



**SLIATE**

**SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION**  
(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

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**Higher National Diploma in Management**  
**HNDM 1<sup>st</sup> Year, Second Semester Examination – 2016**  
**MAN1210- Cost and Management Accounting**

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Instructions for Candidates:  
answer any five questions  
Calculators are Allowed

No. of questions: 06  
No. of pages : 05  
Time : 03Hours

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**Question No. 01 (Total Marks 20)**

- I. List out two similarities and differences between Financial Accounting and Cost and Management accounting. (Marks 04)
- II. Distinguish following terms with two examples each
- a. Direct and indirect cost
  - b. Fixed and variable cost (Marks 04)
- III. Mr. Rathnayake decided to coordinate a tuition class for Advanced Level students with the help of a suitable panel of lecturers. During the first month the following expenses took place.
- a. Tutorial printing charges
  - b. Building insurance
  - c. Scholarship offered to needy students
  - d. Salary for office helper
- Recognise Fixed and Variable expenses from above list of expenses (Marks 04)
- IV. What are the functions of inventory control process? (Marks 02)
- V. Name four documents which are used in inventory control process. (Marks 02)
- VI. Fill in the blanks of the following,
- a. Direct Labour + Direct Material + Other Direct Expense= -----
  - b. Direct Labour + Direct Material + Other Direct Expenses+ Factory Overhead = -----
  - c. Element of cost consists of Material, Labour and -----
  - d. Overhead expenses can be divided into three parts namely production overhead, administration overhead and ----- (Marks 04)

**Question No. 02 (Total Marks 20)**

- I. Briefly explain the following.
- a. Minimum stock level
  - b. Maximum stock level
  - c. Reorder level (Marks 06)
- II. Mention three factors that should be considered before fixing stock levels. (Marks 03)
- III. C & C Ltd is a manufacturing company. Following information on one of its raw material "MAT\_X" given to you

	MAT_X
Reorder quantity	40000 Kg
Minimum consumption per week	4000 kg
Maximum consumptions per week	6000 kg
Minimum lead time	2 weeks
Maximum lead time	4 weeks
Time required in an emergency order	1 week

Calculate the following stock levels for each material separately.

- a. Minimum stock level
  - b. Maximum stock level
  - c. Reorder level
  - d. Average stock level (Marks 04)
- IV. What are the assumption of EOQ model? (Marks 03)
- V. Suppose you are a newly appointed Assistant and the following information is given to you.

Annual demand	72000 Units
Ordering cost per order	Rs 500
Holding cost per unit	5% on cost per selling price per unit
Selling price per unit	Rs 1000

You are required to compute

- a. Economic Order Quantity(EOQ)
- b. Holding and ordering cost at EOQ (Marks 04)

**Question No. 03 (Total Marks 20)**

- I. A toy manufacturing firm allows workers to work 6 days a week with 8 hour per day. Mr Gunathilake is one of the workers of this firm that stitches a toy called "Toy-X". He has stitched 192 items during a week. The firm allows 20 minutes to stitch a single item. Rate per hour is Rs.150.  
Calculate basic earnings, bonus and total earning under Halsey, Halsey wire and Rowan system. (Marks 06)

- II. Mention two differences between stock ledger and bind card (Marks 04)

- III. The following information on stock movement was taken from cost accounting record of CBA Manufacturers.

Date	Description	References	Quantity	Rate per unit
1-Dec-16	Opening stock		1000	12
5-Dec-16	Purchase	GRN Dec 001	800	14
8-Dec-16	Issue	MRN Dec 001	900	
12-Dec-16	Purchase	GRN Dec 002	1100	16
16-Dec-16	Issue	MRN Dec 002	1500	
20-Dec-16	Issue	MRN Dec 003	200	
24-Dec-16	Purchase	GRN Dec 003	700	18
27-Dec-16	Purchase	GRN Dec 004	500	20
31-Dec-16	Issue	MRN Dec 004	900	

Prepare the stock ledger under

- a. FIFO method (Marks 05)  
b. LIFO method (Marks 05)

**Question No. 04 (Total Marks 20)**

- I. What is meant by budget? (Marks 02)  
II. What are the functions of budgetary control process? (Marks 03)  
III. What are the objectives of budgetary control? (Marks 03)  
IV. Elegant Packing Pvt Ltd manufactures safe plastic container which can be used at the time of transporting vegetables and fruits. Following information regarding the product are given to you.

Description	Plastic Container
Sales	10000
Opening available stock	2000
Closing stock	25% of Estimated sales
Direct material per unit	400
Direct labor per unit	200
Other direct expenses	100
Overhead absorption per unit	25

- Prepare  
a. Production budget (Marks 03)  
b. Production cost budget (Marks 03)

- V. Kamal is running a small scale business in the field of packeting and distributing curry powder. He asks you to help for getting the cash budget prepared. To facilitate your task, he provides you following actual and estimated figures with additional information.

Month	Sales	Purchase	Other expenses
2016-Dec	300000	100000	100000
2017-Jan	400000	1200000	150000
2017-Feb	350000	1600000	300000
2017-Mar	450000	2000000	350000

- 50% of sales are on cash basis and the rest is collected on the next month
- Suppliers are given one month credit period to settle.
- 50% other expenses are paid in the same month and the balance is paid next month
- Kamal has to pay a loan instalment of Rs.4500/= each at the end of each month.
- Estimated cash balance as at 1<sup>st</sup> Jan 2017 is Rs.40000/=.

Prepare the cash budget for the first three months of 2017. (Marks 06)

**Question No. 05 (Total Marks 20)**

I. Mention two differences between marginal and absorption costing. (Marks 02)

II. Smart Kid (Pvt) Ltd is a kids 'wear manufacturing company. They plan to manufacture and distribute new kid wear items under the trade name of "SK2020". Following estimated information regarding this product is available.

Estimated sales	15000 units
Selling price per unit	Rs.750
Variable cost per unit	
Material	Rs.200
Labour	Rs.250
Other expenses	20% on labour
Fixed cost	Rs.2500000

Calculate

- Contribution per unit (Marks 01)
- Total contribution (Marks 01)
- BEP in quantity (Marks 01)
- BEP in rupees (Marks 01)
- Margin of safety in quantity (Marks 01)
- Margin of safety in rupees (Marks 01)
- Profit at estimated level of sales (Marks 02)
- BEP in rupees in the case of selling price decreases by Rs.50 (Marks 02)

III. Briefly explain the following terms

- a. Cost centre
- b. Allocation of overhead
- c. Apportionment of overhead

(Marks 06)

IV. Recognise appropriate apportionment bases to be used in the following overhead items

- a. Building rent
- b. Building insurance
- c. Labour welfare expenses
- d. Labour medical insurance
- e. Machine depreciation
- f. Machine insurance
- g. Power and electricity
- h. Salaries of supervisory staff

(Marks 04)

**Question No. 06 (Total Marks 20)**

- I. List the main features of a project and give one example. (Marks 04)
- II. "Big Constructor" is renting out construction equipment. and they are expanding their business activities. The board of directors of the company decided to buy a new concrete mixing machine having taken a bank loan at the rate of 10% p.a. They are considering two types of machines available at the market.

Description	Name of Machine	
	Heavy XX	Hard YY
Cost	500,000.00	500,000.00
Useful life	5 Years	5 Years
Estimated cash flows ( at the end of the year)		
	1 300,000.00	200,000.00
	2 300,000.00	200,000.00
	3 200,000.00	200,000.00
	4 100,000.00	200,000.00
	5 100,000.00	200,000.00
Residual Value	100,000.00	100,000.00
<b>Working capital requirement</b>		
At the end of the 3rd Year	50,000.00	
At the end of the 4th Year		50,000.00

- a. Calculate payback period (Marks 04)
- b. Calculate net present value (Marks 08)
- c. Advice to the management on the machine under NPV method (Marks 02)
- d. Calculate IRR for the best project (Marks 02)