

**PART A: STRUCTURED QUESTIONS**

1. Describe the material recording procedures.

- Requisition and Purchase: Departments request materials based on production needs. Procurement orders materials from suppliers.
- Receiving and Inspection: Materials are received, checked for quality and quantity, and recorded in stock registers.
- Storage and Inventory Control: Materials are stored in warehouses, with proper documentation and labeling for easy identification.
- Issuance to Production: Materials are issued to production based on job orders, with records maintained for accountability.
- Stock Reconciliation and Reporting: Regular stock audits are conducted, discrepancies are investigated, and reports are generated for management.

2. Discuss **two (2)** internal control of stock management.

**Perpetual Inventory System**

i) This system updates inventory records in real time as materials are received or issued. It helps prevent stock shortages and excess inventory while improving accuracy.

**Segregation of Duties**

ii) Different employees handle ordering, receiving, and recording stock to reduce fraud and errors. For example, the person approving purchases should not be the same person who records stock entries.

**Part B: Practical Exercises**

1. NU Ltd's Chief Executive believes the company is holding excessive materials and has asked for the Management Accountant to carry out an investigation.

Information on the two material items is given below:

Material item	Purchase price per unit (RM)	Administration cost per order (RM)	Monthly demand (Units)	Holding cost per year % of purchase price
G	300	90	16,000	13.34
H	26	29	2,900	9.00

## CHAPTER 3: Introduction to Cost Accounting & Elements of Cost-Material Cost and Inventory Valuations

The company's material ordering policy is based on the Economic Order Quantity (EOQ). You are required to calculate EOQ and the number of orders per year that the company will place for item G and H.

2. Below are the forecasted consumption figures for Wright Ltd in respect of material MX13.

Months	Units	Months	Units
January	1,000	July	1,500
February	1,000	August	1,500
March	1,400	September	1,100
April	1,400	October	1,100
May	1,500	November	1,000
June	1,500	December	1,000

Reorder quantity (EOQ): 4,000 units

Delivery period: Maximum 4 months; Minimum 2 months

You are required to compute the following for the year:

a) Reorder level	$1500 \text{ units} \times 4 = 6,000$
b) Maximum material level	$6,000 + 4,000 - (1,000 \times 2) = 8,000$
c) Minimum material level	$6,000 - (1,250 \times 3) = 2,250$
d) Average material level	$(8,000 + 2,250) / 2 = 5,125$

3. The following information has been extracted from the stores ledger account of ABC Ltd for the year 2016:

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	RECEIPTS			ISSUES		
Date	Quantity	Unit price	Amount	Quantity	Unit price	Amount
Jan	Kg	RM	RM	Kg	RM	RM
1	750	3.00				
4	1,000	3.05				
5				550		1,650
8				400		1,210
10				500		1,525
15	1,200	3.20				
18				450		1,395
22	2,500	3.25				
25				450		1,440
28				1,200		3,870

Required:

- a) State the method of inventory valuation used.

FIFO

- b) What will be the value of the stock on 31 January 2016?(Show your working with inventory valuation worksheet)

	RECEIPTS			ISSUES				BALANCE		
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount
1	750	3	2250	5	550	3	1650	200	3	
4	1000	3.05		8	200	3		800	3.05	
15	1200	3.20		8	200	3.05				

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22	2500	3.25		10	500	3.05		300	3.05	
				18	300	3.05				
				18	150	3.20		1050	3.20	
				25	450	3.20		600	3.20	
				28	600	3.20				
				28	600	3.25		1900	3.25	

4. On 1<sup>st</sup> April 2016, it had stocks of 40 units valued at RM400. The transactions for the month of April are given below:

Date	Transactions	Quantity (Units)	Unit cost (RM)
April 4	Bought	140	11
10	Sold	90	
12	Bought	60	12
13	Sold	100	
16	Bought	200	10
21	Sold	70	
23	Sold	80	
26	Bought	50	12
29	Sold	60	

- a) Prepare the perpetual stock valuation analysis by using the following methods:
- First-in, first-out (FIFO)

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RECEIPTS				ISSUES				BALANCE		
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount
4	140	11	1540	10	90	11	990	50	11	550
12	60	12	720	13	50	11	550			
				13	50	12	600	10	12	120
16	200	10	2000	21	10	12	120			
				21	60	10	600	140	10	1400
				23	80	10	800	60	10	600
26	50	12	600	29	60	10	600	50	12	600


ii. Last-in, first-out (LIFO)

RECEIPTS				ISSUES				BALANCE		
Date	Quantity	Unit price	Amount	Date	Quantity	Unit Price	Amount	Quantity	Unit price	Amount
4	140	11	1540	10	50	12	600			
				10	40	10	400	160	10	1600
12	60	12	720	13	100	10	1000	60	10	600
16	200	10	2000	21	60	10	600			
26	50	12	600	21	10	12	120	50	12	600

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[illegible]

- iii. Weighted average (WA)

[illegible]

b) Calculate the gross profit for each of the methods if the unit selling price is RM15.