Uva Wellassa University
Faculty of Management

Degree of Bachelor of Business Management in Hospitality, Tourism and Events Management

SECOND YEAR SECOND SEMESTER EXAMINATION –SEPTEMBER/OCTOBER 2013

HTE 212 -2 Cost and Management Accounting

Part C – Essay Questions

Answer **only two (02)** questions from Part C.
Show all workings very clearly. Any assumption should clearly be stated.
Marks allocation for part C: 50 Marks

01) Lucky Leather Ltd. Produces and sells three types of products P,Q and R. Budgeted variable cost per unit, selling price and quantity demand for next month are as follows.

Particulars	P	Q	R
Budgeted quantity demand	550 units	500 units	400 units
Unit selling price	Rs.16	Rs.18	Rs.14
Variable Costs:			
Material(Rs.2 per kg)	Rs.8	Rs.6	Rs.2
Labour (Rs.2 per minute)	Rs.4	Rs.6	Rs.9

The company has existing stock of 250 units of P and 200 units of R which could be used to satisfy the expected demand.

All three products use the same direct material and the same type of direct labour. The availability of material will be restricted to 2,400 Kgs and supply of labour will be restricted to 55 hours for the budgeted period.

You are required to determine what product mix and sales mix would maximize the profits of Lucky Leather Ltd. in the next month.

02) (25 marks)

a) There is a steady annual demand for 1,000 units of product X when the unit price is Rs.80. If the price increases to Rs.85 the demand falls to 750 units. The fixed cost of the company selling the product is Rs.25,000 and the variable cost per unit is Rs.40.

You are required to;

i) Derive the equation of the demand function that links price (P) to the quantity demanded (Q), assuming that it to be a linear one.

ii) Calculate the quantity and price which will maximize the profit (6 marks)

iii) Calculate the profit at the maximization level (6 marks)