



SLIATE

SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION

(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

Higher National Diploma in Business Administration

Fist Year, second Semester Examination – 2016

BA 1213 Managerial Accounting

Instructions for Candidates:

Answer five questions including question No. 01

No. of questions: 06

No. of pages : 06

Time : **Three hours**

Question 01

- i. How the Managerial Accounting differ from Financial Accounting
- ii. What are the main cost elements?
- iii. State the three (03) purposes of cost classifications
- iv. What is meant by under- absorption and over-absorption of overheads?
- v. What is the difference between Marginal costing and Absorption costing?
- vi. What do you mean by margin of safety?
- vii. State the two advantages of Activity Based Costing system.
- viii. Name and briefly explain the four perspectives of Balance Score Card.
- ix. List two (02) financial performance measures of business.
- x. State the objectives of preparation of Cash Budget

(10 x 02 = 20)

(Total 20 marks)

Question 02

Best Manufacturing Ltd produce the garments for customer orders. It has three production departments and two service departments. Following are some details of Best Manufacturing Ltd.

Departments	Cutting	Finishing	Packing	IT	Maintenance
Machine value (‘000)	32	18	12	6	2
Floor area (Sq mts)	5000	2500	1500	1500	500
No of employees	50	30	20	10	10
Labour rates per hour (Rs.)	2.50	3.00	2.50	1.00	1.00
Budgeted direct labour hrs	6,500	3,500	1,900	-	-
Overheads allocated(‘000)	5.5	3.3	2.3	1.5	1.1

There are more overhead costs which have not yet allocated. They are

Heating & Lighting Rs 12,600

Depreciation Rs 30,000

Telephone charges Rs 7,000

Service departments provide services to the production departments as follows

Depts.	Cutting	Finishing	Packing
IT	45%	30%	25%
Maintenance	10%	40%	50%

- i. Prepare an overhead analysis sheet (10 marks)
- ii. Calculate the cost of a garment using following additional details

Direct Material per garment	Rs 400.00	
Direct labour per garment	10 hours in cutting department	
	15 hours in finishing department	
	20 hours in packing department	(10 marks)

(Total 20 marks)

Question 03

- a) What are the assumptions of CVP analysis? (05 marks)
- b) Ever shine Manufacturers make leather shoes. They have drawn up the following budget for its next financial period.

Selling price per product	Rs 500
Variable production cost per product	Rs 250
Sales commission	10% on selling price
Fixed selling and distribution cost	Rs 2,000,000
Current sales	15,000 units

- i. Calculate the contribution per unit
 - ii. What is the C/S ratio ?
 - iii. Calculate the BEP in terms of units
 - iv. How many items should produce to have Rs 500,000 profit ?
 - v. What is the margin of safety in value ? (5 x 03 =15 marks)
- (Total 20 marks)**

Question 04

- a) What are the objectives of the budget preparation? (05 marks)
- b) Following are the estimated information of “Shubhash Manufacturers” for the months of 2016 & 2017. Prepare a cash budget from January to April in 2017.

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Sales in Rs.	400,000	440,000	240,000	200,000	300,000	480,000	400,000	400,000
Miscellaneous Expenses	28,000	27,000	30,000	24,000	28,000	27,000	30,000	24,000
Salaries	60,000	60,000	48,000	48,000	48,000	48,000	56,000	56,000

There are some additional information also.

1. 40% of the sales are on cash and the balance on credit
2. The firm has gross margin of 25% on sales
3. 50% of credit sales are collected in the month following the sales and rest in the second following month.
4. Materials for the sales of each month is purchased one month in advance on a credit for two months.
5. There is one month lag of payment of salary
6. Income tax payment is there on March Rs 30,000
7. Month end cash balance of December is Rs 150,000

(15 marks)

(Total 20 marks)

Question 05

- a) Compare traditional costing system and Activity Based Costing system (05 marks)
- b) The CCTV manufacturing has three departments and uses Activity Based Costing. Following are the information relates to three departments.

	Dep A	Dep B	Dep C
	Rs	Rs	Rs
Direct material cost	150,000	200,000	150,000
Engineering job notes	15	20	5
Kilowatt hours	100,000	50,000	100,000

Manufacturing overheads for the month is as follows

Material Handling	Rs 50,000
Power	RS 25,000
Engineering	Rs 40,000

Calculate the cost drivers for above manufacturing overheads.

(09 marks)

- c) A company produces three items called X, Y and Z. Following are the relevant details.

	X	Y	Z
Material (1kg Rs 10)	5.00	3.00	2.00
Direct Labour	4.00	2.00	1.00
Variable OH	2.00	2.00	1.00
Selling Price	20.00	15.00	10.00
Demand in units	5,000	4,000	3,000

When an organization can obtain only 2,800 Kg of materials, you are required to rank the productions

(06 marks)

(Total 20 marks)

Question 06

“Lakshan Plc is planning to make 120,000 units of electric equipment for a month. Given below are the relevant standard information regarding one unit.

	Per unit
Direct material – rubber	1.2 Kg at Rs 20.00 per Kg
Direct material – Plastic	4.7 Kg at Rs 35.00 per Kg
Direct Labour	
Workstation 1	42 minutes
Workstation 2	37 minutes
Workstation 3	11 minutes

All direct operations are paid at the rate of Rs. 16.50 per hour. Overheads are absorbed at the rate of Rs 300 per labour hour.

Actual results for the period

Production	126,000 units
Direct material – rubber	cost Rs 16.5 per for Rs 150,000 Kg
Direct material – plastic	cost Rs 36 for 590,000 Kg
Direct labour	cost Rs 17 per 215,000 hours

You are required to Calculate

- i. Standard cost for one unit (05 marks)
- ii. Material Cost Variance (03 marks)
- iii. Material Price Variance (03 marks)
- iv. Material Usage Variance (03 marks)
- v. Labour Cost Variance (02 marks)
- vi. Labour Rate Variance (02marks)
- vii. Labour efficiency Variance (02 marks)

(Total 20 marks)