Total No. of printed pages = 6

1 PGDE COM 3

2012

(August)

COMMERCE

Paper : 103

(Cost and Management Accounting)

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

Answer the following questions.

1. (a) How is cost analysis done under Activity Based Costing ? 16

Or

(b) Explain the techniques to control and reduce cost. 16

2. (a) The net profit shown by financial accounts of X Ltd. amounted to Rs. 37,100, while the profit by cost accounts were Rs. 57,320. On reconciliation of the figures, the following differences were noted :

(i) Director's fees not charged in cost accounts Rs. 1,140.

(ii) Provision for bad and doubtful debts not charged in cost accounts Rs. 1,140.

(iii) Income Tax paid shown only in financial accounts Rs. 16,600.

(iv) Overheads in cost accounts were estimated at Rs. 17,000. The charge shown by financial books was Rs. 16,640.

(v) Work was started during the year on a new factory and expenditure of Rs. 16,000 was incurred. Depreciation of 10% was provided in financial accounts.

(vi) Bank interest received Rs. 60.

Prepare Reconciliation Statement. 16

Or

(b) A product passes through three processes : A, B and C. 10,000 units at a cost of Rs. 1·10 were issued to process A. The other direct expenses were as follows :

	Process A	Process B	Process C
	Rs.	Rs.	Rs.
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process A was 5% and in process B 4%. The wastage of process A was sold at Re. 0·25 per unit and that of B Re. 0·50 per unit and that of C of Re. 1·00 per unit. The overhead charges were 160% of direct labour. The final product was sold at Rs. 10 per unit fetching a profit of 20% on sales.

Prepare process accounts and also find out percentage of wastage in process C. 16

3. (a) Explain briefly the techniques of financial statement analysis. 16

Or

(b) Explain briefly :

(i) Objectives of financial statement analysis.

(ii) Interpretation of financial statements.

8+8=16

4. (a) From the following Balance Sheet of a company, calculate debt equity ratio, proprietory ratio and capital gearing ratio. 16

Liabilities	Rs.	Assets	Rs.
Equity capital (Rs. 100 each)	2,50,000	Land and building	3,00,000
8% Pref. share capital (Rs.100 each)	1,00,000	Plant and machinery	2,50,000
		Stock	1,20,000
9% Debentures (Rs.100 each)	2,00,000	Debtors	1,00,000
		Cash/Bank	27,500
Reserves	1,50,000	Prepaid expenses	2,500
Current liabilities	1,00,000		
	8,00,000		8,00,000

Or

(b) Explain briefly : 6+5+5=16

(i) Leverage ratios

(ii) Profitability ratios

(iii) Activity ratios.

5. (A) A company produces 5000 units in a year and sells them at Rs. 100 per unit. The following ratios are available :

(a) Raw materials 50% of selling price

(b) Labour 20% of selling price

(c) Overheads 20% of selling price

Additional information :

(a) Production and sales cycle move regularly

(b) Wages are paid on the first of each month for the previous month.

(c) Each unit is expected to be in process for 1½ months.

(d) Raw materials are expected to remain in stores for 1½ months.

(e) Finished goods are expected to remain in warehouse for 2 months.

(f) Credit allowed to debtors — 2 months.

(g) Provide 20% for safety margin.

(h) Credit allowed by suppliers— 2 months.

You are required to prepare a statement showing an estimate of working capital requirements. 16

Or

(B) Explain the importance of working capital in business. 16