

2018

(Aug-Sept)

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) Explain the objective(s) of Cost Accounting. How does it differ from objectives of Financial Accounting ? Support your answer with adequate examples. 16

Or

- (b) Spell out the differences between Activity Based Costing and Conventional Costing. 16

2. (a) State reasons why operating costing is necessary. How cost under operating costing is determined and allocated ?

8+8

Or

- (b) State with examples how Abnormal Loss and Abnormal Gain under Process Costing is ascertained. Use imaginary figures in your examples.

8+8

3. (a) What is Financial Leverage ? What are the ratios normally used for measuring the extent of leverage of an entity ?

4+12

Or

- (b) Write short answer to the following questions :

4×4

(i) When are the financial statements consolidated ?

(ii) Why comparative data provided in financial statements ?

(iii) What benefits are derived from a common-size-balance sheet ?

(iv) Why would a company switch to the LIFO method of inventory valuation in the inflationary period ?

4. (a) How do you read a Balance Sheet ?
What the two sides of the balance sheet indicate specially in the context of the following accounts in the liabilities side ? 4×4

- (i) General Reserve ;
- (ii) Revaluation Reserve ;
- (iii) Depreciation fund ; and
- (iv) Deferred Tax Liability.

Or

(b) What are the Composite Ratios ?
Explain *four* important composite ratios with examples. 4×4

5. (a) On 1st January, 2017 the Board of Directors of ABC Ltd. wish to know the amount of working capital that will be required to meet the programme they have planned for the year. From the following information prepare a working capital requirement forecast and a projected Profit and Loss Account and Balance Sheet :

Issued Share Capital	Rs. 3,00,000
10% Debenture	Rs. 50,000
Fixed Assets	Rs. 2,25,000

Production during the previous year was 60,000 units; it is planned that this level of activity should be maintained during the present year.

The expected ratio of cost to selling price are :

Raw materials	60%
Direct wages	10%
Overheads	20%

Raw materials are expected to remain in store for an average of 2 months before issue to production. Each unit of production is expected to be in process for one month. Time lag in wage payment is one month.

Finished goods will remain in the warehouse awaiting despatch to customers for approximately three months.

Credit allowed by creditors is two months from the date of delivery of raw materials. Credit given to debtors is three months from the date of despatch.

Selling Price is Rs.5 per unit

There is a regular production and sales cycle. Wages and overheads accrue evenly.

16

Or

- (b) What factors would you take into consideration in planning, the Working Capital requirement of a firm ? Explain them in brief.

16
