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2019

(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 **all** the questions.

1. (a) 'Cost Accounting has become an essential tool for management.' Give your comment on the statement. 16

Or

- (b) Explain the term Cost Reduction. What are the objectives of Cost Reduction and how is it different from cost control? Elaborate. 16

2. (a) Why is reconciliation necessary between financial accounting and cost accounting? 8+8=16

Or

- (b) From the following information, prepare a Process Account, Abnormal Loss Account and Normal Loss Account.

Input of raw materials 950 units

@ ₹ 20 per unit

Direct materials ₹ 3,960

Direct wages ₹ 6,000

Production Overheads @ 100% of
Direct wages

Actual output transferred to Process-II
— 840 units

Normal loss 10%

Value of scrap per unit ₹ 8. 16

3. (a) What do you mean by Working Capital Management? What are the elements of Working Capital Management?

6+10=16

Or

- (b) Rotomac India Limited plans to sell 30,000 units next year. The expected cost of goods sold is as follows:

	₹ (Per unit)
Raw materials	100
Manufacturing Expenses	30
Selling, administration and financial expenses	20
Selling price	200

The duration at various stages of the operating cycle is expected to be as follows :

Raw material stage	2 months
Work-in-progress stage	1 month
Finished stage	½ month
Debtors stage	1 month

Assuming the monthly sales level of 2,500 units, estimate the gross working capital requirement if the desired cash balance is 5% of the gross working capital requirement and work-in-progress is 25% complete with respect to manufacturing expenses. 16

4. (a) How do you interpret liquidity in a firm? Which ratios are used for assessing liquidity of a business?

6+10=16

Or

(b) State different types of financial analysis and discuss the limitations of analysis and interpretation of financial statements. $8+8=16$

5. (a) "As a technique of financial analysis, ratios must be used with great precautions." In the light of the above statement, critically examine the importance of ratios and their limitations. 16

Or

Explain the purposes of calculating the following ratios: $4 \times 4 = 16$

(i) Current ratio

(ii) Acid test ratio

(iii) Return on Investments ratio

(iv) Long term Solvency ratio.