



UNIVERSITY OF KELANIYA – SRI LANKA

Centre for Distance and Continuing Education

FACULTY OF COMMERCE & MANAGEMENT STUDIES

Bachelor of Commerce (Special) Degree Secon Year Examination (External) – 2022

December 2024

BCOM E2045 – Cost & Management Accounting

No. of questions: Four (04)

Time: 03 hours

Answer All questions.

Question No. 01

- a). Explain Five (05) differences between Management Accounting and Financial Management.

(10 Marks)
- b). Explain the main objectives of management accounting and discuss how it differs from cost accounting.

(07 Marks)
- c). Costs can be classified in various ways. Explain the following cost classifications with examples:
 - i. By behavior
 - ii. By function
 - iii. By relevance
 - iv. By Components

(08 Marks)

(Total 25 Marks)

Question No. 02

- a) Explain three (03) key differences between marginal costing and absorption costing in the preparation of income statements.

(06 Marks)
- b) Explain three (03) practical situations, for using absorption costing method with examples.

(09 Marks)

c) Zeta Ltd. produces and sells a single product. The following data is available for the year 2023:

- Production: 12,000 units
- Sales: 10,000 units
- Selling price per unit: Rs. 400

Cost information per unit:

- Direct material: Rs. 100
- Direct labor: Rs. 50
- Variable manufacturing overhead: Rs. 30
- Fixed manufacturing overhead: Rs. 180,000

Selling and administrative expenses:

- Variable: Rs. 20 per unit
- Fixed: Rs. 50,000

Required:

Prepare income statements for Zeta Ltd. using marginal and absorption costing techniques.

(10 Marks)

(Total 25 Marks)

Question No. 03

a) Define process costing and explain how it differs from job costing. Provide examples of industries where each method would be appropriate.

(07 Marks)

b) ABC Ltd. is working on a specialised order (Job 400) requiring 800 units. The following cost details are available for the job:

- Direct Material Cost: Rs. 120,000
- Direct Labor Cost: Rs. 70,000
- Overheads: 150% of direct labor cost

Required:

i. Calculate the total cost of Job 400.

(05 Marks)

ii. Determine the cost per unit for Job 400.

(03 Marks)

- c) A product passes through three processes, A, B, and C, before it is completed. During a period, 2,000 units were introduced into Process A. Details of costs for each process are as follows:

Process	Material Cost (Rs.)	Labor Cost (Rs.)	Overheads (Rs.)
A	25,000	15,000	5,000
B	20,000	10,000	3,000
C	10,000	5,000	2,000

Required,

- i. Prepare process accounts for each process.

(06 Marks)

- ii. Calculate the total cost per unit if 1,500 units are completed.

(04 Marks)

(Total 25 Marks)

Question No. 04

- a) Explain the importance of stock control in an organization and discuss the different methods of stock control.

(07 Marks)

- b) A company purchases raw materials at Rs. 60 per kg with handling costs of Rs. 360 per order and freight charges of Rs. 390 per order. The carrying costs are Rs. 0.50 per kg, and the working capital cost is Rs. 09 per kg. The annual production requires 40,000 kg of raw material.

- i. Calculate the Economic Order Quantity (EOQ).

(05 Marks)

- ii. Advise on the frequency of placing orders.

(03 Marks)

c) Details for unit A and unit B are given below.

Details	Unit A	Unit B
Maximum consumption (weekly)	100	120
Normal consumption (weekly)	70	80
Minimum consumption (weekly)	40	50
Re-order period (weeks)	5-7	3-5
Re-order quantity (units)	500	700

Calculate,

- i. Re-ordering Level (02 Marks)
 - ii. Minimum Stock Level (03 Marks)
 - iii. Maximum Stock Level (03 Marks)
 - iv. Average Stock Level. (02 Marks)
- (Total 25 Marks)**