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) – 2023

April – 2025

BMGTE 2035 – Accounting for Managers

No. of Questions : Six (06) Time: 03 hours

Answer any five (05) questions.

Each question carries 20 marks.

Question No. 01

a) Explain the main objectives of management accounting. How does it contribute to the overall success of an organization?

(06 marks)

b) Discuss the role of management accounting in strategic decision-making.

(06 marks)

c) Differentiate between cost accounting, management accounting, and financial accounting.

(08 marks)

(Total 20 Marks)

Question No. 02

a) Describe the key objectives of working capital management in an organization

(04 marks)

b) QLI Ltd. is engaged in wholesale business for a range of products. The accountant of QLI Ltd. has prepared the following information for the last two financial years:

	2024/2025	**2023/2024**
Inventory residence period	86 days	74 days
Trade receivables collection period	110 days	80 days
Trade payable turnover ratio	2.92 times	3.65times

You are required to

i) Calculate the working capital cycle (in days) for the years ended 31st March 2025 and 2024.

(04 marks)

ii) Identify effective strategies to improve working capital management.

(04 marks)

c) Luminya Ltd. has received an order from a customer who requested a special product to be manufactured. This product is different from the normal product range of Luminya. The following information is provided with regard to the new order:

i. **Direct Material** – This order requires 1,000 kg of Material X and 500 kg of Material Y. Material X is used in the normal course of business and there is 3,000 kg of Material X in stock purchased at Rs.450/- per kg. Material Y is not used in the normal course of business, but there is 800 kg of Material Y in stock that was purchased a few months ago at Rs.800/- per kg.

ii. The current market price of Material X and Material Y is Rs.470/- per kg and Rs.700/- per kg respectively. If the Material X and Material Y in stock are not used, those can be sold for Rs.300/- per kg and Rs.500/- per kg, respectively.

iii. **Direct Labour** – 150 hours of direct labour is required to fulfil this order, which is currently in short supply and would need to be paid overtime to fulfil this order. Direct labour is paid at the rate of Rs.600/- per hour and overtime is paid at the rate of 1.5 times the normal rate.

iv. **Other Production Expenses** – other production expenses for this order are incurred at the rate of Rs.800/- per hour.

v. The customer has quoted a price of Rs.900,000/- for this order.

You are required to:

Assess whether the company should accept this order or not *(Support your answer with calculations).*

(08 marks)

(Total 20 Marks)

Question No. 03

a) State and explain three (3) purposes of budgeting.

(05 marks)

b) Discuss the advantages and limitations of participative budgeting. In what types of organizations or situations is participative budgeting most effective?

(05 marks)

c) The Akeesha Co. Ltd. Has given the following information for the period of August to October 2024. Prepare a **cash budget** for the above period (August, September and October) from the following data given below

Month	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Manufacturing Expenses (Rs.)	Office Expenses (Rs.)	Selling Expenses (Rs.)
June	1,80,000	1,24,800	12,000	3,000	1,000	2,000
July	1,92,000	1,44,000	14,000	4,000	2,000	4,000
August	1,08,000	2,43,000	11,000	3,000	1,500	2,000
September	1,74,000	2,46,000	12,000	4,500	2,000	5,000
October	1,26,000	2,68,000	15,000	5,000	2,500	4,000
November	1,40,000	2,80,000	17,000	5,500	3,000	4,500
December	1,60,000	3,00,000	18,000	6,000	3,000	5,000

Additional Information:

i. Cash on hand as at 01st August 2024 is Rs.25,000.

ii. 50% of credit sales are realized in the month following the sale and 50% in the second month following. Creditors are paid in the month of purchase.

iii. Delay in payment of manufacturing expenses for half a month.

iv. Delay in payment of other expenses for one month.

(10 marks)

(Total 20 marks)

Question No. 04

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

Product	**A**	**B**	**C**	**D**
Demand (Units)	10,000	12,000	8,000	7,000
Unit Selling Price (Rs.)	15	14	19	10
Unit Variable Cost	13	9	15	5
Production Overhead Cost	4,550	3,560	1,950	4,850

a) Calculate the unit contribution for each product.

(08 marks)

b) Which products provide the highest total contribution and lowest total contribution to the company based on the above information? (provide necessary calculations).

(08 marks)

c) Assume that the non-production overhead cost is Rs. 7,500 and based on the given demand for products. Calculate the net profit of the company.

(04 marks)

(Total 20 marks)

Question No. 05

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

	(Rs.)
Sales	1,200,000
Cost of Sales	800,000
Net Profit	200,000

Opening Stock	100,000
Closing Stock	177,000
Current Assets	100,000
Current Liabilities	76,000
Long Term Liabilities	104,000
Share Capital	100,000

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. 06

Aveen needs to evaluate two projects (project A & B) using several project evaluation methods. The discount rate given is 10%.

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Investment	**Year**	**A**	**B**
Initial Investment	0	(20,000)	(24,000)
Cash Flows	1	8,000	6,400
	2	4,800	8,000
	3	8,000	5,200
	4	4,800	8,000
	5	6,400	6,000

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:

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" using the 10% discount rate.

(06 marks)

(Total 20 Marks)