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2017

(September)

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 'Cost', 'Costing' and 'Cost accounting'. Explain briefly the nature and objectives of Cost accounting.

2+2+2+5+5=16

Or

- (b) Narrate the concepts of Cost Reduction and Cost Control. State, in brief, the advantages as well as dangers of Cost Reduction efforts.

3+3+5+5=16

2. (a) (i) Explain the essential features of process costing. 6

(ii) The Kalyan Transport Company is running four buses between two towns which are fifty kilometers apart. Seating capacity of each bus is 40 passengers.

The following particulars were obtained from their books for a particular month of a year.

	Rs.
Salaries of office and supervisory staff	... 20,000
Wages of drivers, conductors and cleaners	... 30,000
Diesel oil and Other oils	... 10,000
Repairs and Maintenance	... 3,000
Taxation, Insurance etc.	... 2,500
Depreciation (on Kms. basis)	... 4,000
Interest and other charges	... 3,500

Actual passengers carried were 75% of the seating capacity. All the four buses run 30 days in the month, each bus made one round trip per day.

Prepare an Operating Cost Sheet for the month showing the cost per passenger-km. 10

Or

(b) Discuss the objectives of reconciliation of cost and financial accounts. Explain the need for reconciliation. 6+10=16

3. (a) What is Common-size Statement ? Discuss the features and utility of such a statement. 4+12=16

Or

(b) From the following Balance Sheet of the Popular Co. Ltd. prepare Common-size Balance Sheets and give your comments on the affairs of the company. 10+6=16

Popular Co. Ltd.

Balance Sheet (Rs. in lakhs)

Liabilities	2015	2016	Assets	2015	2016
Share Capital	70	70	Fixed Assets	100	120
Reserves	70	120	Current		
Secured Loans	25	20	Assets :		
Unsecured			Stocks	60	80
Loans	15	10	Debtors	30	40
Current			Cash	10	10
Liabilities	20	30			
	<u>200</u>	<u>250</u>		<u>200</u>	<u>250</u>

4. (a) "A device for making financial data more meaningful is to reduce them to ratios." Elucidate the statement with justifications. 16

Or

- (b) From the following Balance Sheet you are required to calculate the ratios mentioned below and comment in relation to each of these ratios :

- (i) Ratio of External Equities to Total Assets,

- (ii) Ratio of Fixed Assets to Net Worth,
 (iii) Ratio of Current Assets to Net Worth.

$$6+5+5=16$$

Balance Sheet

Liabilities	Rs.	Assets	Rs.
6,000 Equity Shares		Buildings	5,00,000
@ Rs.100 each	6,00,000	Machinery	4,20,000
7% Debentures	3,00,000	Furniture	80,000
Reserves and Surplus	1,60,000	Stock	1,20,000
Sundry Creditors	60,000	Debtors	60,000
Bills Payable	1,00,000	Cash Balance	40,000
	12,20,000		12,20,000

5. (a) Differentiate between : 8+8=16

(i) fixed working capital and variable working capital.

(ii) gross working capital and net working capital.

Or

(b) M/s A.B. & Co. requests you to prepare a statement showing the working capital requirements. They estimate to produce 4,800 units in a year. The following information have been furnished for you.

Elements of cost	Cost per unit
	Rs.
Raw Materials ...	8
Direct Labour ...	2
Overheads ...	6
<i>Total Cost</i> ...	<hr/> 16
Profit ...	4
<i>Selling Price</i> ...	<hr/> 20

Raw materials are in stock on an average period of one month. Materials remain in process on an average period of half a month. Finished goods are in stock on an average period of one and

a half months. Customers enjoy one month's credit while suppliers allow one month's credit.

Cash in hand expected in Rs. 2,500.

Production is carried out uniformly during the year and wages and overheads accrue evenly.