



Uva Wellassa University
Faculty of Management



Degree of Bachelor of Business Management in Entrepreneurship and Management

3rd YEAR 1st SEMESTER EXAMINATION – FEBRUARY/MARCH 2012

EMG 311 -3 Cost and Management Accounting (Repeaters)

Part C- Essay Questions

Part C contains three (03) questions.

Answer only two (02) questions

Marks allocated for part C is Fifty (50)

Show all workings very clearly

01.

a) Briefly describe the term "Job Costing" indicating the purpose and special features of job costing?

(4 marks)

b) The information given below has been taken from the costing records of an engineering works in respect of job order number UE 0020.

i. Material cost Rs.5450.00

ii. Labour cost:

| Department | Hours required | Rate per hour (RS) |
|------------|----------------|--------------------|
| Production | 60 | 50 |
| Assembly | 20 | 45 |
| Finishing | 10 | 65 |

iii. Variable overhead cost:

Total overhead expenses for these departments are given below:

Rs. 5000.00 for 500 labour hours in production department

Rs. 3000.00 for 150 labour hours in assembly department

Rs. 5000.00 for 250 labour hours in finishing department

iv. Fixed overhead cost estimated at Rs.20,000.00 for 10,000 normal working hours.

You are required to:

Calculate the cost of job order number UE 00020.

(6 marks)

- c) Ceylon PLC producing a particular good in three different processes and at the end of the third process the good will be transferred to finished good account. Following information relevant to the production of that particular good.

| Description | Total | Process I | Process II | Process III |
|-------------------------------|-------|-----------|------------|-------------|
| Direct material B (Rs) | 7542 | 2600 | 1980 | 2962 |
| Direct wages (Rs) | 9000 | 2000 | 3000 | 4000 |
| Production overhead cost (Rs) | 9000 | | | |

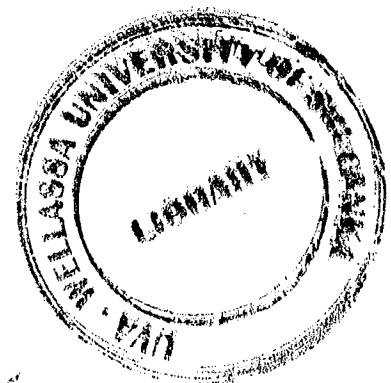
1000 units of direct material A at Rs.3/- each has been introduced to process I to start the production process and there were no any opening or closing stocks in any process. The output of each process will be transferred to the next process until completion and the production overhead cost is allocated to each process as 100% of direct wages. Following additional information also provided to you.

| Process | Production during the period (units) | Normal loss as a % of input | Scrap value per unit (Rs.) |
|-------------|--------------------------------------|-----------------------------|----------------------------|
| Process I | 950 | 5% | 2 |
| Process II | 840 | 10% | 4 |
| Process III | 750 | 15% | 5 |

You are required to prepare

- i) Process Accounts
- ii) Abnormal gain/loss account

(15 marks)
(Total 25 Marks)



02. Lucky Leather Ltd. Produces and sells three types of products P,Q and R. Budgeted variable cost per unit, selling price and quantity demand for next year are as follows.

| Particulars | P | Q | R |
|--------------------------|-----------|-----------|-----------|
| Budgeted quantity demand | 550 units | 500 units | 400 units |
| Unit selling price | Rs.16 | Rs.18 | Rs.14 |
| Variable Costs | | | |
| Material(Rs.2 per kg) | Rs.8 | Rs.6 | Rs.2 |
| Labour (Rs.2 per minute) | Rs.4 | Rs.6 | Rs.9 |

The company has existing stock of 250 units of P and 200 units of R which could be used to satisfy the expected demand.

All three products use the same direct material and the same type of direct labour. The availability of material will be restricted to 2,400 Kgs and supply of labour will be restricted to 55 hours for the budgeted period.

Determine what product mix and sales mix would maximize the company's profits of Lucky Leather Ltd. in the next year.

(25 Marks)

03.

- a) Explain the advantages when making decisions based on time value of money.

(3 marks)

- b) Briefly discuss the importance of proper appraisal of proposed capital expenditure project.

(2 marks)

- c) Why do projects should be accepted if there is positive net present value?

(2 marks)

Budgeted

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d) The following information is relating to two projects out of which only one project can be undertaken:

| Description | Project A (Rs.) | Project B (Rs.) |
|---|--------------------|--------------------|
| Initial Investment | 50,000 | 50,000 |
| Year 1 Profit | 30,000 | 10,000 |
| Year 2 profit | 22,000 | 10,000 |
| Year 3 profit | 10,000 | 36,000 |
| Year 4 profit | 11,000 | 35,000 |
| Estimated resale value at the end of the year 4 | 10,000 | 10,000 |

Notes:

- A. Profit of each year has been calculated after deducting the depreciation under the straight line basis.
- B. The cost of capital is 10%

You are required to;

- i. Calculate payback period and Net Present Value (NPV) for each project. (6 marks)
- ii. State which project do you recommend to undertake after assessing under above two methods? (2 marks)

e) Explain what should be included in effective working capital management? (10 marks)
 (Total 25 Marks)

