

Uva Wellassa University
Faculty of Management



Degree of Bachelor of Business Management in Hospitality, Tourism and Events Management
SECOND YEAR SECOND SEMESTER EXAMINATION –DECEMBER/JANUARY 2017
HTE 212 -2 Cost and Management Accounting

Instructions to candidates:

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

Index Number:

Show all the workings very clearly. Any assumption(s) should clearly be stated.
The question paper is not to be removed out from the examination hall.

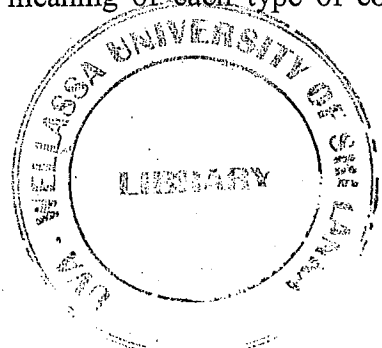
01.

- i) List five (05) advantages of Cost Accounting to management (05 Marks)
- ii) The following details are relevant to a consignment of 1,000 kgs of raw material A, purchased at an invoice price of Rs.100 per Kg.

Excise duty	25% on invoice price
Trade discount	10% on invoice price
Insurance	1.5% of aggregate net price
Delivery charges	Rs.2,275
Cost of containers	Rs.100 per container

100kgs of material can be stored in one container. If the empty containers were returned back within three (03) weeks, a rebate is allowed at Rs.80 per container. Two (02) container load of material was rejected on inspection due to damage goods. Calculate the landed cost per kg. of material A. (05 Marks)

- iii) 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



mentioned in the above statement. Your answer should include examples for each type of costs. (15 Marks)

(Total Marks-25)

02.

i) Pahan Privat Limited is a manufacturer of Bakery items. The following information is extracted from the books of Pahan Privat Limited for the month of November 2016.

- The opening stock of Wheat Flour on 01/11/2016 was shown as 120Kgs, valued at Rs.100 per Kg.
- The purchases and issues during the month of November 2016 are as follows.

Date	Description
02/11/2016	Purchased 200 Kgs of Wheat Flour at Rs.100 per Kg.
04/11/2016	Purchased 300 Kgs of Wheat Flour at Rs.120 per Kg.
08/11/2016	Issued 200 Kgs of Wheat Flour to the Production Department
16/11/2016	Purchased 800 Kgs of Wheat Flour at Rs. 110 per Kg.
17/11/2016	Issued 450 Kgs of Wheat Flour to the Production Department
20/11/2016	Issued 250 Kgs of Wheat Flour to the Production Department
28/11/2016	Purchase 150 Kgs of Wheat Flour at Rs.120 per Kg.
30/11/2016	Issued 300 Kgs of Wheat Flour to the Production Department.

The company policy is to price the issuing of materials based on **First In First Out (FIFO) 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) List any three (03) 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)

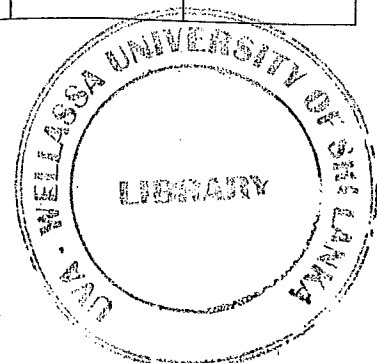
03.

- i) Uva Hotels PLC has three (03) production departments and two (02) service departments. The expenses incurred and other available information relevant to the five (05) departments are given below.

Expenses	Production Departments			Service Departments	
	Kitchen I	Kitchen II	Bakery	Human Resource	Finance
Direct Material Cost	150,000	200,000	100,000	5,000	5,000
Direct labour Cost	100,000	50,000	50,000	10,000	5,000
Total departmental overhead Costs (Rs.)	100,000	150,000	140,000	30,000	10,000

The company has decided to charge service departments' costs to the production departments 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;

- a) show the apportionment of the costs of Service Departments to the Production Departments. (use simultaneous equation method) (12 Marks)
- b) calculate the total cost of each Production Department after apportionment of the Service Department costs to the production departments. (08 Marks)
- ii) Briefly explain the rationale of redistributing the costs of Service Departments to the Production Departments. (05 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.450,000. The estimated annual cash flows of each machine are given below.

Year	Machine I (Rs.)	Machine II (Rs.)	Machine III (Rs.)
1	100,000	100,000	90,000
2	110,000	100,000	100,000
3	280,000	190,000	290,000
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 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. (11 Marks)
- iii) give your final recommendation to the company on which machine to be purchased and justify your answer. (06 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 three** costing methods given below. (15 Marks)
 - a) Process costing
 - b) Job costing
 - c) Batch costing
 - d) Contract costing
 - e) Service costing

(Total Marks -25)

