



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 2012
HTE 212 -2 Cost and Management Accounting

Instructions to candidates:

No. of pages : Four (04)
No. of questions : Four (04) Essay
Time allocation : One (01) Hour
Marks allocated : 50 Marks

Index Number:

Answer only three (03) questions including question no. (01)

Show all the workings very clearly. Any assumption(s) should clearly be stated (if any).

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

Part C – Essay Questions

01) The product of a company passes through three distinct processes to completion. The output of process A is transferring to the process B as input and the output of process B will be an input to process C. Process C is the final stage of production and the resulting output is transferring to the finished good stock.

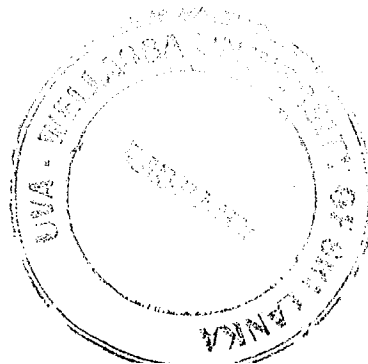
From past experience, it is ascertained that normal wastage in each process is as given below.

Process	Wastage	Sale value of wastage
A	2%	Rs.25 per unit
B	4%	Rs.50 per unit
C	2.5%	Rs.60 per unit

The expenses of each process were as follows.

Particulars	Process A	Process B	Process C
Materials	12,000	10,000	9,000
Direct Labour	16,000	5,000	4,900
Manufacturing expenses	2,000	3,400	3,590
Other factory overhead	3,500	2,005	2,004

4,000 units were initially introduced in process A at a cost of Rs.13,560.



The output of each process was as follows.

Process	Output
A	3,850 units
B	3,600 units
C	3,500 units

You are required to:

- Prepare three process accounts
- Abnormal wastage account
- Calculate the selling price per unit of finished stock so as to realize 20% profit on selling price.

(20 Marks)

02)

- A well-established Hotel Sector organization uses ingredient 'A' as the major ingredient of one of their highly demanded food item. The cost of the Material is Rs.200 per Kg. and the input output ratio is 120%. Due to a sudden shortage in the market the material 'A' becomes non-available and the business is considering the use of one of the following substitutes available.

Material	Input-Output ratio	Rs. Per Kg
B1	135%	260
B2	115%	300

You are required to:

Recommend which of the above substitutes is to be used. Also indicate additional cost required to be incurred.

(6 marks)

- The following details are available in respect of a consignment of 1,250Kgs of Material X.

Invoice price	:	Rs.200 per Kg
Excise Duty	:	25% on Invoice price
Sales tax	:	8% of invoice price including excise duty
Trade discount	:	10% on invoice price
Insurance	:	2% of aggregate net price
Delivery Charges	:	Rs.2,500

Cost of containers at Rs.60 per container for 50Kgs of material. Rebate is allowed at Rs.40 per container if returned within six (06) weeks, which is a normal feature. One container load of material was rejected on inspection.

Cost of unloading and handling is at 0.25% of the cost of materials ultimately accepted.

You are required to:

Find out the landed cost of one Kg of material X based on the information given above.

(9 marks)

(Total-15 Marks)

- 03) National Electronics Limited an electronic goods manufacturing company, is producing a large range of electronic goods. It has under consideration two projects X and Y each costing Rs.12,000,000.

The projects are mutually exclusive and the company is considering the question of selecting one of the two. Cash flows have been worked out for both the projects and the details are given below. X has a life of 8 years and Y has a life of 6 years. Both will have zero salvage value at the end of their operational lives. The cost of capital of the company is 15%.

The annual profits of both projects are given below.

Year	Project X (Rs.'000)	Project Y (Rs.'000)
1	25,000	40,000
2	35,000	60,000
3	45,000	80,000
4	65,000	50,000
5	65,000	30,000
6	55,000	20,000
7	35,000	-
8	15,000	-



The company follows straight line method of depreciating assets.

You are required to:

Advice the company regarding the selection of the project. Use the net present value and the Internal Rate of Return to make the appropriate decision.

(15 Marks)

- 04) Any organization whether profit oriented or not for profit, faces the task of setting a price for their products or services. Among all other decisions made by the businesses the pricing decisions play a vital role. Proper pricing of an organization's product or services is essential to its profitability and hence its survival and price has an important role to play as a competitive tool which can be used to differentiate a product and an organization and thus exploit market opportunities.

You are required to:

Describe the market penetration pricing strategy and the market skimming pricing strategy clearly stating the situations where each strategy is appropriate in setting the price of a new product.

(15 Marks)