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) – 2024

June - 2026

BMGTE 2035 – Accounting for Managers

Number of Questions: Six (06) Time: 03 hours

Answer any Five (05) questions out of Six (06).

Each question carries 20 marks.

Question No: 01

a) Define Management Accounting and explain why management accounting information is important to users within an organization.

(06 Marks)

b) Differentiate between management accounting and financial accounting.

(06 Marks)

c) Discuss the impact of changes in the business environment on the role and practices of Management Accounting.

(08 Marks)

(Total 20 Marks)

Question No: 02

a) Differentiate static budget from a flexible budget. Illustrate your explanation with appropriate graphs.

(06 Marks)

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

i. The sales budget from November 2025 to March 2026 is as follows:

	November 2025	December 2025	January 2026	February 2026	March 2026
Sales	4,000,000	4,200,000	4,500,000	4,800,000	5,200,000

ii. 50% of the sales are on a cash basis. If sales are made on the cash basis, a 10% discount is offered. The balance 50% is on credit, and it will be received in the following month.

iii. 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. 25% of the raw material purchases are on a cash basis. The balance cost of raw materials paid in the following month. The gross profit margin is 60%, and the company does not maintain any stocks at the end of each month.

iv. Staff salaries are paid on the last day of each month, and staff salaries per month are Rs. 1,200,000/-.

v. Other administration expenses are estimated as Rs. 500,000/- per month and are paid in the month in which it was incurred.

vi. The opening cash balance as at 1st January 2026 will be Rs. 2,124,000/-.

vii. Selling and distribution expenses are estimated at 5% of monthly sales and are paid in the same month in which they are incurred.

viii. Office rent is Rs. 300,000/- per month and is paid at the beginning of each month.

ix. The company plans to purchase new office equipment costing Rs. 750,000/- in February 2026, and the full amount will be paid in cash during the same month.

You are required to:

Prepare the cash budget for the months of January, February, and March 2026.

(14 Marks)

(Total 20 Marks)

Question No: 03

a) Describe the adverse effects of inadequate working capital in an organization.

(04 Marks)

b) Sithuli 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 Sithuli Ltd. for the years ended as at 31st March 2025 and 31st March 2026.

	2024/25 (Rs.)	2025/26 (Rs.)
Sales	21,600,000	25,200,000
Inventory	2,965,000	2,515,000
Debtors	5,505,000	3,295,000

The gross profit margin for the year 2025/26 was 25% and the trade payables settlement period for the year 2025/26 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 Sithuli Ltd. for the year 2025/26.

(06 Marks)

c) Sasira 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 Sasira. The following information is provided with regard to the new order:

i. Direct Material - This order requires 2,000 kg of Material X and 800 kg of Material Y. Material X is used in the normal course of business, and there is 1,000 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 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. If Material X and Material Y purchases immediately, Company has to pay Rs. 20,000/- as ordering cost.

iii. Direct Labour - 250 hours of direct labour are 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. 700/- 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. 600/- per direct labcr hour.

v. The customer has quoted a price of Rs. 1,900,000/- for this order.

You are required to:

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

(10 Marks)

(Total 20 Marks)

Question No: 04

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

Product	**Voda Phone**	**Nokia Phone**	**Motorolla Phone**	**Huawei Phone**
Demand (Units)	10,000	12,000	8,000	7,000
Unit Selling Price (Rs.)	25,000	14,000	18,000	10,500
Unit Variable Cost (Rs.)	13,000	9,000	15,000	5,000
Production Overhead Cost (Rs.)	5,000,000	12,000,000	13,000,000	30,000,000

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. 80,000,000 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 and interpret the following ratios.

(Rs.)

Sales	2,000,000
Cost of Sales	1,600,000
Net Profit	250,000
Opening Stock	100,000
Closing Stock	150,000
Current Assets	120,000
Current Liabilities	70,000
Long Term Liabilities	180,000
Share Capital	1,000,000

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

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

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Investment	Year	Alpha	Beta
Initial Investment	0	(25,000)	(24,500)
Cash Flows	1	8,500	6,000
	2	4,000	8,500
	3	8,200	5,500
	4	4,800	8,200
	5	6,500	6,500

Discount Factor @ 10%

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

a) Calculate the **Payback Period** for each project.

(09 Marks)

b) Calculate the **Discounted Payback Period** for Product "Beta".

(05 Marks)

c) Calculate the **Net Present Value (NPV)** for project "Beta" by using the 10% discount rate.

(06 Marks)

(Total 20 Marks)