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**2020**

**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 questions.**

1. (a) 'Cost may be classified in a variety of ways according to their nature and the information needs management.' Explain and discuss this statement.

16

**Or**

- (b) Explain briefly the meaning of Activity-Based Costing. Distinguish between Traditional Costing Approach and Activity-Based Costing Approach.

6+10=16

*Contd.*

2. (a) What is operating costing? State its basic features. State the procedure for the preparation of Transport Operating Cost Sheet. 4+4+8=16

**Or**

- (b) D Ltd. introduced 5000 units in a process at a cost of Rs. 10,000. The wages and overheads incurred are Rs. 10,000 and Rs. 8,000 respectively. It is expected that 10% of the output is likely to be defective.

Actual outputs of good units is 4,400 units. The rectifications of defective units costs Rs. 4 per unit.

Show necessary workings and prepare Process Accounts. 16

3. (a) Explain why ratio analysis is considered better than a mere comparison of figures in carrying out an overall appraisal of a company's business. 16

**Or**

- (b) Discuss the following accounting ratios and briefly explain their applications: 4×4=16

(i) Proprietary Ratio

(ii) Liquidity Ratio

(iii) Working Capital Ratio

(iv) Inventory Ratio

4. (a) Define the Working Capital Management. Why is it important to study the management of working capital as a separate area in financial management? 6+10=16

**Or**

- (b) ABC Limited sells goods on a gross profit of 25%. Depreciation is considered as a part of cost of production. The following annual figures are given: 16

Sales (2 months credit)	—	Rs. 18,00,000
Material consumed (1 month credit)	—	Rs. 4,50,000
Wages paid (1 month lag in payment)	—	Rs. 3,60,000
Cash manufacturing expenses (1 month lag in payment)	—	Rs. 4,80,000
Administrative expenses (1 month lag in payment)	—	Rs. 1,20,000
Sales promotion expenses (Paid quarterly in advance)	—	Rs. 60,000

The company keeps one month's stock each of raw materials and finished goods. It also keeps Rs. 1,00,000 in cash.

You are required to estimate the working capital requirements of the company on cash cost basis, assuming 15% safety margin. 16

5. (a) Write notes on : 8+8=16

(i) Objectives of financial statement analysis

(ii) Common-size statements

Or

(b) What do you mean by Financial Statement Analysis? Why do you think the need for Financial Statement Analysis of a business is of utmost priority? 16