



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree Second Year Examination (External) – 2015

March/ April 2021

BCOM E2045– Cost & Management Accounting

No. of questions: Five (05)

Time: 03 hours

Answer all questions.

Question No. 01

- a). State importance and limitations of the cost accounting. (05 Marks)
- b). Define the cost concepts of “Cost Accumulation”, “Cost Allocation”, “Cost Apportionment” and “Cost Absorption”. (05 Marks)
- c). “Cost may be classified in a variety of ways according to their nature and the information needs of management”. Explain and discuss this statement, illustrating with examples of the classifications required for different purpose. (10 Marks)
- (Total 20 Marks)**

Question No. 02

See Food Sri Lanka operates a fast-food restaurant. It makes and sells range of food items. The company uses a standard marginal costing system to monitor the costs incurred in its outlets. The standard cost of one of its most popular meals as follows:

		Rs.
Ingredient X	10 Kilograms	200
Ingredient Y	5 Liters	30
Direct Wages	5 Hours	<u>30</u>
Total Standard Cost		<u>260</u>
Standard Gross Profit		140
Standard Selling Price		400

Expected annual output is 10,800 units and assume that the production is evenly distribute throughout the year. During December 2020 the followings were the actual cost results for production of 800 units.

		Rs.	Rs.
Sales			350,000
Direct Materials - X	7,800 Kilograms	159,900	
-Y	4,300 Liters	23,650	
Direct Wages	4,200 Hours	<u>24,150</u>	<u>207,700</u>
Actual Gross Profit			<u>142,300</u>

You are required to calculate:

- a) (i) the total budgeted contribution for December 2020
(ii) the total actual contribution for December 2020

(05 Marks)

- b) For December 2020 calculate all variances of.

- (i) Sales Margin Price
(ii) Sales Margin Volume
(iii) Material price for X and Y
(iv) Material usage for X and Y
(v) Wage rate
(vi) Labor efficiency

(12 Marks)

- c) Present a statement that reconciles the budgeted and actual contribution for December 2020.

(03 Marks)

(Total 20 Marks)

Question No. 03

Micro Sri Lanka (Pvt) Limited is preparing its annual budgets for the year ended 31st December 2020. It manufactures a Micro Chips using three different raw materials. The selling price of a chip is Rs.250. The marketing director believes that the price can be increased to Rs.300 with effect from 1 July 2020 and that at this price the sales volume will be as follows:

	Sales Volume (Units)
1 st Jan- 30 th June,2020	70,000
1 st July -31 st December,2020	105,000

The sales for the year 2021 are expected to be 200,000 units and It is expected to evenly distribute throughout the year.

Each unit of Micro Chips requires following materials and labor which have to be purchased from an outside supplier.

Material A	3 g	Material price Rs. 35.00 per g
Material B	2 g	Material price Rs. 50.00 per g
Material C	4 g	Material price Rs. 45.00 per g
Direct labour	8 hours	Labour rate Rs. 80.00 per hour

Finished units at the end of each six months are 10% of next six month's sales requirement.

Material B are expected to increase in price by 10 per cent with effect from 1 July 2020; no change is expected in the price of Material A and Material C.

Variable overhead costs are expected to be Rs.100 per unit for the whole of the year 2020. Fixed production overhead costs are expected to be Rs.356,000 for the year and are absorbed on a per unit basis.

You are required to:

Prepare the following budgets of Micro Sri Lanka (Pvt) Limited for the year ending 31st December 2020, showing values for **each six months** and the year in total:

- Sales Budget (in Rs and units)
- Production Budget (in units)
- Material Usage Budget (in units)
- Production Cost Budget (in Rs)

(Total 20 Marks)

Question No. 04

Sit Ltd manufactures three products S, I and T. The company which supplies the two raw materials which are used in all three products has informed SIT that their employees are refusing to work overtime. This means that supply of the materials is limited to the following quantities for the next period:

Material A	1,030 kg
Material B	1,220 kg

No other source of supply can be found for the next period. Information relating to the three products manufactured by Sit Ltd is as follows:

	S	I	T
Quantity of material used per unit manufactured:			
Material A (kg)	2	1	4
Material B (kg)	5	3	7
Maximum sales demand (units)	120	160	110
Contribution per unit sold	Rs. 15.00	Rs.12.00	Rs. 17.50

Owing to the perishable nature of the products, no finished goods are held.

Requirements:

- a) Recommend a production mix which will maximize the profits of SIT Ltd for the forthcoming period.

(15 Marks)

- b) SIT Ltd has a valued customer to whom they wish to guarantee the supply of 50 units of each product next period. Would this alter your recommended production plan?

(05 Marks)

(Total 20 Marks)

Question No. 05

The following information is given in respect of Process 2 for the month of December 2020.

Opening Stock 2,000 units made up of:

Direct Material 1 (transferred in cost)	Rs.19,760
Direct Material 2	Rs.21,840
Direct Labour	Rs.24,900
Production Overhead	Rs. 7,240

Transferred from Process 1 (transferred in cost) 20,000 units at Rs.9.60 per unit.

Transfer to Process 3 17,000 units

Costs incurred in process 2 as follows.

Direct Materials added in process 2	Rs. 48,000
Direct Labour	Rs. 96,000
Production Overhead absorbed	Rs. 96,000

Scrap: 1,000 units and degree of completion as follows.

Direct Materials	100%
Direct Labour	60%
Production Overhead	40%

Normal Loss: 10% of production

Scrap units realized: Rs.4.30 per unit.

Closing Stock 4,000 units: degree of completion as follows.

Direct Materials	80%
Direct Labour	60%
Production Overhead	40%

You are required to prepare followings accounts using Weighted Average Method (WAM),

- a) Statement of equivalent units and costs
- b) Process 2 account
- c) Other necessary accounts

(Total 20 Marks)

