Incorporated by
Act of Parliament No. 23 of 2009

PILOT PAPER – 2023-2027 SYLLABUS

OL2.1 Cost & Management Accounting

Operational Level

ANSWER KEY

Practice Examination – Part I

Q. No	Answer	Q. No	Answer
01	C	11	C
02	B	12	A
03	C	13	B
04	C	14	D
05	D	15	C
06	C	16	A
07	A OR B	17	C
08	B	18	D
09	A	19	A
10	B	20	B

Practice Examination – Part II

Question 01 - each question 02 marks in maximum, total 10 marks - Segment B&D

1. Identify the behaviour of the following cost items as detailed above.

Cost item	Cost behavior
Labour cost of manufacturing workers – Permanent	Fixed cost
Labour cost of manufacturing workers – Casual	Variable cost
Marketing Manager's salary	Fixed cost
Sales Executive's salary	Semi-variable cost

2. Calculate the variable cost per unit and total monthly fixed cost of the division.

Variable cost per unit (Rs.)	2450
Total monthly fixed cost (Rs.)	1240000

3. Develop a linear cost function to estimate the total cost of the division for a month.
   (Let 'y' be the total cost of the division for a month, and 'x' be the quantity of Electric cookers produced in a month.)

   Cost function: y=2450x+1240000

4. Estimate the total cost if the budgeted production and sales of Electric cookers for the next month is 800 units.

   Budgeted total cost (Rs.): 3200000

5. State whether the following statements are true or false in relation to the cost function estimated above.

Statement	True/False
It is not appropriate to apply for estimating the total cost in the long run.	True
It does not accurately generate the cost estimate cost for the budgeted monthly production and sales quantity of 1,200 units.	True
It overestimates the total cost at a lower level of output, whereas underestimates the total cost at a higher level of output.	False

Question 02 - each question 02 marks in maximum, total 10 marks - Segment C

6. Calculate the margin of safety for the month of April 2023 if the company manufactures and sells only "Kandy Shoes".

6200	pairs of shoes

7. Calculate the contribution to sales ratio for Kandy Shoes (Pvt) Ltd. if the production of both products will be carried out according to the budgeted quantities during the next month.

44.7	%

8. State whether the following statements are true or false in relation to Kandy Shoes (Pvt) Ltd.

Statement	True/False
Manufacturing of Handy Shoes is more profitable than Kandy Shoes.	False
The break-even pairs of Kandy Shoes decreases when the new product - Handy Shoes is introduced.	True
The increase in monthly fixed overheads is relevant when determining the company's profitability, but not for the new product introduction decision.	False

9. How much is the company's profit if the production of both products will be carried out according to the budgeted quantities during the next month.

Profit for April 2023 (Rs'000)	14640

10. If the production department of Kandy Shoes (Pvt) Ltd. faces a problem of manufacturing the budgeted quantities of both shoe pairs during the next month due to a shortage of manufacturing workers, which of the following statement is correct in this situation. **Answer C**

Question 03 - each question 02 marks in maximum, total 10 marks - Segment E

11. How much is the annual fixed manufacturing overheads relevant for calculating the net present value of the project:

Relevant annual fixed overheads (Rs'000)	10000

12. How much is the initial investment value considered when calculating the Net Present Value of the project:

Initial investment (Rs'000)	155000

13. State whether the following statements are true or false in relation to the project under the consideration of Techno Ltd.

Statement	True/False
The internal rate of return of the project represents the probability of making a profit on investment	False
When calculating the net present value, applicable discount rate is 15%.	True
Since the depreciation is not a cash flow, it should not be considered for calculating the accounting rate of return.	False
The advertising cost is a selling and distribution overhead, which, therefore is not relevant in calculating the net present value.	False

14. Match the discount rate with the appropriate Net Present Value.

Discount rate	**Net Present Value**
22%	Negative
18%	< Rs 16 million
20%	Zero
12%	> Rs 16 million

15. In a comparison of the Net Present Value and the Internal Rate of Return of the project under the consideration of Techno Ltd., which of the following statements is true: **Answer B**

Practice Examination – Part III

Question 04- Total 10 Marks - Segment B

1. You are required to calculate the profit from the special job to ABC PLC.

Description	**Rs.**
Sales	1,600,000
Less: Costs	
Raw material cost– Fabric A	450,000
Raw material cost– Fabric B	565,000
Raw material cost– Other	150,000
Direct labour cost	160,000
Other direct expenses	70,000
Variable production overheads	60,000
Fixed production overheads	0
Profit/ (Loss)	145,000

Question 05 - Total 10 Marks - Segment C

2. You are required to calculate the cost per unit of Product P and Product Q using the activity-based costing.

	Product P	**Product Q**
Overheads allocation;		
Machine setup	75,000	125,000
Material purchasing	135,000	75,000
Manufacturing	262,500	187,500
Quality control	60,000	50,000
Total overheads	532,500	437,500
Overheads per unit	76.07	43.75
Direct material cost per unit	26.00	37.00
Direct labour cost per unit	100.00	140.00
Total cost per unit	202.07	220.75

Question 06 - Total 10 Marks - Segment D

3. You are required to calculate direct material and direct labour mix and yield variances for the financial year ending 31st March 2023.

Direct Material	**Alpha**	**Beta**
Direct material mix variance	285,000 F	142,500 A
Direct material yield variance	90,000 A	67,500 A
Direct Labour	Grade I	Grade II
Direct labour mix variance	252,800 A	189,600 F
Direct labour yield variance	33,600 F	50,400 F

4. You are required to reconcile the budgeted profit with actual profit for the financial year ending 31st March 2023.

Description	**Rs.**
Budgeted profit	950,000
Variances:	
Direct material – Price	370,500 A
Direct material – Usage	15,000 A
Direct labour – Rate	87,800 A
Direct labour – Efficiency	20,800 F
Variable overheads cost	30,000 A
Fixed overheads expenditure	70,000 A
Sales price	322,000 F
Sales volume contribution	120,000 A
Actual profit	599,500

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