ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව / இலங்கைப் பரீட்சைத் திணைக்களம் / Department of Examinations, Sri Lanka

Open/Limited Competitive Examination for Recruitment to Grade III of the Sri Lanka Accountants' Service - 2014

(03) Cost and Management Accounting

Three hours

Answer **all** questions.

---

1. Three joint products are produced by passing chemicals through two consecutive processes by Lanka Chemical products Ltd. Output from process 1 is transferred to process 2 from which the three joint products are produced and immediately sold. The data regarding the processes for April 2014 is given below.

	Process 1 **Rs.**	**Process 2** **Rs.**
Direct material (2 500 kg at Rs. 4/= per Kg)	10 000	-
Direct Labour	6 250	6 900
Overheads	4 500	6 900
Normal loss	10% per unit	Nil
Scrap Value of loss	Rs. 2 per kg.	-
Output	2 300 kgs.	joint products A - 900 kgs. B - 800 kgs. C - 600 kgs.

There were no opening or closing stocks in either process and the selling prices of the output from process 2 were.

Joint product A Rs. 24 per kg.
Joint product B Rs. 18 per kg.
Joint product C Rs. 12 per kg.

you are required;

(i) Prepare an account for process 1 together with any Abnormal Loss or Gain Accounts.

(ii) Calculate the Profit attributable to each of the joint products by apportioning the total costs from process 2.

(a) According to weight of output

(b) By the market value of production

(25 marks)

[See page two

2. Multi Products Ltd, is in the process of planning to manufacturing and market a new product. The company is planning to commence production in July 2014 and relevant information are given below.

(i) The standard production cost per unit of the product based on normal annual production level of 50 000 units is calculated as follows.

	Rs.
Direct materials	20
Direct wages	10
Variable overhead	20
Fixed overhead	5
Total Cost	**55**

Fixed overheads are assumed to be incurred throughout the year uniformly. Fixed overheads includes depreciation of machinery and factory building amounting to Rs. 70 000.

(ii) The company has forecasted the sales for the last six months of year 2014 as follows:

Month	Number of units	Price (Rs.)
July	1 000	80
August	3 000	70
September	3 400	80
October	4 000	70
November	4 000	80
December & there after	3 500	80

60% of the sales is on credit and the balance is an cash basis. 50% of the debtors settled their debts during the month in which the sales are effected and the balance is settled the following month.

(iii) Selling expenses are estimated at 5% of gross sales and they are settled in the month following that in which they are incurred.

(iv) The company policy on the finished goods at the end of each month from July 2014 is that the closing stocks at the end of the months should represents 50% of the next month sales. No work in progress is held.

(v) The company's rule with regard to raw materials stock is that at the end of each month a minimum of 50% of the following months production requirement of raw materials should be in stock. Payments for raw materials are to be made in the month following that in which purchases are made .

(vi) Wages are paid during the month in which they are incurred.

(vii) 25% of the variable overheads are paid during the same month, where as the balance is settled in the following month.

(viii) Fixed overheads are paid in the same month in which they are incurred.

you are required;

(a) Prepare a monthly cash budget for the last six months period ending 31 December 2014 using the above information.

(b) Calculate the debtors balance and total creditors balance as at 31 December 2014.

(25 marks)

[*See page three*

3. The Summary of Production budget of a factory with a single product for a one year period is as follows.

Production quantity : 160 000 units

Production Costs :

Direct materials	:	224 000 kg at Rs. 8.20 per kg
Direct labour	:	144 000 hours at Rs. 9.00 per hours
Variable overheads	:	Rs. 633 000
Fixed overheads	:	Rs. 2 016 000

Variable overheads are absorbed at a predetermined direct labour hour rate. Fixed overhead are absorbed at a predetermined rate per unit of output.

During the one year period the actual production was 143 000 units, which incurred the following costs :

Direct materials	:	203 450 kg costing Rs. 1 627 600
Direct labour	:	130 000 hours costing Rs. 1 183 000
Variable overheads	:	Rs. 578 000
Fixed overheads	:	Rs. 2 001 000

You are required to compute the followings;

(i) Standard unit cost
(ii) Material prices variance
(iii) Material usage variance
(iv) Direct Labour rate variance
(v) Labour efficiency variance
(vi) Variable overheads expenditure variance
(vii) Variable overheads efficiency variance
(viii) Fixed overheads expenditure variance
(ix) Fixed overheads volume variance
(x) Total cost variance

(26 marks)

4. You are given the following data relevant to the XY Company.

Year	**Sales Rs.**	**Profit Rs.**
2013	360 000	24 000
2014	420 000	29 000

You are required to compute the followings ;

(i) P/V ratio
(ii) Break - event point
(iii) When sales are Rs. 540 000, Profit
(iv) Profit sales required to earn a profit of Rs. 36 000
(v) Margin of safety in year of 2014

(13 marks)

[*See page four*

5. Plastic Manufacturing Company manufactures a special product "A". The following particulars were collected for the year 2013.

Monthly demand of "A"	:	2 000 units
Cost of placing an order	:	Rs. 100
Annual carrying cost per unit	:	Rs. 26
Normal usage	:	100 units per week
Minimum usage	:	40 units per week
Maximum usage	:	150 units per week
Re-order period	:	4 to 6 weeks

using above information, calculate following;

(i) Re Order Quantity (ROQ)

(ii) Re Order Level (ROL)

(iii) Minimum Stock Level

(iv) Maximum Stock Level

(v) Average Stock Level

(11 marks)

* * *