CONFIDENTIAL



FINAL EXAMINATION

(24 HOURS SUBMISSION)

JAN’23 SEMESTER

# SUBJECT CODE : MAF605

**SUBJECT NAME : ACCOUNTING AND FINANCE FOR MANAGERS**

# LEVEL : MASTER (MBA)

**SUBMISSION DATE : 16 APRIL 2023 BEFORE 2.00 PM**

# INSTRUCTIONS TO CANDIDATES

1. **Please read the instructions given in the question paper CAREFULLY.**
2. **Plagiarism in all forms is forbidden. Students who submit plagiarised assignment will be panelised.**
3. **This question paper consists of ONE (1) PART.**
4. **Answer ALL questions.**
5. **ONLY one online submission is allowed.**

**THERE ARE SIX (6) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

**DECLARATION BY STUDENT**

I certify that this submission is my own work and is in my own words. All sources have been acknowledged and the content has not been previously submitted for assessment to Asia e University or elsewhere. I also confirm that I have kept a copy of this submission.

Name:

Student ID:

Date:

**DURATION OF EXAMINATION: 24 HOURS**

PART A (Total: 100 Marks)

INSTRUCTION: Answer ALL questions.

**Question 1**

Mulpha Bhd. is a listed company which plans to meet increased demand for its products by buying new machinery costing RM5 million. The machinery would last for four years, at the end of which it would be replaced. The scrap value of the machinery is expected to be 5% of the initial cost. Capital allowances would be available on the cost of the machinery on a 25% reducing balance basis, with a balancing allowance or charge claimed in the final year of operation.

This investment will increase production capacity by 9,000 units per year and all of these units are expected to be sold as they are produced. Relevant financial information in current price terms is as follows:

Forecast Inflation

Selling price RM650 per unit 4·0% per year

Variable cost RM250 per unit 5·5% per year

Incremental fixed costs RM250,000 per year 5·0% per year

In addition to the initial cost of the new machinery, initial investment in working capital of RM500,000 will be required. Investment in working capital will be subjected to the general rate of inflation, which is expected to be 4·7% per year.

Mulpha pays tax on profits at the rate of 20% per year, one year in arrears. The company has a nominal (money terms) after-tax cost of capital of 12% per year.

**Required:**

Calculate the net present value of the planned purchase of the new machinery and comment on its financial acceptability. **(25 Marks)**

**Question 2**

Halex Bhd. a manufacturer of tiles has forecasted its investment opportunities over the next five years. The company maintains a 35:65 debt to equity mix, which the management accepts to be an optimal capital structure for firms within the industry. At present the outstanding common stocks amounts to 2 million units. The total cost of each year’s investment and the earnings available for that year are as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **Cost (RM’000)** | **Earnings**  **(RM’000)** |
| 1 | 3,000 | 2,000 |
| 2 | 3,800 | 3,000 |
| 3 | 4,500 | 3,250 |
| 4 | 4,000 | 3,800 |
| 5 | 6,500 | 4,300 |

1. **Required:**
2. a. Calculate dividend per share for each year assuming the firm applies the residual dividend policy. (15 Marks)

b. Based on your results as per (a) above, discuss the implication of adopting a pure

residual dividend policy. (10 Marks)

**(Total: 25 Marks)**

**Question 3**

Metro Fit Co. manufactures three types of fitness equipment: treadmills (T), cross trainers (C) and rowing machines (R). The budgeted sales prices and volumes for the next year are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | T | C | R |
| Selling price | RM1,600 | RM1,800 | RM1,400 |
| Units | 420 | 400 | 380 |
| The standard cost card for each product is shown below. | | | |
| Material | T  RM  430 | C  RM  500 | R  RM  360 |
| Labour | 220 | 240 | 190 |
| Variable overheads | 110 | 120 | 95 |

Labour costs are 60% fixed and 40% variable. General fixed overheads excluding any fixed labour costs are expected to be RM55,000 for the next year.

Required:

1. Prepare the pro-forma contribution margin income statement for Metro Fit Co. in columnar format. (8 marks)
2. Calculate the weighted average contribution to sales ratio for Metro Co. using the sales mix. (2 marks)
3. Calculate the breakeven point and margin of safety in RM for Metro Fit Co. (2 marks)
4. Based on the breakeven point in (c), calculate the sales mix in units. (3 marks)
5. Assume that the management is considering revising the sales price downward by 5% and estimated that sales volume will increase by 15% for all the products. Determine whether the revised price is a better alternative. (8 marks)
6. Determine what would happen to the breakeven point if the products were sold in order of the most profitable products first. (2 marks)

**(Total: 25 Marks)**

**Question 4**

Vita Berhad sells jewellery through stores in retail shopping centres throughout the country. Over the last two years it has experienced declining profitability and is wondering if this is related to the sector as whole. It has recently subscribed to an agency that produces average ratios across many businesses. Below are the ratios that have been provided by the agency for Quartile’s business sector based on a year end of 30 June 2019.

Return on year-end capital employed (ROCE) 16·8%

Net asset (total assets less current liabilities) turnover 1·4 times

Gross profit margin 35%

Operating profit margin 12%

Current ratio 1·25:1

Average inventory turnover 3 times

Trade payables’ payment period 64 days

Debt to equity 38%

The financial statements of RHMR Berhad for the year ended 30 September 2019 are:

**Income statement**

|  |  |  |
| --- | --- | --- |
|  | RM’000 | RM’000 |
| Revenue |  | 56,000 |
| Opening inventory | 8,300 |  |
| Purchases | 43,900 |  |
|  | 52,200 |  |
| Closing inventory | (10,200) | (42,000) |
| Gross profit |  | 14,000 |
| Operating costs |  | (9,800) |
| Finance costs |  | (800) |
| Profit before tax |  | 3,400 |
| Income tax expense |  | (1,000) |
| Profit for the year |  | 2,400 |

**Statement of financial position**

|  |  |  |
| --- | --- | --- |
|  | RM’000 | RM’000 |
| **Assets** |  |  |
| Non-current assets |  |  |
| Property and shop fittings |  | 25,600 |
| Deferred development expenditure |  | 5,000 |
|  |  | 30,600 |
| Current assets |  |  |
| Inventory | 10,200 |  |
| Bank | 1,000 | 11,200 |
|  |  |  |
| Total assets |  | 41,800 |
|  |  |  |
| **Equity and liabilities** |  |  |
| Equity |  |  |
| Equity shares of RM1 each |  | 15,000 |
| Property revaluation reserve |  | 3,000 |
| Retained earnings |  | 8,600 |
|  |  | 26,600 |
| Non-current liabilities |  |  |
| 10% loan notes |  | 8,000 |
|  |  |  |
| Current liabilities |  |  |
| Trade payables | 5,400 |  |
| Current tax payable | 1,800 | 7,200 |
| Total equity and liabilities |  | 41,800 |

**Required:**

1. Prepare for Vita Berhad the equivalent ratios that have been provided by the agency.

(9 marks)

1. Assess the financial and operating performance of Vita Berhad in comparison to its sector averages. (11 marks)
2. Explain TWO (2) possible limitations of the usefulness of the above comparison. (5 marks)

**(Total: 25 Marks)**

**END OF QUESTION PAPER**

# ANSWER SHEET

**LEARNING LOCATION**

**DATE OF SUBMISSION**

**PROGRAMME**

g

**SUBJECT NAME**

**SUBJECT CODE**

**IC / PASSPORT NUMBER**

**STUDENT NAME**

**STUDENT ID**

Begin writing your answers in this page.

(Font: Arial or Times New Roman, Size: 11 or 12, Lines Spacing 1.5)

**ANSWER:**