



**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) – 2024

May – 2026

**BCOME 2045 - Cost & Management Accounting**

**No. of questions: Four (04)**

**Answer all questions**

**Time: 03 hours**

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**Question No. 01**

- a) Explain the main objectives of management accounting and discuss how it differs from cost accounting.  
(07 Marks)
- b) Costs can be classified in various ways. Explain the following cost classifications with examples:  
i. By behavior  
ii. By function  
iii. By relevance  
(08 Marks)
- c) Define cost accounting and discuss how cost accounting differs from financial accounting.  
(10 Marks)  
**(Total 25 Marks)**

**Question No. 02**

- a) Explain the key differences between marginal costing and absorption costing in the preparation of income statements, with specific reference to:  
• treatment of fixed manufacturing overhead  
• inventory valuation  
• profit measurement and reporting.  
(06 Marks)
- b) Mega (Pvt) Ltd. manufactures and sells a single product. The following information relates to the year ended 31 December 2025:  
Activity  
• Production: 18,000 units  
• Sales: 15,000 units  
• Selling price per unit: Rs. 500  
Manufacturing cost per unit  
• Direct material: Rs. 140

- Direct labour: Rs. 80
- Variable manufacturing overhead: Rs. 50
- Fixed manufacturing overhead (total): Rs. 270,000

Selling and administrative expenses

- Variable: Rs. 25 per unit sold
- Fixed (total): Rs. 60,000

Required:

1. Prepare the income statement of Mega (Pvt) Ltd. for 2025 using:

i) Marginal costing.

(07 Marks)

ii) Absorption costing.

(07 Marks)

2. Reconcile the profit difference between the two methods.

(05 Marks)

**(Total 25 Marks)**

**Question No. 03**

a) Explain the seven-step approach to Job Costing.

(07 Marks)

b) Explain any four techniques of inventory control used in an organisation.

(08 Marks)

c) Details for Item A and Item B are given below:

Details	Item A	Item B
Maximum consumption (weekly)	120	180
Normal consumption (weekly)	80	130
Minimum consumption (weekly)	50	90
Re-order period (weeks)	3-5	2-3
Re-order quantity (units)	500	750

You are required to calculate:

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 25 Marks)**

**Question No. 04**

a) ABC Paints (Pvt) Ltd. produces products that pass through several processing stages. The following data relates to Process 1 for the last accounting period:

- Input Material A = 800 kg @ Rs. 40 per kg
- Input Material B = 500 kg @ Rs. 60 per kg
- Direct Labour Cost = Rs. 42,000
- Production overhead is applied at 60% of direct labour cost
- Normal wastage is 4% of total input
- There was no opening or closing work-in-progress

Prepare the Process 1 Account using the above information.

(06 Marks)

b) A company requires 15,000 units of a component per year. The ordering cost per order is Rs. 75, and the annual carrying cost per unit is Rs. 5. Calculate the Economic Batch Quantity (EBQ) using the relevant formula.

(07 Marks)

c) Nova Engineering Ltd. agrees to supply units of a product for April, May, and June 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. 32 per unit.

Month	Batch Output (Units)	Material Cost (Rs.)	Labour Cost (Rs.)
April	2,100	8,400	3,150
May	1,900	7,600	2,660
June	2,300	9,660	3,910

Labour rate: Rs. 3.50 per hour

Month	Overheads (Rs.)	Total Labour Hours
April	13,440	3,840
May	12,320	3,520
June	15,680	4,480

Required:

- Prepare the statement of cost for each month (04 Marks)
- Calculate the cost per unit (03 Marks)
- Find the total profit for each batch (03 Marks)
- Compute the profit per unit of each batch (02 Marks)

**(Total 25 Marks)**

