

THE OPEN UNIVERSITY OF SRI LANKA
FACULTY OF MANAGEMENT STUDIES



BACHELOR OF MANAGEMENT STUDIES HONOURS
BMSHONS IN ACCOUNTING AND FINANCE
BMSHONS IN HUMAN RESOURCE MANAGEMENT
BMSHONS IN MARKETING MANAGEMENT

AFU4401 COST AND MANAGEMENT ACCOUNTING
FINAL EXAMINATION – 2024 / 2025
DURATION – THREE (03) HOURS

DATE: 22nd June 2025 *TOTAL: 100 Marks* *TIME: 09.30 am – 12.30 pm*

INSTRUCTIONS:

- Answer only four (04) questions.
 - Marks have been mentioned at the end of each question.
 - All the workings should be shown clearly.
 - Start each answer from a new page.
 - Use of non-programmable calculators is allowed.
 - Total number of Questions 05 and Total number of pages 05
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Question No 01

(a) You are given the following details of an inventory item “X” used by Diyatha Enterprise in its production process.

Consumption per month - Maximum 1,000 units and minimum 200 units

The lead time - Maximum 12 months and minimum 4 months

The order quantity at a time is 5,000 units.

You are required to calculate the following stock levels in relation to the inventory item – “X”.

- i. Re-order level
- ii. Maximum stock level
- iii. Minimum stock level
- iv. Average stock level

(10 Marks)

(b) The following details were extracted from Daisy Belle (Pvt) Ltd, a ladies handbag manufacturing company, relating to luxury handbags.

The annual demand is 60,000 units. The cost of ordering is Rs. 60/- per order, and the storage and holding cost is 20% of the unit cost. The cost per unit is Rs. 100/-.

Using the above details, you are required to calculate;

- i. Economic order quantity

- ii. The optimum number of orders per year

(05 Marks)

(C) A supermarket named Green Harvest in which the various types of goods are stored is currently using the Weighted Average Cost (WAC) method for stock valuation. The receipts and issues of a consumable item called “Bliss Bite Biscuits” over the first two weeks of May 2025 are given below.

<i>Receipts</i>	<i>Date</i>	<i>Number of Units</i>	<i>Costs per Unit (Rs.)</i>
1 st Week	2	1000	30
	4	800	28
2 nd Week	9	2000	35
	11	1500	39
<i>Issues</i>	<i>Date</i>	<i>Number of Units</i>	
1 st Week	3	500	
	5	600	
2 nd Week	10	800	
	13	800	

Prepare “Stores record card” and calculate the quantity and the cost of the stock of “Bliss Bite Biscuits” at the end of the second week of May 2025.

(10 Marks)

(Total 25 Marks)

Question No 02

(a) Floral Essence (Pvt) Ltd involves growing flowers in Nuwara Eliya. The five permanent workers are employed in the field work. The following details are related to their salaries and wages during the month May 2025.

- i. Number of hours worked.

Emp. No	Name of the Employee	No. of hours
A25	Anna Lee	120
A43	Mark Hill	160
A52	Emma Clark	190
A61	Tom Reed	150
A70	Lucy Green	140

- ii. The maximum number of hours per month is 190 hours.
- iii. Basic salary per hour is Rs. 300/-. Overtime is paid at 150% of the basic salary rate.
- iv. Employees’ contribution for EPF is 10%, while employer’s contribution is 15% for EPF and 3% of ETF.
- v. Every worker is given a transport allowance of Rs. 2,500 per month.

- vi. All the employees contribute Rs. 200/- per month to the welfare society.
- vii. Mr. Mark Hill has worked 10 hours of overtime.
- viii. Ms. Emma Clark has made a written request to deduct her monthly loan installment of Rs. 3,000 and send it to the bank.

You are required to prepare the salary sheet for the month of May 2025.

(10 Marks)

- (b) The following cost information relates to the factory of Prime Edge Solutions Enterprises for the month of May 2025. It has three production cost centers and two service cost centers.

- Building Rent Rs. 30,000
- Rates Rs. 5,000
- Electricity - for lights Rs. 10,000 & for machines Rs. 30,000
- Machine depreciation Rs. 20,000
- Machine insurance Rs. 4,000
- Supervision expense Rs. 8,000
- Canteen expenses Rs. 6,000

Description	Total	Production cost centers			Service cost centers	
		A	B	C	Store	Maintain
Floor space (Square feet)	3,000	900	700	600	400	400
Machine value Rs.	600,000	200,000	150,000	150,000	40,000	60,000
Number of employees	24	6	8	4	4	2
Machine capacity (H.P)	90	25	23	20	10	12

You are required to prepare the overhead apportionment sheet based on the above information.

(15 Marks)

(Total 25 Marks)

Question No 03

- (a) State the underlying four (04) assumptions of the CVP analysis.

(04 Marks)

- (b) Titan Craft PLC manufactures three products, A, B and C. Currently, products A and C are profitable, while product B is incurring losses, as shown below. The present net annual income from those is as follows.

	A	B	C	Total
	Rs.	Rs.	Rs.	Rs.
Sales	50,000	40,000	60,000	150,000
Variable Cost	30,000	25,000	35,000	90,000
Fixed Cost	17,000	18,000	20,000	55,000
Profit/Loss	3,000	(3,000)	5,000	5,000

The company is now considering whether the production of B should be continued or not.

You are required to

- i. Decide whether product B should be discontinued.

(12 Marks)

- ii. Assume, however, it was possible to use the resources realized by stopping production of B for producing a new item, B-plus, which would sell for Rs. 50,000 and incur variable costs of Rs 30,000 and additional fixed costs of Rs. 6,000. Decide whether product B-plus should be manufactured instead of B.

(09 Marks)

(Total 25 Marks)

Question No 04

(a) A consultancy firm named Clario has been asked to do an urgent job by a client, which requires the following resources.

- A member of staff, who is currently employed at work at a rate of Rs. 1,500/- per hour, is required to allocate to this job for 30 hours. Since no other member of staff is able to cover the on-going work, the firm would lose a contribution of Rs. 450/- per hour. Due to the urgency of the job, the member is paid at a rate of Rs. 2,000 per hour.
- The job requires 5 hours of mainframe computer time, which the firm normally rents out to external users at a rate of Rs. 900/- per hour. Mainframe computer time is currently used 24 hours a day, 7 days a week.

You are required to determine the relevant cost of the job.

(10 Marks)

(b) Elevex PLC is a company engaged in manufacturing certain equipment. It has obtained a special order for the value of Rs. 1,500,000. The following resources are required to complete the order.

- The raw material requirement is amounting to Rs. 500,000.

- The existing labour is fully occupied with the regular operations of the company, which currently earns a contribution of Rs. 600 per hour. The special order requires 400 labour hours. If this order is accepted, the labour time used for the regular work should be diverted to completing the order. At present, the workers are being paid at the rate of Rs. 400 per hour.
- Variable overhead is charged at Rs. 300 per hour.
- The fixed overhead is absorbed at Rs. 300 per hour. However, the general overhead will be increased by Rs. 200,000 as a result of this special order.

You are required to assess whether the special order should be undertaken.

(15 Marks)

(Total 25 Marks)

Question No 05

- (a) Duomax PLC produces two joint products, 'L' and 'K', from the same process. The joint processing costs of Rs. 250,000 are incurred up to the split-off point, at which 125,000 units of L and 75,000 units of K are produced. The selling prices at the split-off point are Rs. 2.00 per unit of L and Rs. 2.50 per unit of K. The units of L could be processed further to produce 50,000 units of a new product, 'L plus', but at an extra fixed cost of Rs. 30,000 and the variable cost of Rs. 0.20 per unit of input. The selling price of 'L plus' would be Rs. 6.50 per unit. Should the company produce and sell 'L' or 'L plus'?

(10 Marks)

- (b) The following information represents forecasts of certain operating activities of VintageVale PLC for the months of February, March, April and May 2025.

	February	March	April	May
Cash sales (Rs.)	31,300	32,400	42,500	52,300
Credit sales (Rs.)	55,700	57,600	97,500	77,700

- The cash receipts for the goods sold on credit are predicted to be received 30% in the month of the sale and the balance 70% in the following month.
- Inventory purchases are estimated to be on average 60% of the total sales. Of these purchases, 50% is paid for in the month of the purchase, with the remainder paid in the following month.
- Operating expenses are paid in the month they are incurred. Monthly expenses include office rent of Rs. 7,500, salaries of Rs. 12,000 and utility expenses of Rs. 1,500.
- The cash balance as at the beginning of March is Rs. 7,500.

You are required to

Prepare the cash budget for the months of March and April 2025.

(15 Marks)

(Total 25 Marks)

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