



The University of Fiji

(An Entity of Arya Pratinidhi Sabha of Fiji)



SCHOOL OF BUSINESS AND ECONOMICS

Department of Accounting and Finance

Semester 1, Year 2026

FINAL EXAMINATION PAPER

ACC404: ADVANCED MANAGEMENT ACCOUNTING

INSTRUCTIONS:

1. Read the questions and the instructions carefully and answer the questions.
2. You are allowed an **extra 10 minutes of reading time** (during this time, you are not allowed to write with a pen) and **180 minutes (3 Hours) to complete this paper**.
3. A silent, non-programmable calculator is allowed, but not supplied. Electronic Devices are not permitted.
4. Write all your answers in the answer booklet provided. If you need extra sheets, please ask the supervisor. Write your name, course code and student identification number on the answer booklet.
5. This Examination Paper is worth **100 marks** and **contributes 40%** towards the total assessments. You are required to score at least 40 marks in this exam and an overall of 50% to pass this course.
6. This paper contains **Two Sections**, and all questions are compulsory to answer.
7. State all your assumptions clearly.
8. Write all your answers legibly. The marker has the right to award zero for answers that are not legible.
9. This is a **Closed Book Examination**. The University views plagiarism, cheating and dishonest practice as serious offences, and if found, offenders are penalised.

Examination Format:

<u>Section</u>	<u>Question</u>	<u>Content</u>	<u>Marks</u>	<u>Suggested Time</u>
A	1 - 3	Theoretical, Analytical and Conceptual-Based Questions	40	60 Minutes
B	1 - 3	Case Solving and Application Questions	60	120 Minutes
		TOTAL	100	180 Minutes

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Registration Certificate Number (RGN0020/11)*

SECTION A

THEORETICAL, ANALYTICAL AND CONCEPTUAL BASED QUESTIONS

(40 MARKS)

(Suggested Time: 60 Minutes)

QUESTION 1

- A. What role do management accounting and control information play in developing new strategic directions? Elaborate your arguments with examples. (5 Marks)
- B. What role does management accounting and control information play in monitoring the success of the new strategic direction taken by an entity? (5 Marks)

QUESTION 2

- A. How are CVP analysis and breakeven analysis related? (5 Marks)
- B. Can the margin of safety ever be negative? Explain your answer. (5 Marks)
- C. Give an example of how a business can reduce variable costs by increasing fixed costs. (5 Marks)
- D. If an entity has a mixed cost function, a 10 per cent increase in sales volume should increase income by more than 10 per cent. Explain why? (5 Marks)

QUESTION 3

- A. Under what conditions could a process complete more units during the period than it started? (5 Marks)
- B. What types of businesses are appropriate for the job costing method? (5 Marks)

SECTION B

CASE SOLVING AND APPLICATION QUESTIONS (60 MARKS)

(Suggested Time: 120 Minutes)

QUESTION 1

Mangal Products produces two parts: FJ11 and FJ20. FJ11 components are being introduced currently, and FJ20 parts have been in production for several years. For the upcoming period, 1000 units of each product are planned for manufacturing. Assume that the only relevant overhead cost is for engineering change orders (any requested changes in product design or the manufacturing process). FJ11 components are expected to require four change orders, and FJ20 only two. Each FJ11 requires 1 machine hour, and each FJ20 requires 1.5 machine hours. The cost of a change order is \$300.

REQUIRED:

- A. What is the cost of engineering change orders for FJ11 and FJ20 components if Mangal uses a conventional costing method and machine hours as the allocation base? (5 Marks)
- B. If Mangal Products uses an ABC system and allocates the cost of change orders using the number of change orders as a cost driver, what will be the cost for change orders for each unit of FJ11 and FJ20? (5 Marks)
- C. Compare the difference in overhead allocated to each product. This figure represents an amount that one product cross-subsidises the other product. Explain what that means. (5 Marks)

QUESTION 2

The Office Equipment Co has the following standard for the 707-office cabinet.

	Quantity Standard	Price Standard
Direct Materials	0.8 kg per unit	\$ 2 per kg
Direct Labour	0.2 hours per unit	\$ 17 per hour

Last month, 7,671 units of Model 707 were produced at a cost of \$13,435 for direct materials and \$23,500 for direct labour. A total of 6,626 kilograms of direct materials was used. Total direct labour hours amounted to 1,365 hours. During the same period, 55,000 kilograms of direct material were purchased for \$ 136,500. The entity's policy is to record materials price variances at the time materials are purchased.

REQUIRED:

- A. What is the total standard cost for direct materials and direct labour for the output this period? (5 Marks)
- B. What was the direct materials price variance? Discuss potential reasons for this variance. (5 Marks)
- C. What was the direct materials efficiency variance? Discuss potential reasons for this variance. (5 Marks)
- D. What was the direct labour price variance? Discuss potential reasons for this variance. (5 Marks)
- E. What was the direct labour efficiency variance? Discuss potential reasons for this variance. (5 Marks)

QUESTION 3

The following data was extracted from Popular Bakery, Lautoka, Fiji.

Item	\$
Sales	1,000,000
Variable Fixed Cost	600,000
Traceable fixed costs	100,000
Average Invested capital (asset)	1,500,000
Current Liabilities	100,000
Marginal Tax Rate	36%
Weighted average cost of capital	12%
Required Rate of Return	15%

REQUIRED:

- A. What is the Return on investment (ROI)? the residual income. (5 Marks)
- B. Calculate the residual Income. (5 Marks)
- C. Compare residual income with the economic value added. (5 Marks)
- D. Explain why the use of residual income for performance evaluation provides better incentives, in some ways, than ROI. You may answer with an explanation/case/example. (5 Marks)

THE END