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2014

(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.

1. (a) Define the term 'Cost centre' and 'Cost unit'. Given below is a list of five industries. Give the method of costing and the unit of cost against each industry.
- (i) Nursing home
 - (ii) Road transport (goods)
 - (iii) Steel
 - (iv) Bridge construction
 - (v) Sugar.

$3+3+(2\times 5)=16$

Or

- (b) Define activity based costing. What are its main objectives ? Distinguish between activity based costing and conventional costing. $4+6+6=16$

2. (a) (i) Explain in detail the essential characteristics of process costing ?
- (ii) From the following information, prepare a Process Account, Abnormal Gain Account and Normal Loss Account.

Input of raw material – 840 units @ Rs. 40 per unit.

Direct material	Rs. 5,924
Direct wages	Rs. 8,000
Overheads	Rs. 8,000
Actual output	750 units
Normal Loss	15%

Value of scrap per unit Rs. 10 per unit. $6+10=16$

Or

- (b) State the reasons for the difference between the profits shown in the financial accounts and those shown in cost accounts of an industrial organisation. Explain the need for reconciliation of cost and financial accounts.

$8+8=16$

3. (a) Calculate the trend percentages from the following figures of X Ltd. taking 1996 as the base and interpret them. 16

Year	Sales Rs.	Stock Rs.	Profit before Tax Rs.
1996	1,881	709	321
1997	2,340	781	435
1998	2,655	816	458
1999	3,021	944	527
2000	3,768	1,154	672

Or

- (b) What are the different techniques adopted in analysis of Financial Statements ? What are the limitations of Financial Statement Analysis ? 12+4=16

4. (a) From the following information make out a statement of proprietor's funds with details.

16

- (i) Current ratio is 2.5 ;
(ii) Liquid ratio 1.5
(iii) Proprietary ratio (fixed assets / proprietary fund) 0.75

(iv) Working capital Rs. 60,000

(v) Reserve and surplus Rs. 40,000

(vi) Bank overdraft Rs. 10,000 and

(vii) There is no long term loan or fictitious assets.

Or

~~(b)~~ "Ratios are indicators—sometimes pointers but not in themselves powerful tools of management". – Explain. 16

5. (a) Working capital management is nothing more than deciding about level, structure and financing of current assets. –Explain. 16

Or

(b) XYZ Ltd. sells its products on a gross profit of 20% on sales. The following information is extracted from its annual accounts for the year ended 31st March, 1999.

Sales at 3 months credit Rs. 40,00,000

Raw materials Rs. 12,00,000

Wages paid – 15 days in
arrears Rs. 9,60,000

Manufacturing expenses paid – 1 month arrear	Rs. 12,00,000
Administrative expenses – 1 month arrear	Rs. 4,80,000
Sales promotion expenses payable half-yearly in advance	Rs. 2,00,000

The company enjoys one month credit from the suppliers and maintains 2 months stock of raw materials and one-and-half month finished goods. Cash balance is maintained at Rs. 1,00,000 as a precautionary balance. Assuming a 10% margin, find out the working capital requirement of XYZ Ltd.