



සියලු ම හිමිකම් ඇවිරිණි / All Right Reserved / முழுப் பதிப்புரிமையுடையது		
 <div style="text-align: center;"> <p>ශ්‍රී ලංකා සංවර්ධන පරිපාලන ආයතනය</p> <p>இலங்கை அபிவிருத்தி நிர்வாக நிறுவகம்</p> <p>SRI LANKA INSTITUTE OF DEVELOPMENT ADMINISTRATION</p> </div>		
Second Efficiency Bar Examination for Officers of Sri Lanka Accountants' Service 2019(II)		
Time: 03 hours	Management Accounting (18)	විභාග අංකය Index No / சுட்டுெண்

- **Answer all questions.**

1. In terms of the National Budget Circular No. 05/2022, guidelines have now been issued for the preparation of budget estimates for the year 2023 within the medium term budgetary framework of 2023-2025. As mentioned therein, revenue and expenditure has to be balanced conforming to macro-economic targets and priorities of government policies within 2023-2025.
 - i. What is meant by reaching macro-economic targets? (05 Marks)
 - ii. Mention 05 priority sectors that should be recognized within the medium term framework. (05 Marks)
 - iii. In attaining economic stability, the Central Bank of Sri Lanka and the General Treasury play a significant role.
 Explain in brief the contribution of these agencies in implementing the fiscal policy and monetary policy (05 Marks)
 - iv. Explain the following concepts with regard to budgets.
 - I. Performance-Based Budgeting
 - II. Achieving Sustainable Development Goals
 - III. Flexible Budget
 - IV. Limits of Public Officers' Advance Account
 - V. Zero-Based Budgeting(10 Marks)

(Total = 25 Marks)

2. Following information should be used to answer the parts (a) and (b) given at the end of the question.

You have been appointed as the Finance Manager of the Maharagama Regional Branch of Modern Garments (Pvt) Ltd. that produces children's shirts.

Following information has been submitted to you relating to the period of 09 months up to September 2022.

- i. Compositions of the production cost and market price

	Rs.
Materials	100
Direct labour	50
Direct Overheads	<u>10</u>
Direct costs total	160
Unit contribution	<u>40</u>
Market Price of a shirt	<u>200</u>

- ii. Units sold

	Units
January	1200
February	1000
March	1300
April	700
May	800
June	900
July	1050
August	1000
September	1000

- iii. 20% of the sales were on cash. The rest was on credit. 60% of those given on credit was given a 30 days settlement period, while 30% was given 60 days and 10% was given 90 days settlement period.
- iv. The stock of materials maintained by the organization at the end of each month is sufficient for 200 units. It has to be assumed that there is no finished stocks.

- v. Purchase of materials is done on credit for 30 days.
- vi. Payment of salary for direct labour is done based on the production of each month.
- vii. Costs related to administration, sales and distribution are as follows.

April	Rs. 11,000
May	Rs. 12,000
June	Rs. 13,500
July	Rs. 14,500
August	Rs. 14,500
September	Rs. 15,000

- viii. Due payment of Rs. 80,000 for the installation of a new machine had to be paid by 01 May 2022.
- ix. Annual interest of 12% for the investment of Rs. 200,000 of the company should be received at the end of each quarter i.e. in the months of April and July.
- x. The tax due by 14/06/2022 was Rs. 24,000.
- xi. An old machine was scheduled to be sold for Rs. 25,000 and the money was due to be received in August.
- xii. The initial balance as at 31 March is Rs. 57,000 and at any instance when the balance falls below Rs. 50,000, a short term bank overdraft of Rs.10,000 was available for the company on an annual interest rate of 18%.

Based on the above information,

- a) Prepare the monthly cash flow budget for the period of six months from April to September including. (20 Marks)
- b) Mention 3 key decisions that the management should focus on based on the monthly cash flow budget prepared as above (05 Marks)

(Total = 25 Marks)

3. Following information should be used to answer the parts (a), (b), (c) and (d) given at the end of the question.

In order to control costs of Chess Board Company Limited, which produces chessboards, standard costing system is used. Given below is the information relating to the month of March 2022.

- i. Standard cost per unit to produce 100 boards is as follows.

Raw material	Rs.
20 kg of Plaster of Paris at the cost of Rs.8 per kg	160
0.5 l of paint at the price of Rs.30 per litre	30
2.5 of Direct labour at the cost of Rs.10 per hour	25
Fixed cost (Direct Labour at the cost of Rs.40 per hour)	100
Cost of a unit	300

- ii. Sale price of a unit is Rs. 380.
- iii. The stock availability as at March 2022 was as follows.

	01/03/2022	31/03/2022
Plaster of Paris	2,800 kg	2780 kg
Paint	140 l	170 l
Finished Products units	900	1100
Work in progress	Nil	Nil

- iv. Budgeted production and sales per month was 30,000 units. Actual sales 28,400 units and actual production was 28,600 units.
- v. Rs. 43,200 for 5,400 kg of Plaster of Paris and Rs. 5,800 for 17 litres of paint had been spent as raw materials within the month of March.
- vi. Direct cost of Rs.11 per hour has been spent for 730 hours.
- vii. Actual expenditure for fixed overhead cost was Rs.34,120.

Based on the above information calculate the following variables

- a) i) Material Price Variance
ii) Material Usage Variance
- b) i) Direct Labour Cost Variance
ii) Direct Labour Efficiency Variance
- c) i) Fixed Overhead Expenditure Variance
ii) Fixed Overhead Efficiency Variance
iii) Fixed Overhead Capacity Variance
- d) i) Sale Margin Price Variance
ii) Sale Margin Volume Variance

(05×4 Marks)

(Total = 20 Marks)

4. Following information should be used to answer the parts (a), (b), and (c) given at the end of the question.

Bio-Tech Production Limited is a pharmaceutical production company and three production departments named “A”, “B” and “C” together with two service departments named “X” and “Y” are located in the same building.

Budgeted production related to the year 2022 are as follows

Description	Grand Total	Production Departments			Service Departments	
		A	B	C	X	Y
Indirect Material Cost (Rs.)					200,000	100,000
Indirect Labour Cost (Rs.)					100,000	200,000
Plant Rent	400,000					
Electricity	250,000					
Depreciation allocation (equipment)	90,000					
<u>Other additional information</u>						
Ground area used (square feet)		500	250	500	250	500
Cost of Assets (Rs. '000)		20	40	20	10	10
Machine hours		1000	2000	4000	1000	1000
Capacity of machines (Megawatts)		50	40	20	15	25
<u>Overhead Audit</u>						
Service Departments “X” (%)		45	15	30		
Service Departments “Y” (%)		60	35	-		

Based on the above information,

- Prepare the Overhead Cost Distribution sheet that explains the distribution of overheads for each department in the next month. (05 Marks)
- Based on the information at (a). prepare a report to show how the overhead cost of service departments gets redistributed among production departments. (05 Marks)
- Calculate the ratio of Machine Overhead Cost absorption separately for the production departments “A”, “B” and “C”. (05 Marks)

(Total = 15 Marks)

5. a) Management of PQR Company is analysing data related to purchases and production budgets for 2023. You have been consulted to decide whether the computer accessory required for "X" good, which they produce, should be outsourced or produced in-house.

If it is to be produced in-house, related costs are as follows.

	Rs
Direct material cost	14
Direct labour (4 hours at Rs.3 per hour)	12
Variable Overhead Cost (4 hours at Rs. 2 per hour)	8
Fixed Overhead Cost (4 hours at Rs. 5 per hour)	20
Total Cost of one unit	54

An external producer has agreed to supply this equipment for Rs.50.

It is required to decide whether this accessory should be produced in-house or else whether it be purchased from outside. Give your decision concluding through calculations.

(05 Marks)

- b) A transport company operates buses for transport functions. Revenue and expenditure of the buses operated along the following 3 routes are as follows.

	Route No 138		Route No 255		Route No 644	
Revenue from passengers		220		296		116
Direct cost	150		200		80	
Identified specific overhead cost	36		48		24	
Audited fixed cost (garage maintenance costs)	24		32		20	
		(210)		(280)		(124)
Profits/Losses		10		16		(8)

Management proposes that the profit can be maximized by stopping the operations of the bus operating on route no 644, which is running at a loss.

As Finance Manager, give your decision concluding through calculations.

(10 Marks)

(Total = 15 Marks)
