SOUTH EASTERN UNIVERSITY OF SRI LANKA
CENTRE FOR EXTERNAL DEGREES AND PROFESSIONAL LEARNING

SECOND YEAR EXAMINATIONS IN BACHILOR OF BUSINESS ADMINISTRATION GENERAL (EXTERNAL) – 2011/2012

HELD IN JUNE/ JULY 2013

BBA 28 (I) Cost and Management Accounting– I

Calculator can be used. **Time: 03 Hours**

01. (a) Within the costing system of a manufacturing company the following types of expenses are incurred:

i.. Motor vehicle licenses for Lorries

ii. Depreciation of factory plant and machinery

iii. Commission paid to sales representatives

iv. Salary of secretary to the Finance Director

v. Salary of scientist in laboratory

vi. Insurance of the company's premises

vii. Trade discount given to customers

viii. Cost of chemicals used in the laboratory

You are required to place each expense within the following classifications.

Production overhead	Selling and distribution overhead
Administration overhead	Research and development overhead

(04 Marks)

(b). From the following information calculate for each employee his earning, using:

i. Guaranteed hourly rates only (basic pay)

ii. Piece work, but with earnings guarantee at 75% of basic pay where the employee fails to earn this amount; and

iii. Premium bonus in which the employee receives two-thirds of time saved in addition to hourly pay.

			Employees		
		A	B	C	D
Actual hours worked		38	36	40	34
Hourly rate of pay	Rs.	3	2	2.50	3.60
Output (units) X		42	120	---	120
Y		72	76	---	270
Z		92	---	50	---

Standard time allowed (per unit):

X – 6 minutes, Y – 9 minutes, Z – 15 minutes

Each minute earned is valued at Rs. 0.05 for piecework calculation.

(16 Marks)

(Total 20 Marks)

02. (a) Atlas Limited is having difficulty costing material Y to the various jobs that it is used on. The material is bought in bulk and recent receipts and issues have been given to you as follows.

01.06.2012	Balance b/f	1000 kilos at Rs. 4 per kilo
03.06.2012	Receipts	2000 kilos at Rs. 5 per kilo
06.06.2012	Receipts	1500 kilos at Rs. 5.5 per kilo
09.06.2012	Issues	2500 kilos
12.06.2012	Receipts	3000 kilos at Rs. 4.5 per kilo
14.06.2012	Issues	3500 kilos

Required:

Cost the issue of material Y for June 2012 and calculate the value of the closing stock on the following bases;

i. FIFO

ii. LIFO

iii. Weighted Average

(10 Marks)

(b) Atlas Limited is reviewing its stock control policy with regard to material Y. You have been informed that the cost of making one order is Rs. 1000, the cost of holding one kilo for one year is 25% and the annual demand for material Y is 800,000 kilos. There is no lead time nor buffer stock.

Required:

Determine the following for material Y

i. The economic order quantity and briefly explain what this figure represents.

ii. The average stock.

iii. The number of orders to be made per year.

(08 Marks)

(c) Briefly explain what you mean by "buffer stock" and "lead time".

(02 Marks)

(Total 20 Marks)

03. A product process through three processes A, B, and C. The details of expenses incurred on the three processes during the year 2012 were as follows.

	Process - A	**Process - B**	**Process - C**
Units introduced	10,000		
Cost per unit is Rs. 50			
	Rs.	**Rs.**	**Rs.**
Sundry Materials	6,000	9,000	3,233
Labour	18,000	48,000	39,000
Direct Expenses	3,000	11,000	18,000
Selling price per unit of output	70	100	200

During the year management expenses were Rs. 80,000 and selling and distribution expenses were Rs. 5,000. These expenses are not allocable to the process. Actual output of the three processes were A- 9,300 units, B – 5,400 units and C – 2,100 units. Two thirds of the output of process – A and one half of the output of Process – B were passed on to the next process B and C respectively while the balances were sold. The entire output of Process – C was sold.

The normal loss of the three processes, calculated on the input of every process was: Process A – 5%, B – 15% and C -20%. The loss of process A was sold at Rs. 3 per unit, that of B at Rs. 5 per unit and process C at Rs. 10 per unit.

Prepare:

i. Process A, B, C Accounts
ii. Abnormal Loss / Gain Accounts
iii. Profit and loss Account

(25 Marks)

04. a. What are the assumptions of Cost Volume Profit (CVP) analysis?

(06 Marks)

b. You are given the following information of a company which produces a product X.

Selling price Rs. 50.00 per unit
Variable costs Rs. 32.00 per unit
Fixed overheads Rs. 270,000

Calculate the followings:

i. Break-even point in units
ii. Break-even point in sales value
iii. Contribution/Sales ratio
iv. Number of units that need to be sold to earn a profit of Rs. 90,000
v. Number of units to be sold to earn a profit of Rs. 90,000 when the variable costs and the fixed overheads are increased by Rs. 4.00 and Rs. 60,000 respectively (Assume that there is no change in selling price)

(12 Marks)

(Total 18 Marks)

05. a. Differentiate under and over absorptions of overheads.

(03 Marks)

b. You are provided the following information related overheads allocated and apportioned to three production departments (A, B and C) and two service departments (D and E):

Particulars	Total	Production Departments			Service Departments	
	Rs.	A	B	C	D	E
Rent	1,000	200	400	150	150	100
Electricity	200	50	80	30	20	20
Fire insurance	400	80	160	60	60	40
Plant depreciation	4,000	1,000	1,500	1,000	300	200
Transport	400	50	50	50	100	150
Total overheads	6,000	1,380	2,190	1,290	630	510

Overhead of Service Departments are re-apportioned as follows:

	A	B	C	D	E
D	30%	40%	20%	-	10%
E	10%	20%	50%	20%	-

Required:

Re-apportion the overheads of Service Department using the Repeated Distribution Method

(10 Marks)

c. The assembling cost centre has estimated overheads for period ending March 2014 as Rs. 225,000. Labour hours are considered the most appropriate basis for overhead absorption rate and it is expected that 9,000 hours will be worked in total during the period.

Required: Calculate the overhead absorption rate for assembling department?

(04 marks)

(Total 17 Marks)