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National University of Computer and Emerging Sciences, Lahore Campus

	Course Name:	Accounting & Finance (CS)	Course Code:	AF 2031
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Paper Date:	02- Dec-2021	Weight	15	
Section:	ALL	Page(s):	5	
Exam Type:	Sessional-II			

Student : Name: _____ Roll No. _____ Section: _____

Instruction/Notes: Attempt all 5 questions. Programmable calculators are not allowed.

Q1.

Each MCQ question carry 2 marks. Give your answer/s on the answer sheet. (Total marks: 10) (LO 4) (BT Apply)

1.1 Reginald is the manager of production department M in a factory which has ten other production departments.

He receives monthly information that compares planned and actual expenditure for department M. After department M, all production goes into other factory departments to be completed prior to being despatched to customers. Decisions involving capital expenditure in department M are not taken by Reginald.

Which of the following describes Reginald's role in department M?

1. A cost centre manager
2. An investment centre manager
3. A revenue centre manager
4. A profit centre manager

1.2 Which of the following statements is NOT correct?

1. Cost accounting can be used for inventory valuation to meet the requirements of internal reporting only.
2. Management accounting provides appropriate information for decision making, planning, control and performance evaluation.
3. Routine information can be used for both short-term and long-run decisions.
4. Financial accounting information can be used for internal reporting purposes.

15000
274,000
of 10% in the total fixed

2. Employees are paid a guaranteed weekly wage, together with bonuses for higher levels of production
3. A license is purchased from the government that allows unlimited production
4. Additional space is rented to cope with the need to increase production

Q3

Employee took 44 hours to perform 94 operations.

The Standard time allowed per operation = 37.5 min

Std Time required for 94 operations = $94 \times \left(\frac{37.5}{60} \right) = 58.75$ hours.

$$\text{Time saved} = 58.75 - 44 = 14.75 \text{ hrs.}$$

Bonus calculation. = $\frac{\text{Time taken}}{\text{time allowed}} \times \text{time saved} \times \text{hourly rate}$.

$$= \frac{44}{58.75} \times 14.75 \times \$6.50 = \$71.80$$

Gross wage for 24 weeks

$$= (44 \text{ hrs} \times \$6.50) + \$71.80 = \$357.80$$

Q2.

Pliant plc. produces cars and motorbikes. The company is split into four different divisions:

Car sales division – this department's manager has been given responsibility for selling the cars, as well as keeping control of the division's costs.

Motorbike sales division – this department's manager has been given responsibility for selling the motorbikes as well as controlling divisional costs. In addition, he has been told to plan what assets he should purchase for the coming year.

Manufacturing division – this division makes the cars and bikes and passes them to the finishing division. The divisional manager is only responsible for controlling the division's costs.

Finishing division – this division tests the cars and cleans them ready to be sold. They transfer the goods to the sales divisions and charge the sales divisions a set price, which is set by the finishing division's manager. The manager is also responsible for managing the division's costs as well as the investment in divisional assets.

Are these centres being operated as a cost, profit or investment centre?

Division	Cost centre	Profit centre	Investment centre
Car sales		✓	
Motorbike sales			✓
Manufacturing	✓		
Finishing			✓

(Marks: 10) (LO 4) (BT Apply)

Q3.

KL currently pays its direct production workers on a time basis at a rate of \$6.50 per hour. In an effort to improve productivity, the company is introducing a bonus based on Rowan principles. The standard time allowed for a worker in the Assembly Department to perform this particular operation once has been agreed at 37.5 minutes.

In the first week of the scheme's operation, one employee worked for a total of 44 hours and performed 94 operations.

What are the gross wages for this employee based on a time rate of \$6.50 per hour plus the productivity bonus based on Rowan scheme, to 2 decimal places?

(Marks: 10) (LO 4) (BT Apply)

rent divisions;
selling the cars, as well as
selling the assets he

Q4.

Bytes Limited operates an IT consultancy business and uses a coding system for its elements of cost (materials, labour or overheads) and then further classifies each element by nature (direct or indirect cost):

Element of cost	Code	Nature of cost	Code
Materials	A	Direct	100
		Indirect	200
Labour	B	Direct	100
		Indirect	200
Overheads	C	Direct	100
		Indirect	200

What would the codes be for the following costs?

Cost	Code
Salary of trainee IT consultant	B 100
Planning costs to renew lease of the office	C 200
Wages of the office manager	B 200
Cleaning materials used by cleaner	A 200

(Marks: 10) (LO 4) (BT Apply)

Q5.

A company manufactures a product X in batches and then holds the items produced in finished goods inventory until they are sold. It is capable of replenishing the product at the rate of 100,000 units/year, but annual sales demand is just 40,000 units. The cost of setting up a batch production run is \$1,500 and the cost of holding a unit of the product in inventory is \$25/year.

Describe economic batch quantity and calculate economic batch quantity for manufacturing Product X?
(Marks: 10) (LO 4) (BT Apply)

Q5

$$EBQ = \sqrt{\frac{2C_o D}{C_n \left(1 - \frac{D}{R}\right)}}$$
$$= \sqrt{\frac{2(1500)(40000)}{25 \left(1 - \frac{40000}{100,000}\right)}} = \sqrt{\frac{120\text{ mill}}{15}}$$
$$= \sqrt{8,000,000}$$

$= 2828 \text{ Units}$