



University of Kelaniya – Sri Lanka

External Examinations Branch

Bachelor of Commerce (Special) Degree Third Examination (External)- 2010
December 2011/ January 2012

Faculty of Commerce and Management
BCOM E 3045 – Cost & Management Accounting

No. of Questions: 05

Time:03 hours

Answer all questions.

(01). a) State importance and limitations of the cost accounting.

(06 marks)

b) Define the cost centre and cost unit and give an example for each.

(06 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.

(08 marks)

(Total 20 marks)

(02) a). What is the difference between normal loss and abnormal loss?

(02 marks)

b). The Gigi works is a manufacturing company manufactures products which pass through several distinct processes. The following information is available for process – 1 for the last accounting period.

Input Material – A- 750 kg at Rs. 60 per kg

Input Material – B 450kg at Rs. 90 per kg

Direct labour cost - Rs. 45,000

Manufacturing overhead absorption rate 40% of direct labour cost.

Completed and transferred to process 2 – 1155 units.

Normal loss is expected to be 5% of the input.

There was no work-in-progress either at the beginning or at the end.

By using above information you are required to prepare,

- i) Process account
- ii) Normal loss account
- iii) Abnormal loss or Abnormal gain account

(06 marks)

- c). The following information is available with respect to process 2 for the month of March 2011.

Opening work-in-progress 600 units – Rs. 1050

Completed to:

Materials 80%
Labour & overhead 60%

Transferred from process 1: 11,000 units at Rs. 5,500

Transferred to process 3: 8800 units

Direct material added to process 2: Rs. 2410

Direct labour amounted to : Rs. 7155

Production overhead incurred : Rs. 9450

Units scrapped : 1200 units

Degree of completion: Material 100%

Labour & overhead 70%

Closing stock : 1600 units

Degree of completion : Material 70%, Labour & overhead 60%

Normal loss was estimated at 10% of production. Units scrapped realized Rs. 0.50 per unit.

Prepare process and other accounts using FIFO method.

(12 marks)

(Total 20 marks)

- (03) a). Lanka Ltd. furnishes the following information.

Consumption 3000 units per year, cost per unit Rs. 40, cost for processing an order Rs. 600 & cost of holding inventory is 40% from the unit cost.

Compute:

- i) Economic order quantity
- ii) Number of orders per year

(06 marks)

(b) Following are the data for 2010, for Amesh Ltd. and there is no beginning inventory.

Production 2200 units

Variable Manufacturing cost;

Direct material (Rs. 40 per one unit) – Rs. 88,000

Direct Labour (Rs. 20 per one unit) – Rs. 44,000

Variable manufacturing overhead (Rs. 10 per one unit) – Rs. 22,000

Fixed manufacturing overhead Rs. 44,000

Sales 2000 units

Selling and administration expenses

Variable Rs. 5 per unit

Fixed Rs. 8000

Selling price Rs. 150 per unit

Required,

i) Prepare a marginal costing income statement and an absorption income statement.

(10 marks)

ii) Explain the difference between net profit under absorption costing and the same under marginal costing.

(04 marks)

(Total 20 marks)

(04) a). Explain the term standard costing and briefly discuss how you would set standards for material cost.

(06 marks)

b). Briefly explain limitations of standard costing in the modern business environment.

(05 marks)

c). Kumaru plc manufactures a product known as the “XY1000” by mixing two materials. The standard material cost per unit of the “XY1000” is as follows.

		Rs.
Material A	12 liters at Rs. 2.50	30
Material B	18 liters at Rs. 3.00	54

In June 2011, the actual mix used was 984 liters of x and 1230 liters of 4. The actual output was 72 units of “XY1000”.

i) Calculate the total mix variance for June 2011.

ii) Calculate the total material yield variance for June 2011

(05 marks)

- d). Details of the budgeted and actual performance of the workers for last period were as follows.

	Budgeted	Actual
Output of product A	600 units	680 units
Wage rate	Rs. 30 per hour	Rs. 32 per hour
Labour hours	900 hours	1070 hours

It has now been established that the standard wage rate should be Rs. 31.20 per hour.

Calculate the labour rate variance and labour efficiency variance.

(05 marks)
(Total 20 marks)

- (05) a). A retail producer manufacturing household product. The selling price and the variable cost are Rs. 45 and Rs. 27 per each respectively. The fixed costs are Rs. 1800 per month.

You are required to calculate,

- Contribution to sales Ratio (c/s ratio) (02 marks)
- Break-even sales. (01 mark)
- Profit at sales Rs. 90,000. (02 marks)
- Sales to earn a profit of Rs. 11,250. (03 marks)
- Margin of safety when sales are Rs. 99,000. (02 marks)

- b). A firm can produce two products A and B. The followings are the cost structures.

	Product A	Product B
Selling price per unit (Rs.)	20	22
Variable manufacturing (Rs.) cost per unit	5	6
Variable selling expenses (Rs.) per unit	3	2
Labour hours per unit	2	3
Demand per week	500	300

Total available labour hours are 1750 per week. Assuming that the availability of labour hours is the only limiting factor, comment on the profitability of each product and prepare production unit schedule for above situation.

(10 marks)
(Total 20 marks)