

2015

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 'Costing' and 'Cost accounting'. Describe the importance of cost accounting as a managerial tool. $2+4+10=16$

Or

- (b) Describe the benefits and limitations of Activity-based costing. $8+8=16$

2. (a) (i) Distinguish between Job costing and Process costing.

(ii) The following data relate to a manufacturing concern :

Production ... 1,000 units

Cost of production ... Rs. 1,850

Normal loss ... 10% of production

Actual loss ... 150 units

Scrap value Re. 0.50 per unit

Prepare Process Account and Abnormal Loss Account. 8+8=16

Or

(b) Why it is necessary for reconciliation of cost and financial accounts ? State the reasons for differences between profits shown by both the sets of accounts. 6+10=16

3. (a) Prepare a comparative Balance Sheet of X Co. Ltd. from the following data and show the trend percentages : 16

(Amount in lakhs of Rupees)

Liabilities and owners'	2010	2011	2012	2013	2014
<u>Equity :</u>	100	100	135	135	170
Reserves	73	78	125	125	96
Long term liabilities	304	316	332	425	478
Current liabilities	213	183	235	264	307
Total liabilities	690	677	827	949	1,051

Assets	2010	2011	2012	2013	2014
Fixed Assets	154	182	221	270	309
Current Assets	524	482	591	631	689
Investments	12	13	15	48	53
Total Assets	690	677	827	949	1,051

Or

(b) What is Common-size Statement? What are its objectives? Describe the utility of such a statement. 4+6+6=16

4. (a) "Ratios are mechanical and incomplete." Comment on this statement giving justifications in support of your answer.

16

Or

(b) From the following Balance Sheet of a company, you are required to calculate the ratios as given below:

(i) Debt-Equity Ratio

(ii) Equity Ratio

(iii) External Equities to Total Assets Ratio

(iv) Fixed Assets to Net Worth Ratio

(v) Current Assets to Net Worth Ratio

Balance Sheet

4+(3×4)=16

As at

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
3,000 Equity shares		Buildings	2,50,000
@ Rs. 100 each	3,00,000	Furniture	40,000
7% Debentures	1,50,000	Machinery	2,10,000
Reserves &	80,000	Stock	60,000
Surplus		Debtors	30,000
Sundry Creditors	30,000	Cash Balances	20,000
Bills payable	50,000		
	6,10,000		6,10,000

5. (a) Explain the meaning of working capital. Describe the factors that affect the amount of working capital requirement. 6+10=16

Or

- (b) Prepare a statement showing the working capital needed to finance a level of activity of 3,00,000 units of output for the year. The cost structure for the company's product for the above mentioned activity level is detailed below :

<u>Elements of cost</u>	<u>Cost per unit</u>
	Rs.
Raw materials	20
Direct labour	5
Overheads	15
	40
Total cost	
Profit	10
Selling price	50

Raw materials are held in stock, on an average for two months. Work-in-progress will approximate to half-a-month's production. Finished goods remain in warehouse, on an average, for a month. Suppliers of materials extend one month's credit. Two months credit is normally allowed to debtors. A minimum cash balance of Rs. 25,000 is expected to be maintained. The production pattern is assumed to be uniform during the year.