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 <div style="text-align: center;"> <b>ශ්‍රී ලංකා සංවර්ධන පරිපාලන ආයතනය</b>  <b>இலங்கை அபிவிருத்தி நிருவாக நிறுவகம்</b>  <b>SRI LANKA INSTITUTE OF DEVELOPMENT ADMINISTRATION</b> </div>		
<b>Second Efficiency Bar examination for officers in Sri Lanka Accountants' Service – 2018 (II)</b>		
Time-03 hours	Management Accountancy - 18	විභාග අංකය Index No / கட்டுமணி

**Answer all questions.**

**Question No 01**

All Ministries Department and other Public Institutions should prepared annual budget. The Department of Nation Budget in treasury will prepare and submit the government national budget for approval of the parliament based on above individual institutions budget information's.

- i. List and Describe Five main objective of government Budgeting?
- ii. What is Performance budgeting? Proceeding of preparing present budget estimate
- iii. How far is it successful in performance budgeting to identify of correct performance indicators?
- iv. Describe in briefly following concept of using present government budgeting?
  - a. Medium Term Macro Fiscal Framework
  - b. Sustainable Development Goals

*(Each question carries 05 marks )*

*(Total 25 Marks )*

**Question No 02**

From the following information which relates to "Tharidu company Ltd" who are manufactured soap product. You are required to prepare a month by month cash budget second half of the year 2018 ( July to December).

- i. The company's only produced a peace of soap and each sales Rs 40 and a variable cost of Rs 26 made up as follows .

Direct material	Rs.	20
Direct labour	Rs.	04
Variable oveerhead cost	Rs.	02
Unit cost	Rs.	26



ii. Rental cost of the stores Rs. 60,000 per month and it should be paid on 28<sup>th</sup> of each month .

iii. Company monthly quantities of production and monthly sales details as follows

Month	May	June	July	August	Sept.	Oct .	Nov	Dece.
Production (Unit)	12,000	14,000	16,000	20,000	24,000	26,000	24,000	22,000
Credit sales (Unit)	10,000	12,000	14,000	16,000	18,000	20,000	22,000	26,000

\* Cash sales at a discount of 5% are expected to average 100 unit a month .

\* Customers are expected to settle their accounts by the end of the second month of following sales

- iv. Suppliers of material are paid two months after the material is used in production .
- v. Wages are paid in the same month as they are incurred .
- vi. Company tax of Rs. 180,000 is to be paid in October to the Inland Revenue Department .
- vii. A new vehicle was bought by lease in June for the purpose of delivery goods and lease cost is to be paid from August. The old vehicle was sold for Rs 600,000 and undertaking to pay in July .
- viii. The Company is expected to be Rs 30,000 bank overdraft at 30th June 2018
- ix. No increase or decrease in raw material , work in progress or finished goods are planned over the period
- x. No price increases or cost increases are expected in the period .

(Total 25 Mark)



**Question No 03**

"Kalum" Company Ltd produce and sell 6'x 6' Cement blocks and standard cost for one unit being as follows.

		Cost (Rs.)
Direct material	10 kg of Cement 20 per Kg.	200.00
Direct Labor	5 hours at Rs. 6 per hour	30.00
Variable production overhead cost	5 hours at Rs 1 per hour	05.00
Fixed production overhead		50.00
<b>Unit cost</b>		<b>285.00</b>

The fixed production overhead in the standard cost is based on an expected monthly output of 900 units

During May 2019 the actual were results were as follows.

Actual production	- 800 units
Direct material	- 7,800 kg of cement used Rs. 159,900
Direct wages	- 4,200 hours worked for Rs. 24,150
Variable production overhead	- Rs 4,900
Fixed production overhead	- Rs.47, 000

Used above information required to calculation flowing variances

- i. Direct Material Price Variance  
Direct Material Usage Variance
- ii. Direct Labour Cost Variance  
Direct Labour Efficiency Variance
- iii. Total Variable Overhead Variance  
Total Fixed Overhead Variance



*(Each question carries 05 marks and total 15 marks)*

- iv. Describe reasons for above each variances ( question above i., ii. and iii )

*(05 marks )*

*(Total Marks 20)*



**Question No 04**

“Peris” company Ltd is a rubber product manufacture which produced two products, A and B, in process of two production department, machining and assembly. A canteen is operated as a separate production service department

The budget production and sales in the year to 31<sup>st</sup> March 2019 are as follows

	Production A	Production B
Sales price per unit (Rs.)	50.00	70.00
Sales( units)	2,200	1,400
Production (units )	2,000	1,500
Material cost per unit (Rs.)	14.00	12.00

Direct Labour

	Production A Hours per unit	Production B Hours per unit
Machining Department (Rs 4 per hour)	2	3
Assembly Department (RS 03 per hour )	1	2

Machining hours per unit

Machining Department	3	4
Assembly Department	1	2

<u>Machining Department</u>	<u>Assembly Department</u>	<u>Canteen</u>	<u>Total</u>
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Budgeted Production overheads are as follows

allocated Cost	10,000	25,000	12,000	47,000
Apportionment of other general production overheads	26,000	12,000	8,000	46,000
	36,000	37,000	20,000	93,000

Other information

Number of employees	30	20	1	51
Floor area( Square meters)	5,000	2,000	500	7,500

Required to use above information,

- i Calculate an absorption rate for overhead in each production department for the year to 31<sup>st</sup> March 2019.

(10 marks)

- ii Calculate the each product cost (Product A and B).

(05 marks)

(Total 15 Marks)

**Question No 05**

- (i) "Electric" Company Ltd manufacture vehicle computer program. W, X, Y and Z component of chips are used for manufacturing this computer program and following costs are forecasting forthcoming year when the company manufacture itself.

Computer Chip	W(Rs)	X(Rs)	Y(Rs)	Z(Rs)
Production Units	1,000	2,000	4,000	3,000
Unit cost				
Direct material	4	5	2	4
Direct labour	8	9	4	6
Variable production overheads	2	3	1	2
Marginal cost	14	17	7	12

Directly attributable fixed cost per annum and committed fixed cost are as follows.

Incurred as a direct consequence of making W	Rs.	1,000
Incurred as a direct consequence of making X	Rs.	5,000
Incurred as a direct consequence of making Y	Rs.	6,000
Incurred as a direct consequence of making Z	Rs.	8,000
Other fixed cost	Rs.	30,000
Total fixed overhead cost	Rs.	50,000



A sub - contractor has offered to supply units of W, X, Y, and Z as following prices.

W - Rs 12.00

X - Rs. 21.00

Y - Rs . 10.00

Z - Rs . 14.00

The owner of the Electric Company Limited will hope to take advised from you whether electric company make these component of computer chip or buy the sub-contractor? Please advise him

(08 marks)

- (ii) Lanka manufacturing company is made and sell Yogurts, Ice-creams and milk packets and next month Budgeted sales demand and Unit selling price and unit variable cost as follows

	Yogurt	Ice-cream	Milk packet
Budgeted sales Unit	550	500	400
Unit sales price ( Rs )	16	18	14
Variable cost			
Direct Material( Rs )	8	6	2
Direct labour ( Rs )	4	12	9
Unit contribution	4	6	3

'M' company has following existing stocks and it is quite willing to use to meet sales.

Yogurts (Unit)	250
Ice- cream (Unit)	200
Milk packets	No stock

All three products use the same direct materials and same type direct labour. The budget department inform in next year, the available supply of materials will be restricted to Rs 4800 (at cost) and the available supply of labour cost Rs 6600

Determine what product mix and sales mix would maximize the company's profit next year

(07 marks)

(Total 15 Marks)

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