 2

Andalus Horizons Sdn. Bhd. is a mid-sized tourism company offering a range of services, including guided tour packages, hotel partnerships, transportation arrangements, and customised travel experiences for both domestic and international tourists. The company serves different market segments, from budget travellers to premium leisure tourists.

Andalus Horizons Sdn. Bhd. has been relying on a traditional performance management system that focuses primarily on financial indicators. The system is characterised by annual performance appraisals, top-down evaluations by supervisors, and rigid performance metrics such as number of tour packages sold, cost per trip, and itinerary completion time. While this system provides numerical clarity, it has resulted in several performance issues that affect service quality and customer satisfaction.

Below are the key problems associated with the current performance management approach:

Problem 1: Infrequent performance feedback limits service improvement.
Employee performance reviews are conducted only once a year. In the tourism industry, where service quality, customer interaction, and real-time problem-solving are critical, this delayed feedback mechanism prevents timely correction of service failures. Issues such as poor handling of customer complaints, ineffective tour coordination, or communication breakdowns are often identified months after they occur. By the time feedback is delivered, employees may struggle to recall specific incidents, reducing the relevance and effectiveness of the review process.

Problem 2: Emphasis on sales targets over customer experience.
The existing performance system places heavy emphasis on quantitative sales indicators, such as the number of tour packages sold or the speed of itinerary turnover. This encourages staff to prioritize closing sales rather than understanding customer needs or delivering high-quality travel experiences. As a result, mismatched tour recommendations, rushed itineraries, and inadequate customer support during trips have become more frequent, negatively impacting customer satisfaction and repeat bookings.

Problem 3: Low employee engagement and service ownership.
The performance management system is largely top-down, with performance goals set exclusively by management. Frontline employees such as tour coordinators, customer service officers, and tour guides have limited input despite their direct interaction with tourists. This has led to reduced motivation and a lack of ownership over service quality improvements. Employees often feel that their insights into traveler preferences, operational bottlenecks, and service enhancements are undervalued.

Problem 4: Limited recognition of teamwork in service delivery.
Tourism operations depend heavily on teamwork and coordination among various functions, including sales, tour planning, transport providers, accommodation partners, and on-site guides. However, the current performance system focuses primarily on individual achievements, such as personal sales numbers or customer counts handled. This approach discourages collaboration and information sharing, leading to fragmented service delivery and inconsistent tourist experiences.

Required:

a. Recommend **ONE (1)** solution for each of the problem faced by Andalus Horizon Sdn. Bhd.

(14 marks)

b. In response to growing tourist arrivals and intensifying competition within the travel and hospitality sector, Andalus Horizon Sdn. Bhd. is considering investing in a new integrated tourism management system which is a high-tech digital platform that combines online booking, dynamic pricing, customer relationship management (CRM), and real-time tour scheduling. The system is expected to improve operational efficiency, enhance customer experience, and reduce administrative and operating costs across its tourism operations.

To evaluate the financial viability of this investment, the company will adopt the Internal Rate of Return (IRR) approach as the capital investment appraisal method.

Describe **TWO (2)** advantages of IRR approach to Andalus Horizon Sdn. Bhd.

(6 marks)

(Total: 20 marks)

QUESTION 3

Marathon & Co. is a large manufacturing company specializing in the manufacture of a wide range of sports clothing and equipment. The company has two divisions: Clothing division and Equipment division. Each division operates with little intervention from Head Office and divisional managers have autonomy to make decisions about long-term investment.

Marathon & Co. measures the performance of its divisions using return on investment (ROI), calculated using controllable profit and average divisional net assets. The target ROI for each of the divisions is 18%. If the divisions meet or exceed this target the divisional managers receive a bonus.

The draft operating statement for the year, prepared by the company's trainee accountant is shown below:

	Clothing division RM	**Equipment division RM**
Sales revenue	4,800,000	7,400,000
Production costs	1,400,000	3,030,000
Non-production cost	945,000	1,420,000
Opening divisional controllable net assets	13,000,000	24,000,000
Closing divisional controllable net assets	9,000,000	30,000,000
Cost of capital	12%	

Required:

a. Appraise the performance for Clothing division and Equipment division, based on Return on Investment (ROI) and Residual Income (RI).
(ALL answer must be rounded up to ONE decimal place)

(14 marks)

b. Recommend which divisional managers is eligible to receive a bonus.

(4 marks)

c. Explain **ONE (1)** advantage of using residual income (RI) to measure divisional performance.

(2 marks)

(Total: 20 marks)

QUESTION 4

Frozen Delights Sdn. Bhd. is a well-established company in the frozen dessert industry, known for its premium ice cream products and customized ice cream cakes based in Melaka. The company has two subsidiaries:

- Creamy Bliss – an ice cream manufacturing subsidiary that produces premium ice cream base (vanilla-based ice cream).
- Frosty Delice – a subsidiary that uses the ice cream base as one of the main ingredients to produce *ready-to-serve ice cream cakes*.

Creamy Bliss manufactures the ice cream base, which is supplied to Frosty Delice for use in its signature "Easy Slice" Ice Cream Cake. The Ice Cream Cake is sold to customers at RM120.00 per unit.

In addition to supply Frosty Delice, Creamy Bliss also sells the ice cream base to external customers such as cafés and dessert outlets at a price of RM68.00 per unit.

The normal production capacity of the ice cream base at Creamy Bliss is 25,000 units per annum. Of this production, 70% is transferred to Frosty Delice, while the remaining units are sold to external customers.

All fixed overhead costs are absorbed based on the number of units produced.

The following information represents the standard cost per unit for both products:

Ice Cream Base
- Direct materials
  - Milk: RM4.55
  - Cream: RM7.65
  - Sugar: RM2.90
  - Flavor: RM3.30
- Direct labour (processing and quality control): RM7.60
- Variable production overhead (utilities, freezing, packaging): RM5.20
- Fixed production overhead: RM5.80
- Fixed selling & distribution overhead: 4.00

Ice Cream Cake
- Direct labour (assembly, decoration, finishing): RM16.50
- Direct expenses (toppings, moulds, customised packaging): RM12.30
- Variable production overhead: RM6.40
- Fixed production overhead: RM14.60

Required:

a. Determine the transfer price to be charged to Frosty Delice using the following pricing policies:

   i. Variable cost plus 35% mark-up.

   ii. Full cost plus 35% margin.

   (Transfer price must be rounded up to the nearest RM)

(4 marks)

b. Based on (a) above, decide which price should be used as the transferred price by preparing the statement of individual profit for each division and group as a whole.

(22 marks)

c. Explain **TWO (2)** disadvantages of transfer pricing.

(4 marks)

(Total: 30 marks)

(TOTAL: 100 MARKS)

END OF QUESTION PAPER