



University of Kelaniya – Sri Lanka
Centre for Distance and Continuing Education
Faculty of Commerce and Management Studies

Bachelor of Business Management (General) Second Year Examination (External) – 2021
March – 2024

BMGT E2035 – Accounting for Managers

No. of Questions : Five (05)

Time: 03 hours

Answer all questions

Systematic calculators are allowed to be used. Mobile phones and mobile phone calculator apps are not allowed.

Question No. 01.

1. Sakura Ltd. has faced working capital difficulties due to the economic crunch in the country. The following information has been extracted from the financial statements of Sakura Ltd. for the years ended / as at 31st March 2023 and 31st March 2022.

	2022/23 (Rs.)	2021/22 (Rs.)
Sales	11,600,000	15,200,000
Inventory	1,965,000	1,515,000
Sales Receivables	3,505,000	2,295,000

The gross profit margin for the year 2022/23 was 25% and the trade payables settlement period for the year 2022/23 has been calculated as 78 days. All sales are made on a credit basis, and the number of days per year is 365.

You are required to:

Calculate the length of the Working Capital Cycle of Sakura Ltd. for the year 2022/23.

(10 marks)

2. Nipuna Ltd. manufactures and sells a special candle and the following information has been extracted for the year ended 31st March 2021.

Selling price per unit	Rs.800/-
Direct material per unit	Rs.120/-
Direct labour per unit	Rs.150/-
Variable production overhead per unit	Rs.30/
Inventory as at 01st April 2020	2,900 units
Actual production for the year	15,500 units
Actual sales for the year	16,800 units
Budgeted production for the year	16,500 unit

Fixed overheads are as follows:

	Budgeted (Rs.)	Actual (Rs.)
Production Overhead	2,310,000	2,240,000
Administration and Distribution Overheads	600,000	600,000

You are required to:

Prepare the Income Statement for the year ended 31st March 2021 using the marginal costing method.

(10 marks)

(Total 20 marks)

Question No. 02

Beta Ltd., manufactures and sells products for hotels and restaurants. The following information has been provided with reference to Beta Ltd.

1. The sales budget from November 2021 to March 2022 is as follows.

	November 2021	December 2021	January 2022	February 2022	March 2022
Sales	3,000,000	3,200,000	2,500,000	2,200,000	2,100,000

- 20% of the sales are on a cash basis. If sales are made on the cash basis, a 10% discount is offered. The balance 80% is on credit, and it will be received in the following month.
- The company purchases its raw materials in bulk for credit, and the suppliers grant a two-month credit period. Raw material costs are 75% of the monthly cost of sales. The balance cost of 25% is settled in the month it is incurred. The gross profit margin is 60%, and the company does not maintain any stocks at the end of each month.
- Staff salaries are paid on the last day of each month, and staff salaries per month are Rs.1,500,000/-.
- Other administration expenses are estimated as Rs.400,000/- per month and are paid in the following month in which it was incurred.
- The company expects to maintain a minimum cash balance of Rs.1,000,000/- at the end of each month. If there is a shortfall, it will be covered by a short-term loan on the last day of each month. The interest rate on a short-term loan is 12% per annum. Interest on the loan will be paid monthly and repayment of capital will be made from April 2022.
- The opening cash balance as at 1st January 2022 will be Rs.1,124,000/-.

You are required to:

Prepare the cash budget for the months of January, February, and March 2022.

(Total 20 marks)

Question No. 03

XYZ (Pvt) Ltd produces four types of products and the following cost-related information is given.

Product	W	X	Y	Z
Demand (Units)	800	1,840	1,160	1,576
Unit Selling Price (Rs.)	14	13	10	16
Unit Variable Cost	6	8	9	10
Production Overhead Cost	3,520	2,960	120	2,120

- a) Calculate the unit contribution for each product. (08 Marks)
- b) Which products are providing the highest total contribution and lowest total contribution to the company based on the above information? (necessary calculations are needed). (08 Marks)
- c) Assume that the non-production overhead cost is Rs. 7,496 and based on the given demand for products, Calculate the net profit of the company. (04 Marks)

(Total 20 marks)

Question No. 04

The year-end information of a business organization is given below. Based on that, calculate the following ratios.

	Rupees
Sales	500,000
Cost of Sales	300,000
Net Profit	84,000
Opening Stock	76,250
Closing Stock	98,500

Current Assets	40,000
Current Liabilities	28,000
Long Term Liabilities	32,000
Share Capital	60,000

You are required to calculate:

- a). Gross Profit Ratio (04 Marks)
- b). Net Profit Ratio (04 Marks)
- c). Inventory Turnover Ratio (04 Marks)
- d). Current Ratio (04 Marks)
- e). Debt - Equity Ratio (04 Marks)

(Total 20 marks)

Question No. 05

Aveen needs to evaluate two projects using several project evaluation methods. The given discount rate is 10%.

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Investment	Year	A	B
Initial Investment	0	-5000	-6000
Cash Flows	1	2000	1600
	2	1200	2000
	3	2000	1300
	4	1200	2000
	5	1600	1500

Discount Factor @ 10%

Year	Discount Factor
0	1
1	0.909
2	0.826
3	0.751
4	0.683
5	0.621

You are required to calculate:

- a) Calculate the **Payback Period** for each project. (09 marks)
 - b) Calculate the **Discounted Payback Period** for Product "B". (05 marks)
 - c) Calculate the **Net Present Value (NPV)** for project "B" by using the 10% discount rate. (06 marks)
- (Total 20 marks)**