

Eastern University
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EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

PART - II EXAMINATION IN BACHELOR OF COMMERCE/ BUSINESS ADMINISTRATION

2002/ 2003 (REPEAT)

BBA 301 MANAGERIAL ACCOUNTING

Answer all Questions

Time : 03 Hours

01. Sunflower Company with three productions and two service cost centers is in the process of preparing overheads budgets and the apportionment of these overheads to products.

Budgeted expenses and the related information for the different cost centers have been given as follows :

	Total	Machine shop A	Machine shop B	Assembly	Canteen	Maintenance
Indirect wages (Rs.)	78,560	8,586	9,190	15,674	29,650	15,000
Consumable materials (Rs.)	16,900	6,400	8,700	1,200	600	
Rent & Rates (Rs.)	16,700					
Building insurance (Rs.)	2,400					
Power (Rs.)	8,600					
Lighting (Rs.)	3,400					
Depreciation of Machinery (Rs.)	40,200					
Area (sq.m.)	45,000	10,000	12,000	15,000	6,000	2,000
Value of machinery (Rs.)	402,000	201,000	179,000	22,000	--	
Power usages technical estimates (%)	100	55	40	03	--	
Direct labour (hours)	35,000	8,000	6,200	20,800	--	
Machine usage (hours)	25,200	7,200	18,000	--	--	

- a. You are requested to prepare an overhead analysis sheet showing
- Apportionment of overheads among the cost centers. (06 marks)
 - Re Apportionment of the cost of service cost centers to production cost centers. (04 marks)
- b. Calculate the overhead absorption rate for each of the production departments. (04 marks)

c. On the assumption that the actual results are ;

	Machine shop A	Machine shop B	Assembly
Direct Labour hours	8,200	6,500	21,900
Machine usage hours	7,300	18,700	--

And the total production overhead expenditure as Rs. 176,533, calculate the under/ over absorption of overheads.

(06 marks)

(Total 20 marks)

02. ABC Ltd, operates three processes. The following information is available for May.
10,000 units at Rs. 5 each were transferred from process A to Process B.

Process Costs	(Rs) Process B	(Rs) Process C
Materials	10,000	11,400
Direct Labour	15,000	10,000
Variable overheads	3,000	3,800
Production overheads	25,000	20,000
Normal Input losses	10%	20%
Actual output (units)	8,500	7,000

Loss in each process are saleable ad scrap which realize Rs. 1.50 per unit at process B and Rs. 4 per unit at process C.

There was no stock of material or work-in-progress at the beginning or end of the period.

Required :

Show all the relevant accounts regarding process B and C.

(20 marks)

03. a. Briefly discuss the limitation of break-even analysis.

(03 marks)

b. X Y Z Ltd. has introduced a new product. It is estimated that the fixed costs will be Rs. 16,740 per year, and that the variable costs will be Rs. 18 per unit. The selling price will be Rs. 45/- per unit. Output is expected to be 900 units per year.

i. Calculate the contribution per unit.

(02 marks)

- ii. The breakeven output and income.
- iii. Prepare the breakeven chart showing clearly the angle of incidence, the breakeven point, and the margin of safety at the expected level of output.

(05 marks)

c. A company, currently operating at full capacity, manufactures and sells a soft drink can at Rs. 20/- each. Current volume is 10,000 cans per annum. The following cost structure was extracted from the books.

Operating statement for the year

	Rs.	Rs.
Sales (10,000 at Rs. 20/-):		200,000
Material	50,000	
Labour	30,000	
Variable OH	50,000	130,000
Contribution	_____	70,000
Fixed cost		30,000
Net profit		40,000

An opportunity has arisen to sell an additional 3,000 cans per annum at Rs. 18 each. Acceptance of this order will incur an extra fixed cost of Rs. 8,000 per annum for the leasing of additional machinery and payment of overtime premium of 20% for extra direct labour required.

Should this order be accepted? Give reasons.

What are the other factors that should be considered in making the decision?

(07 marks)

(Total 20 marks)

4. The following balance were extracted from the books of a building contractor at 31st December 2003.

	Rs.
Contract No. 123	
Material issued to site	62,720
Wages paid	73,455
Wage accrued on 31 st December	720
Plant issued to site	6,000

Direct charges period	2,515
Direct charges accrued at 31 st December	210
Establishment charges	5,650
Stock of materials at site at 31 st December	1,200
Value of work certificated at 31 st December	165,000
Cost of work not yet – certified	3,500
Cash received on account of architect's certificates after deduction of 5% by customer as retention money	141,075

The work commenced on 1st January of the year and contract price agreed at Rs. 245,000. Prepare contract account for the year, providing for depreciation of plant at 25%. Calculate the profit or loss to date, making such provisions as you consider desirable. Set the balance sheet showing the contract items.

(20 marks)

05. a. The following information is provided concerning A particular Raw material of Oxford company.

Average usage	-	1,000 kg. per day
Minimum usages	-	800 kg. per day
Maximum usages	-	1,350 kg. per day
Economic Order quantity-		9,000 kg.

The stock level is reviewed at the end of each day, and an order is placed the following day if the normal re-order level has been reached. Delivery is reliably expected at the beginning of the fourth day following the order.

From the above information calculate the three normal control levels used for stock control purposes.

(12 marks)

- b. Green house forecasted demand of its selling product X as 1,000 units per month. The ordering cost is Rs. 36 per order and the unit cost of X is Rs. 8/-. It is estimated that the carrying costs are 15% per annum.

Calculate the economic order quantity using the data given above.

(08 marks)

(Total 20 marks)