

Uva Wellassa University
Faculty of Management



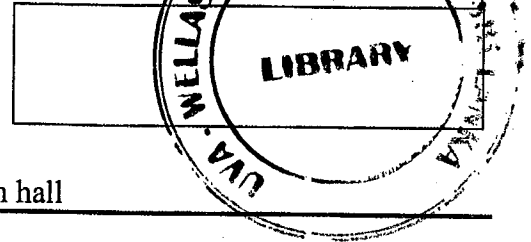
Degree of Bachelor of Business Management in Hospitality, Tourism and Events Management
SECOND YEAR SECOND SEMESTER EXAMINATION – JANUARY/FEBRUARY 2016

HTE212 -2 Cost and Management Accounting

Instructions to candidates:

No. of pages : Four (04)
No. of questions : Five (05) Essay
Time allocation : Two (02) Hours
Marks allocated : 100 Marks

Index Number



Answer only 04 Questions

Show all the workings clearly. Calculators are permitted

The question paper is not to be removed out from the examination hall

01.

- i) Define the terms, “Cost”, “Cost Unit” and “Cost Centre” (06 Marks)
 - ii) State the different types of Cost Centres. (04 Marks)
 - iii) List any five (05) advantages of Cost Accounting to management (05 Marks)
 - iv) Manufacturing cost of a product comprises with Direct Material Cost, Direct Labour Cost and Manufacturing Overhead Cost. Briefly describe the meaning of each type of costs with an example. (10 Marks)
- (Total Marks-25)

02.

- i) The following information is extracted from the books of Namunukula Bake house Private Limited for the month of November 2015.

Date	Description
02/11/2015	Purchased 250 Kgs of Wheat Flour at Rs.100 per Kg.
05/11/2015	Purchased 350 Kgs of Wheat Flour at Rs.120 per Kg.
07/11/2015	Issued 200 Kg of Wheat Flour to the Production Department
13/11/2015	Purchased 500 Kgs of Wheat Flour at Rs. 110 per Kg.
15/11/2015	Issued 250 Kgs of Wheat Four to the Production Department
20/11/2015	Issued 250 Kgs of Wheat Flour to the Production Department
25/11/2015	Purchase 150 Kgs of Wheat Flour at Rs.120 per Kg.
30/11/2015	Issued 300 Kgs of Wheat Flour to the production Department.

The opening stock of Wheat Flour on 01/11/2015 was shown as 100Kgs valued at Rs.100 per Kg. The company policy is to issue materials based on **Weighted Average Cost Method**.

You are required to;

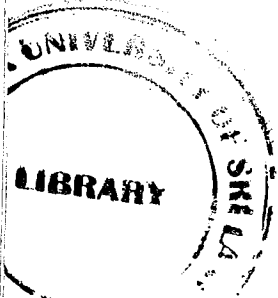
- a) Prepare the Stores ledger account showing the material purchases, issues and the balance (10 Marks)
 - b) Calculate the cost of material consumed during the period. (03 Marks)
 - ii) Discuss the possible reasons for discrepancy between physical stock and stock shown in records and state your suggestions on the steps to be taken to avoid such discrepancies. (12 Marks)
- (Total Marks - 25)

03.

- i) "The direct costs are easily attributable to cost objects, but charging overhead costs to cost object is one of the major problems faced by business organizations. As overhead costs are indirect costs which cannot be allocated to any specific job, process or production unit, it is not essential to consider the overhead costs in business decisions". Critically evaluate the above statement. Your answer must clearly state whether you agree on the statement or not. (15 Marks)
- ii) Uva Hotels PLC has three (03) production departments and two (02) service departments. Expenses incurred for these departments and other available information are given below.

Expenses	Production departments			Service departments	
	Kitchen I	Kitchen II	Bakery	Human Resource	Finance
Total departmental overhead Costs (Rs.)	100,000	150,000	140,000	45,000	20,000

The company decided to charge service departments' costs on the basis of the following percentages.



Service Department	Production Departments			Service Departments	
	Kitchen I	Kitchen II	Bakery	Human Resource	Finance
Human Resource	40%	30%	20%	-	10%
Finance	30%	30%	20%	20%	-

You are required to ascertain the total overhead cost of production departments after redistributing the costs of service departments to the production departments using simultaneous equation method. (10 Marks)

(Total Marks-25)

04. ABC PLC has decided to purchase a food processing machine to augment the company's capacity to meet the increasing demand for their products. There are three (03) machines under consideration of the management. The initial investment cost of each machine is Rs. 350,000. The estimated annual profits of each machine are given below.

Year	Machine I (Rs.)	Machine II (Rs.)	Machine III (Rs.)
1	100,000	100,000	900,000
2	110,000	100,000	100,000
3	245,000	190,000	190,000
4	250,000	250,000	300,000
5	150,000	300,000	250,000
6	-	150,000	-
7	-	100,000	-

The economic useful life of machine I and III are five (05) years and machine II is seven (07) years. The profits of each machine have been calculated after charging the depreciation on strait line basis.

The company's cost of capital is 12%. Ignore taxation



You are required to;

- i) Calculate the payback period of each machine and state which machine you would recommend to purchase based on payback period method. (08 Marks)
- ii) Calculate the Net Present Value (NPV) of each machine and state your recommendation based on NPV technique. (14 Marks)
- iii) Give your final recommendation to the company on which machine to be purchased and justify your answer. (03 Marks)

(Total Marks- 25)

05.

- i) Discuss the importance of proper working capital management to any business organization. (10 Marks)
- ii) Write short notes on any of the three (03) topics given below
 - a) Process costing
 - b) Job costing
 - c) Batch costing
 - d) Contract costing
 - e) Service costing

(5 x 3 = 15 Marks)

(Total Marks- 25)