



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) – 2023

April – 2025

BCOME 2045 - Cost & Management Accounting

No. of questions: Five (05)

Answer any four (04) questions.

Time: 03 hours

Question No. 01

- a. Differentiate Variable and Fixed costs and illustrate how these costs vary with changes in total output using a graph..

(07 Marks)

- b. Financial Accounting, Cost Accounting, and Management Accounting are some accounting modules which serves distinct purposes but closely connected. Compare and contrast these three modules.

(12 Marks)

- c. By using examples for each, explain below mentioned methods of cost accounting.

- i. Single or Output costing
- ii. Process costing
- iii. Service costing

(06 Marks)

(Total 25 Marks)

Question No. 02

- a. Discuss the relevance of Absorption costing and Marginal costing in Managerial Decision Making.

(05 Marks)

- b Information about ABC Ltd is given below

- Selling price per unit: Rs.50
- Units produced: 1,000
- Units sold: 800
- Opening inventory unit : 200
- Direct materials per unit: Rs.10

- Direct labor per unit: Rs.8
- Variable sales commission per unit: Rs. 1.50
- Variable production overhead per unit: Rs.4
- Variable packing cost per unit : Rs. 2
- Fixed production overheads (total): Rs.6,000
- Fixed selling and administrative expenses: Rs.2,000

Required:

- Prepare the income statement using marginal costing. (08 Marks)
 - Prepare the income statement using absorption costing. (08 Marks)
 - Explain reasons for the Difference between above (part i & ii) net profits. (04 Marks)
- (Total 25 Marks)**

Question No. 03

- Define Inventories and inventory control (06 Marks)
- What are the objectives of stock control (08 Marks)
- Details for Unit X and Unit Y are given below:

Details	Unit X	Unit Y
Maximum consumption (weekly)	90	150
Normal consumption (weekly)	60	100
Minimum consumption (weekly)	30	70
Re-order period (weeks)	4–6	2–4
Re-order quantity (units)	400	600

Calculate:

- Re-ordering Level (03 Marks)
 - Minimum Stock Level (03 Marks)
 - Maximum Stock Level (03 Marks)
 - Average Stock Level (02 Marks)
- (Total 25 Marks)**

Question No. 04

- a. Explain the importance of determining the economic batch quantity (EBQ)?

(05 Marks)

- b. A company uses 12,000 units of a component annually. The cost of placing one order is Rs. 60, and the annual carrying cost per unit is Rs. 4.

Calculate the Economic Batch Quantity (EBQ) using the formula.

(08 Marks)

- c. Zed Manufacturing Ltd. agrees to supply units of a product for January, February, and March 2024. Each month, a separate batch order is processed, and material and labour costs are recorded at actuals. Overheads are absorbed based on labour hours. The selling price is fixed at Rs. 30 per unit.

Month	Batch Output (Units)	Material Cost (Rs.)	Labour Cost (Rs.)
January 2024	2,000	8,000	3,000
February 2024	1,800	7,200	2,400
March 2024	2,200	9,000	3,600

- Labour rate: Rs. 3 per hour

Month	Overheads (Rs.)	Total Labour Hours
January 2024	12,000	4,000
February 2024	10,800	3,600
March 2024	14,400	4,800

Required:

- i. Prepare the statement of cost for each month

(04 Marks)

- ii. Calculate the cost per unit

(03 Marks)

- iii. Find the total profit for each batch

(03 Marks)

- iv. Compute the profit per unit of each batch

(02 Marks)

(Total 25 Marks)

Question No. 05

- a. Explain the seven step approach to Job Costing

(07 Marks)

- b. XYZ Chemicals Ltd. produces products that go through several processing stages. The following data relates to Process 1 for the last accounting period:

- Input Material X = 600 kg @ Rs. 45 per kg
- Input Material Y = 400 kg @ Rs. 55 per kg
- Direct Labour Cost = Rs. 36,000
- Overhead is applied at 50% of direct labour cost
- Normal wastage is 5% of total input
- There was no opening or closing work-in-progress

Required:

- i. Process 1 Account using the above information.

(06 Marks)

- ii. Number of units transferred to process 02

(02 Marks)

- c. A product goes through three consecutive processes—Process A, Process B, and Process C—before it becomes a finished good. At the start of the week, 1,200 kg of raw materials were introduced into Process A, and by the end of the week. The following cost information is available from company records:

Particulars	Process A (Rs)	Process B (Rs)	Process C (Rs)
Material	30,000	12,000	18,000
Labour	22,000	18,000	24,000
Direct Expenses	12,000	10,000	6,000

General production overheads for the period amounted to Rs. 12,000 and are to be apportioned based on labour cost. No wastages.

There was no opening or closing work-in-progress or process stock.

Required:

Prepare the following accounts:

- i. Process A Account

(03 Marks)

- ii. Process B Account

(03 Marks)

- iii. Process C Account

(03 Marks)

- iv. Finished Goods Account

(01 Mark)

(Total 25 Marks)