



# 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) – 2022

March 2024

#### **BCOM E2045 – Cost & Management Accounting**

**No. of questions: Five (05)**

**Time: 03 hours**

**Answer All questions.**

#### **Question No. 01**

- a). Explain the four differences between management accounting and financial accounting. (04 Marks)
- b). Briefly explain the below-mentioned costing techniques with examples.  
i). Job costing  
ii). Batch costing  
iii). Contract costing (06 Marks)
- c). Costs have been categorized using different classifications. Explain four different cost classifications with examples. (10 Marks)
- (Total 20 Marks)**

#### **Question No. 02**

- a). Explain the difference between marginal costing technique and the absorption costing technique. (04 Marks)
- b). Explain practical reasons for using marginal and absorption costing techniques in different instances. (06 Marks)

- c). The given details below have been taken from the books of Royal Ltd for the year 2023.  
Assume that there are no opening stocks.

Variable production costs

Direct material – cost per unit Rs. 50  
Direct labour – cost per unit Rs. 10  
Variable overheads – cost per unit Rs. 10  
Fixed overheads – Rs. 150,000  
Sales – 6000 units

Sales and administration costs

Variable costs – per unit Rs. 10  
Fixed costs – Rs. 100,000  
The selling price per unit is Rs. 350  
Production – 7500 units

**Required,**

Prepare a marginal costing income statement and absorption costing income statement.

(10 Marks)

**(Total 20 Marks)**

**Question No. 03**

- a). Define inventory and inventory control.

(04 Marks)

- b). A company manufactures a product from a raw material which is purchased at Rs. 60 per kg. The company incurs a handling cost of Rs. 360 plus freight of Rs.390 per order. The incremental carrying cost of inventory of raw material is Re. 0.50 per kg. per month. In addition, the cost of working capital finance on the investment in inventory of raw material is Rs. 9 per kg. per annum. The annual production of the product is 100,000 units and 2.5 units are obtained from one kg. of raw material.

**Required,**

- i). Calculate the Economic Order Quantity of raw materials. (02 Marks)  
ii). Advise how frequently an order for procurement should be placed. (04 Marks)

c). The given data below are related to units A & B.

Details	Unit A	Unit B
Maximum consumption (weekly)	75 units	75 units
Normal consumption (weekly)	50 units	50 units
Minimum consumption (weekly)	25 units	25 units
Re-order period	4 – 6 weeks	2 – 4 weeks
Re-order quantity	400 units	600 units

From the above particulars, calculate below separately for units A & B.

- i). Re-ordering Level (03 Marks)
- ii). Minimum Stock Level (02 Marks)
- iii). Maximum Stock Level (02 Marks)
- iv). Average Stock Level (03 Marks)

**(Total 20 Marks)**

**Question No. 04**

a). Define Economic Batch Quantity (EBQ) and indicate how to calculate EBQ.

(04 Marks)

b). A manufacturing company is planning to sell a batch of 50 special machines (Job 900) to a customer for Rs. 800,000. The following information is related to Job 900.

Direct Material – Rs. 75,000

Direct Labor – Rs. 100,000

Manufacturing Overhead Costs – Rs.90,000

The overhead allocation base is machine hours and Job 900 used 500 machine hours. All jobs used 4500 machine hours. By using seven-step Approach to Job costing, calculate the cost of Job 900.

(06 Marks)

- c). Ria Limited undertakes to supply units of a component per month for October, November and December 2023. Every month, a batch order is opened against which materials and labour costs are booked at actual. Overheads are levied at a rate per labour hour. The selling price is contracted at Rs. 25/- per unit.

Month	Batch Output (Numbers)	Material Cost Rs.	Labour Cost Rs.
October 2023	1,750	6,750	2,000
November 2023	2,000	7,500	2,500
December 2023	1,500	5,500	2,000

Labour is paid at the rate of Rs. 2 per hour.

The other details are:

Month	Overheads (Rs.)	Total Labour Hours
October 2023	9,000	3,000
November 2023	12,000	4,000
December 2023	15,000	5,000

From the above data, present,

- i). The statement of cost
- ii). Cost per unit
- iii). Total profit
- iv). Profit per unit of each batch order.

(10 Marks)

**(Total 20 Marks)**

**Question No. 05**

a). Explain the similarities of job costing and process costing techniques

(04 Marks)

b). Briefly explain below concepts.

- i). Normal loss
- ii). Abnormal loss
- iii). Abnormal gain

(06 Marks)

c). A product passes through three distinct processes, 1, 2 and 3, before it is complete. At the beginning of the week, 1000 kg of materials was added to process 1 & at the end of the week, 500 units were produced. The following information is available from records.

	Process 1 (Rs)	Process 2 (Rs)	Process 3 (Rs)
Material	25,000	10,000	15,000
Labour	20,000	15,000	20,000
Direct Expenses	15,000	11,000	5,000

General production overheads for the period accounted for Rs.9,000. This is to be apportioned to various processes based on wages. No work in process or process stock existed at the beginning of the week or the end of the week.

By using the above information, prepare process accounts and finished goods accounts.

(10 Marks)

**(Total 20 Marks)**