



University of Kelaniya – Sri Lanka

Centre for Distance and Continuing Education

Faculty of Commerce and Management Studies

Bachelor of Business Management (General) Degree Second Year Examination (External) – 2016

September – 2022

BMGT E2035 – Accounting for Managers

No. of Questions: Eight (08)

Time: 03 hours

Answer any five (05) Questions

Question No. 01

- a) Differentiate between cost accounting, management accounting, and financial accounting.
(06 marks)
- b) Explain the importance key importance of management accounting for modern businesses.
(06 marks)
- c) Briefly describe key techniques used for decision-making in management accounting
(08 marks)

(Total 20 Marks)

Question No. 02

- a) Classify each of the cost items below according to their nature.
 - i. Cost of clay in making bricks
 - ii. Wages of tailors in a garment factory
 - iii. Product based royalty
 - iv. Dyes used to dye fabrics

- v. Electricity required for production machinery
- vi. Salary of Sales Director
- vii. Distribution costs
- viii. Threads in a garment factory

(04 marks)

- b) Following are the information related to workers working in a bag manufacturing company for the month of May 2022.

Name	Category	No of units produces/ no of hours worked
Nisal	Factory worker	340 Units
Kamal	Factory worker	280 Units
Amal	Factory worker	320 Units
Jagath	Office Worker	180 Hours
Surath	Office Worker	165 Hours
Piyath	Office Worker	145 Hours

Additional Information:

- Payments are made to factory workers on the basis of production units and to office workers based on working hours.
- Accordingly, an office worker is paid Rs. 300 per hour and a factory worker will be paid Rs. 200 per unit.
- An office worker must work at least 150 hours a month, and a factory worker must produce at least 300 units a month.
- Although the time taken by a factory worker to manufacture those 300 units is as follows, the approved time is 160 hours per month.

Name	Category	Time taken to produce 300 units
Nisal	Factory worker	155 hours
Kamal	Factory worker	165 hours
Amal	Factory worker	150 hours

- The company has decided to pay a bonus of 50% of the average unit rate for the time saved in producing the minimum number of units to be produced.
- As overtime pay,
 - An office worker is paid 1 1/2 times of the average hourly wage per hour, for one hour of overtime.
 - Rs. 350 will be paid for a spare unit that produces more than the minimum number of units need to be produced by a factory worker.

You are required to,

Calculate the salary of each employee for the month of May 2022 based on the above information.

(08 marks)

- c) A Bakery has two manufacturing departments namely bun manufacturing division and the bread manufacturing division.

Information on stocks for each manufacturing department is given below.

Bun Production Division

Bun production requires 4000 sacks of flour annually and the annual demand is processed in five (05) orders. Order costs is Rs. 40 for an order and the annual cost of holding per unit is Rs. 2.

Bread Production Division

In Bread Production Division,

Minimum stock consumption is	5,000 units per month
Maximum stock consumption is	10,000 units per month
Re-order size	20,000 units

Minimum re-order period 06 days

Maximum re-order period 10 days

You are required to,

Calculate,

I. Economic Order Quantity (EOQ) in the bun manufacturing department

(02 marks)

II. In the bread manufacturing department,

- a) Re-order level
- b) Maximum stock level
- c) Minimum stock level

(06 marks)

(Total 20 Marks)

Question No. 03

Chamara (Pvt.) Limited, a garment manufacturing company, consists of two (02) manufacturing units and one (1) service division. The details of 2500 readymade garments manufactured by the company are as follows.

Item	Total	Cutting Division	Sewing Division	Stores
Machinery and equipment	Rs. 1200,000	Rs. 600,000	Rs. 900,000	
Indirect materials	Rs. 100,000	Rs. 40,000	Rs. 60,000	
Indirect labor	Rs. 150,000	Rs. 50,000	Rs. 100,000	
Other indirect expenses	Rs. 50,000	Rs. 20,000	Rs. 30,000	
Electricity	Rs. 60,000	?	?	?
Heat and light	Rs, 120,000	?	?	?

Canteen	Rs. 45,000	?	?	?
Land area (m ²)	120,000	3,000	3,000	6,000
No of employees	1,500	500	750	250
Material appeal forms from stores	60	20	40	
Machine hours	15,000	5,000	10,000	
Labor hours	10,000	4,000	6,000	

- Other cost items
 - Machine insurance Rs. 120,000
 - Employee insurance Rs. 30,000
 - Building rent Rs. 800,000

Additional Information

Item	Machine hours	Labour Hours	Primary Cost
Frock	05	10	Rs. 1,500
Skirt	05	05	Rs. 1,150
Trouser	10	06	Rs. 1,050

- The cutting section absorbs cost on the labor hours and the sewing section on the machine hours.

You are required to,

- a) Divide the overhead cost using the appropriate apportionment bases. (12 marks)
 - b) Calculate overhead absorption rates. (04 marks)
 - c) Calculate the total production cost of each unit. (04 marks)
- (Total 20 Marks)**

Question No. 04

Nileka Cake Academy is one of the best institutes which offers cake diploma courses for many years.

The course consists of 05 modules over a period of 03 months. The budgeted sales revenue and expenditure related to the first batch in 2023 are as follows.

Budget sales revenue

- A student should pay Rs. 3400 per module.
- A cake exhibition will be held at the end of the course and for that a registration fee of Rs. 5000 will be charged from a student.
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Budgeted Expenditure

Item	Rs.
Wages and salary for the employees (per month)	35,000
Building rent (per month)	20,000
Mandatory operating expenses for three months (this does not vary according to the number of students)	35,000
One day guest lecture fee	10,000
At the end of each module there is a test activity and the amount to be paid to the examiner during the evaluation of those activities (per student)	1,000
Cost of certain materials required for the designing of cakes that are provided by the institute (per student) (per module)	600

You are required to,

Calculate.

- a) Unit Contribution (of a student)
- b) Total fixed cost relates to this batch
- c) Students to be enrolled at the Break Even Point (BEP)
- d) By enrolling this group, if the academy expects to gain a profit of Rs. 70,000/-, how many students should be enrolled to get the expected level of profit?

(05 Marks * 04 = Total 20 Marks)

Question No. 05

01. What does it mean the opportunity cost associated with any investment? (02 marks)

02. Every business entity makes capital investment decisions based on a number of key objectives. Explain 4 such objectives with examples. (04 marks)

03. Dinidu Printers is planning to sell its existing photocopy machine and buy a new one, while selling the old machine for Rs. 175,000. The cash inflows and cash outflows that are expected to be incurred in purchasing this highly efficient machine are as follows.

- The purchase price of the new machine is Rs. 1,000,000
- Transportation costs Rs. 65,000
- Site preparation and installation costs Rs. 45,000.
- Additional working capital requirement in third year Rs. 45,000 (This value can be recovered in the final year of the capital project)
- At the end of the effective lifespan, the estimated scrap value of the machine is Rs. 310,000

Additional Information

- Expected rate of return of this Project 12%
- The annual increase in profit after tax due to the purchase of the new machine was Rs. 240,000
- The expected effective lifespan of the new machine is 04 years.

Year	1	2	3	4
Discount rate 12 %	0.893	0.797	0.712	0.636

You are required to,

a) Prepare the cash in-flow and cash out-flow chart for each year in relation to the above Capital Investment Project considering the information given.

(08 marks)

- b) Net cash flows for each year (02 marks)
- c) Net present value of the investment (02 marks)
- d) Your judgment regarding this project based on net present value (02 marks)
- (Total 20 Marks)**

Question No. 06

- a) Differentiate between standard cost and standard costing (04 marks)
- b) Briefly explain the importance of variance analysis (04 marks)
- c) The standard product cost of the product "ALFA" is shown below.

	Rs.	Total Rs.
Materials - 2 feet length	16	32
Factory overhead cost - 4 hours	6	24
Variable cost - 4 hours	2	8
Fixed cost - 4 hours	4	16
Total standard production cost		80

Fixed overhead was based on 36,000 hours a year.

Total fixed overhead is estimated at Rs. 144,000 per annum.

Actual data for a month has been ascertained as follows:

- Actual hours worked = 3,800
- Units of product produced = 900
- Material used = 1,900 feet in length
- Price per foot = Rs. 15
- Actual labor wage rate = Rs. 5.80
- Actual factory overhead: variable cost = Rs. 6,200, fixed cost = Rs. 12,000

You are required to,

Calculate.

- I. Materials usage variance
- II. Materials price variance
- III. Labor efficiency variance
- IV. Labor wage rate variance

(03 marks * 04 = Total 12 marks)

(Total 20 Marks)

Question No. 07

- a) Describe the key objectives of working capital management in an organization.
(04 marks)
- b) What factors will affect the working capital in an organization? Briefly explain.
(04 marks)
- c) 'Ranaweera and Sons' have the following figures for the year 2021.

	Rs.
Sales	3,600,000
Purchases	3,000,000
Average receivables	306,000
Average inventory	495,000
Average payables	230,000
Average overdraft	500,000
Gross profit margin	25%
Inventory days	53
Receivables days	23
Payables days	47
Current ratio	1.43

You are required to,

Calculate and interpret on **Ranaweera and Sons'**,

- I. Cash operating cycle
- II. Current ratio
- III. Quick ratio
- IV. Sales to working capital ratio.

(03 Marks * 04 = Total 12 Marks)

(Total 20 Marks)

Question No. 08

- a) State and explain three (3) purposes of budgeting. (06 marks)
- b) The Basuru Co. Ltd. has given the following information for the period of June to December 2022.

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Manufacturing Expenses (Rs.)	Office Expenses (Rs.)	Selling Expenses (Rs.)
June	180,000	124,800	12,000	3,000	1,000	2,000
July	192,000	144,000	14,000	4,000	2,000	4,000
August	108,000	243,000	11,000	3,000	1,500	2,000
September	174,000	246,000	12,000	4,500	2,000	5,000
October	126,000	268,000	15,000	5,000	2,500	4,000
November	140,000	280,000	17,000	5,500	3,000	4,500
December	160,000	300,000	18,000	6,000	3,000	5,000

Additional Information:

- I. Cash in hand on 01st of August 2022 is Rs. 25,000
- II. 50% of the credit sales are paid in the month following the sale and the remaining 50% is paid in the next second month by the debtors.
- III. Creditors are paid in the month of purchase.
- IV. Payment for all production expenses will be made with a delay of half a month
- V. Payment of other expenses will be late for one month.

You are required to,

Prepare a cash budget for the months of August, September and October by using the above information.

(14 marks)

(Total 20 Marks)

