

**Eastern University, Sri Lanka**

**Faculty of Commerce & Management**

**Third Year First Semester Examination in BBA,**

**BBA Specialization in Marketing, BBA Specialization in HRM**

**2017/2018 (2019) (Proper/Repeat) July 2019**

**MGT 3013 - Managerial Accounting**

Calculator is permitted

Total number of Pages 20

**Circle the answers for MCQ and write the answers and calculations within the given space.**

Answer all questions

Time: 03 Hours

**Q1** i. Given production is 1,00,000 units, fixed costs is Rs 2,00,000 Selling price is Rs 10 per unit and variable cost is Rs 6 per unit. Determine profit using technique of marginal costing.

1. Rs 8,00,000

3. Rs 2,00,000

2. Rs 6,00,000

4. None of the above

**(02 Marks)**

ii. What is the correct statement regarding ABC?

1. Under ABC system overhead costs are identified with each major activity in place of a department.

2. The traditional costing system serves effectively the purpose of product costing and pricing decisions.

3. Activity based costing helps in identifying total costs with each activity performed in the business.

4. Activity based management and Activity based management are synonymous terms.

**(02 Marks)**

iii. Which of the following is not correct when referring to fixed costs

1.. Whether a cost is committed or discretionary will depend in large part on management's strategy.

2. Discretionary fixed costs arise from annual decisions by management.

3. Fixed costs remain constant in total throughout the relevant range.

4. Committed fixed costs can often be reduced to zero for short periods of time without seriously impairing the long-run goals of the company.

**(02 Marks)**

iv. The cost of a project is Rs. 50,000 and it generates cash inflows of Rs. 20,000, Rs. 15,000, Rs. 25,000 and Rs. 10,000 in four years. What is the NPV of the proposed investment assuming a 10% rate of discount?

- |    |      |    |      |
|----|------|----|------|
| 1. | 6250 | 3. | 6000 |
| 2. | 6175 | 4. | 6350 |

(02 Marks)

v. 5,000 kg of material are input to a process in a period. The normal loss is 10% of input. There is no work-in-progress at the end of each period. Costs incurred in the process in the period totaled Rs. 40,500. What is the abnormal loss/gain, if the actual output is 4,650kg?

- |    |     |    |     |
|----|-----|----|-----|
| 1. | 200 | 3. | 150 |
| 2. | 250 | 4. | 175 |

(02 Marks)

vi. Given Maximum value of production and minimum value of production is 10,000 and 5000 units respectively. Maximum total cost is Rs 25,000 and minimum total cost is Rs 15,000. Determine total fixed cost and per unit marginal cost.

- |    |                         |    |                           |
|----|-------------------------|----|---------------------------|
| 1. | Rs 5 per unit, Rs 2000  | 3. | Rs 10 per unit, Rs 10,000 |
| 2. | Rs 2 per unit, Rs 5,000 | 4. | None of the above         |

(02 Marks)

vii. The data related to Production of T are for material X standard data and actual data are 40 kgs @ Rs 10 and 55 kgs @ Rs 9, respectively. The standard data and actual data for material Y are 50 kgs @ Rs 5 and 35 kgs @ Rs 7. Determine material usage variance.

- |    |                   |    |                   |
|----|-------------------|----|-------------------|
| 1. | Rs 75 favorable   | 3. | Rs 90 unfavorable |
| 2. | Rs 75 unfavorable | 4. | Rs 90 favorable   |

(02 Marks)

viii. A flexible budget

1. Gives departmental managers direction on spending limits
2. Gives managers direction as to investigations into variances revealed by analysis of actual performance
3. Allows departmental managers to design their own budget report
4. Reflects changes in activity levels of the company

(02 Marks)

ix. Given selling price is Rs.10 per unit, variable cost is Rs. 6 per unit and fixed cost is Rs. 5,000. What is the break-even point?

1. 500 units
2. 1250 units
3. 1000 units
4. None of the above

(02 Marks)

x. A group of individual indirect cost item is defined as,

1. Direct pool
2. Cost pool
3. Indirect pool
4. Item pool

(02 Marks)

(Total 20 Marks)

Q2. a) Product X in a manufacturing unit passes through three processes, A, B and C. The expenses incurred in the three processes during year 2019 were as under,

Unit of input issued	Process A 9000	Process B	Process C
Cost per unit	150		
Sundry materials	23500	25000	15000
Direct Labour	80000	207200	26110
Direct Expenses	2250	7200	8100
Selling price per unit	200	280	600

Other information,

Process	Output( Units)	Process Loss (%)
A	8400	5
B	5700	10
C	3660	3

During the year, three-fourth of the output of process A and two-third of the output of process B were transferred to the next process and the balances were sold outside. The entire output of the process C was, however sold outside. The losses of the three processes were sold at Rs. 5 per unit for process A, Rs 10 per unit for the process B and Rs. 15 per unit for process C.

- i. Prepare the three process Accounts and
- ii. A statement of income considering a total selling and distribution expenses of Rs. 45000 which is not allocated to processes.

(16 Marks)



- b) From the following particulars relating to a contract, prepare,  
(a) The Contract Account.

The contract price has been agreed at Rs.250, 000. Cash has been received from the contractee amounting to Rs.180, 000.

	(Rs.)
Material sent to site	85349
Labour engaged on site	74375
Plant installed at cost	15000
Direct expenditure	4126
Establishment charges	3167
Materials return to store	549
Work certified	195000
Cost of work not certified	4500
Material on hand, Dec 31	1883
Wages accrued on Dec 31	2400
Direct expenditure accrued on Dec 31	240
Value of plant Dec 31	11000

(04 Marks)

(Total 20 Marks)



- Q3. a)** The standard cost data of three products X, Y, and Z manufactured by a company are given below together with the budgeted sales and unit selling prices for 2018-2019.

Particulars	X	Y	Z
Budgeted sales (units)	25000	20000	15000
Selling price per unit(Rs)	40	60	80
Cost per unit(Rs)	28	48	64

In April 2018 the cost department of the company gathered the following details for 2018-2019

Particulars	X	Y	Z
Budgeted sales (units)	20000	22000	16000
Average sales realization per unit	42	56	81
Actual cost per unit	30	50	63

Required,

- i. Budgeted and actual profit for 2018-2019

(06 Marks)

- ii. The variance in profit analyzed into, (Cost variance, Sales price variance, Sales value variance, Profit variance)

(06 Marks)





- b) From the following data calculate the cost per mile of a vehicle,

	(Rs.)
Value of vehicle	15 000
Road license for the year	500
Insurance charge per year	100
Garage rent per year	600
Driver's wages per month	200
Cost of petrol per litre	0.80
Miles per litre	8
Proportional charge per mile and maintenance per mile	0.20
Estimated life	150 000 miles
Estimated annual mileage	6 000 miles

Ignore interest on capital

(08 Marks)

(Total 20 Marks)

- Q4. a) Chico Ltd. Manufacture two products AB and CD by mixing the following raw materials in the proportion shown:

Raw material	Product AB	Product CD
A	80%	
B	20%	
C		50%
D		50%

The finished weights of the products AB and CD are equal to weight of their ingredients. During the months of June, it is expected that 60 tonnes of AB and 200 tonnes of CD will be sold.

Actual and budgeted inventories for the month of June are as follows:

Material	Actual inventory (1 <sup>st</sup> June) Quantity ( Tonnes)	Budgeted inventory (30 <sup>th</sup> June) Quantity ( Tonnes)
A	15	20
B	10	40
C	200	300
D	250	200
Product AB	10	5
Product CD	50	60

The purchase price of the materials for June is expected to be as follows:

Material	A	B	C	D
cost per Tonne(Rs)	500	400	100	200

All materials will be purchased on 3<sup>rd</sup> of June.

Prepare:

- i a. Production budget for the month of June. (05 Marks)
- ii b. Material requirement budget for June (04 Marks)
- iii c. Material purchase budget indicating the expenditure for materials for the month of June. (05 Marks)



- b) A jobbing factory has undertaken to supply 200 pieces of a component per month for the ensuing three months. Every month a badge order is open against which materials and labour hours are booked at actuals. Overheads are levied at a rate per labour hour. The selling price contracted for is Rs. 8 per piece. From the following data present the cost and the profit per piece of each badge order and overall position of the order for 600 pieces.

Prepare the cost sheet showing badge-wise and month-wise cost and profit.

Month	Badge output (units)	Material cost (Rs.)	Direct wages (Rs.)	Direct labour (Hrs.)
January	210	650	120	240
February	200	640	140	280
March	220	680	150	280

The other details,

Month	Chargeable expenses(Rs.)	Direct Labour (Hrs.)
January	12000	4800
February	10560	4400
March	12000	5000

(06 Marks)  
(Total 20 Marks)

- Q5. a) Nimal Industries Limited manufactures and sells five different products using one common raw material which is available according to requirements at Rs 8 per kg. But the skilled labour required for production is in short supply and is currently limited to 35000 hours per month at Rs. 15 per hour. Variable production overhead is Rs. 5 per labour hour and fix production cost amount to Rs. 100000 per month. Variable selling and distribution overhead is 10% of sales value while fixed selling, distribution and administration cost is Rs. 80000 per month. Further details regarding production and sales of this product as follows,

Product	Current Demand( units)	Selling price per unit(Rs)	Raw materials required per unit (kgs)	Direct labour hours required per units
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A	6000	40	1.0	1.0
B	4000	60	1.5	1.4
C	5000	80	2.0	1.8
D	4800	90	2.5	2.0
E	4500	100	3.0	2.4

Required,

- i. a. Optimum Product mix you would recommend
- ii. b. Profit earned as per mix in (a)

(10 Marks)



b) "Management accounting begins where financial accounting ends". With reference to the above statement, explain the functions of management accounting and financial accounting.

(05 Marks)

c) Distinguish between joint products and by-products.

(05 Marks)

(Total 20 Marks)

