PG DEPARTMENT Of COMMERCE (CA)

QUESTION BANK

COURSE: B.Com (CA) **SEMESTER :** VI

SUBJECT CODE: 16UCC620 **SUBJECT:** MANAGEMENT ACCOUNTING

K1 LEVEL

1. Financial accounts provide a summary of

a) Assets

b) Liabilities

c) **Accounts**

d) Recording

2. Financial statements are:

a) Estimates of facts

b) **Records of facts**

c) Anticipated facts

d) Estimates profit

3. Retained earnings statement depicts:

a**) Appropriation of profit**

b) Estimate profit

c) Estimated costs

d) Appropriation loss

4. The term current assets does not include:

a) Payments in advance

b) Bills receivable

c**) Long term deferred charges**

d) short term deferred charges

5. The fixed asset include

a) Stock in trade

b**) Furniture**

c) Payment in advance

d) bills receivable

6. Operating profit to sales given us:

a) Gross profit ratio

b) Net profit ratio

c**) Operating profit ratio**

d) actual facts

7. Financial statement convey to different parties:

a**) Financial information**

b) Marketing information

c) Price information

d) cost information

8. The tool of financial statement analysis are:

a) Comparative financial statement

b) Trend ratio

c**) All of these**

d) Certain fact and figures

9. Financial accounting deals with:

a) Determination of cost

b) **Determination of profits**

c) Determination of prices

d) None of these

10. Financial accounts records only:

a**) Actual figures**

b) Budgeted figures

c) Standard figures

d) Certain fact and figures

11) The use of management accounting is:

a) Compulsory

b**) Optional**

c) Obligatory

d) All of the above

12) Going concern concepts assumes:

a**) Business as going concern**

b) Business as dissolving concern

c) Business as realizing concern

d) All of the above

13) The cost concepts record the figure at:

a) Market values

b**) Actual amount paid**

c) Actual amount or market value whichever is loss

d) All of the above

14) Business entity concepts distinguish between:

a**) Individual and business**

b) Business and business

c) Owners

d) customers

15) Accounting concepts are based on:

a) Certain assumptions

b) **Certain facts and figures**

c) Certain accounting records

d) All of the above

16) The primary goal of management accounting is to:

a) Interpret the financial data

b) Record all the business transaction

c) **Provide information for planning, decision making etc**

d) All of these

17) The balance sheet shows …

a) The source of working capital

b) The change in working capital

c) Both

d**) None**

18) In financial statement the stock is valued at cost or market price whichever less is on the basis of…

a) Accounting concepts

b) **Accounting conventions**

c) Accounting principles

d) None

19**)** Which of the following is technique of financial statement analysis?

a) Common-size statement

b) Comparative statement

c) Trend analysis

d**) All**

20) Which technique used for figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons?

a) **Comparative statement**

b) Common-size statement

c) Trend Analysis

d) None

21. When the concept of ratio is defined in respected to the items shown in the financial statements, it is termed as
a) **Accounting ratio**
b) Financial ratio
c) Costing ratio
d) None of the above

22. The definition, "The term accounting ratio is used to describe significant relationship which exist between

figures shown in a balance sheet, in a profit and loss account, in a budgetary control system or in a any part of the accounting organization" is given by
a) Biramn and Dribin
b) Lord Keynes
c**) J. Betty**
d) None of the above.

23. The relationship between two financial variables can be expressed in:
a) Pure ratio
b) Percentage
c) Rate or time
d**) Either of the above**

24. Liquidity ratios are expressed in
a**) Pure ratio form**
b) Percentage
c) Rate or time
d) None of the above

25. Which of the following statements are true about Ratio Analysis?
a) Ratio analysis is useful in financial analysis.
b) Ratio analysis is helpful in communication and coordination
c) Ratio Analysis is not helpful in identifying weak spots of the business.
d) Ratio Analysis is helpful in financial planning and forecasting.

a) A, B and D
b) A, C and D
c) A, B and C
d) A, B , C, D
26. Gross Profit ratio is also termed as

a) Gross Profit Margin
b) Gross Margin to net sales
c) **b Both a and**
d) All of the above

27. Profit for the objective of calculating a ratio may be taken as

a) Profit before tax but after interest
b) Profit before interest and tax
c) Profit after interest and tax
d**) All of the above**

28. Which of the following are limitations of ratio analysis?

a) Ratio analysis may result in false results if variations in price levels are not considered.
b) Ratio analysis ignores qualitative factors
c) Ratio Analysis ignores quantitative factors
d) Ratio Analysis is historical analysis.

a**) A, B and D**
b) A, C and D
c) A, B and C

d) A, B , C, D

29. Which of the following falls under Profitability ratios?

a) General Profitability ratios
b) Overall Profitability ratios
c) Comprehensive Profitability ratios
d) None of the above

a**) A and B**
b) A and C
c) B and C
d) None of the above

30. General Profitability ratios are based on

a) Investments
b**) Sales**
c) A & B
d) None of the above

31. Gross Profit ratio is also termed as

a) Gross Profit Margin
b) Gross Margin to net sales
c) **Both a and b**
d) All of the above

32. While calculating Gross Profit ratio,

a**) Closing stock is deducted from cost of goods sold**
b) Closing stock is added to cost of goods sold
c) Closing stock is ignored
d) None of the above

33. While calculating Gross Profit, if net profit is given,

a**) It can be converted into gross profit by adding interest to it**
b) It can be converted into Gross profit by adding indirect expenses to it
c) Both a and b
d) None of the above

34. Gross profit ratio is calculated by

a) (Gross Profit/Gross sales)*100
b) **(Gross Profit/Net sales)*100**

c) (Net Profit/Gross sales)*100
d) None of the above

35. Given Sales is 1, 20,000 and Gross Profit is 30,000, the gross profit ratio is

a) 24%
b**) 25%**
c) 40%
d) 44%%

36. What will be the Gross Profit if, total sales is Rs 2,60,000 Cost of net goods sold is Rs 2,00,000 and Sales return is Rs 10,000?

a) 13%
b) 28%
c) 26%
d**) 20%**

37. If selling price is fixed 25% above the cost, the Gross Profit ratio is

a) 13%
b) 28%
c) 26%
d**) 20%**

38. Gross Profit ratio should be adequate to cover

a) Selling expenses
b) Administrative expenses
c) Dividends
d) **All of the above**

39. Which of the following falls under Profitability ratios?

A) General Profitability ratios
B) Overall Profitability ratios
C) Comprehensive Profitability ratios
D) None of the above

a**) A and B**
b) A and C
c) B and C
d) None of the above

40. General Profitability ratios are based on

a) Investments
b) Sales
c) A & B
d) None of the above

41. Which of the following are non-current items?
(a) Share premium.

(b) Payment of wages.

(c) Sundry creditors.

(d) Bank balance.

42. Which of the following will result into application of funds?

(a) Sale of plant.

(b) Payment of dividend.

(c**) Purchase of land.**

(d) Issue of share capital.

43. Current assets include:

(a) Trade investments.

(b) Machinery.

(c) Sundry debtors.

(d) Stocks.

44. Which of the following is an non-current asset.

(a) Goodwill.

(b) Cash balance.

(c) Bills receivable.

(d) Bills payable.

45. State which of the following is an non-current liability.

(a) Mortgage loan.

(b) Bank balance.

(c) Outstanding salary.

(d) Bank overdraft.

46. Depreciation of machinery is:

(a) Source of funds.

(b) Application of funds.

(c) None of the two.

(d) Both a & b.

47. Stock in the beginning results in:

(a) Application of funds.

(b) Source of funds.

(c) No flow of funds.

(d) Cash flow of funds.

48. Cash flows from operating activities include:

(a) Cash receipts from sale of goods.

(b) Cash payments for operating machines.

(c) Cash payments for repair of machines.

(d) None of the above.

49. The cash flow statement classifies cash flows from:

(a) Operating activities.

(b) Investing activities.

(c) Financing activities.

(d**) All of the above.**

50. Cash from operations is equal to;

(a) Net profit plus decrease in current assets.

(b) Net profit plus decrease in current liabilities

(c) Net profit plus increase in fixed assets.

d) All of the above

51. Cash flow statement is based upon

(a) Accrual basis of accounting.

(b) Cash basis of accounting.

(c) (a) and (b).

d) All of the above

52. Increase in the amount of prepaid expenses results in:

(a) Increase in cash.

(b) Decrease in cash.

(c) No change in cash.

d) All of the above

53. Increase in the amount of creditors results in:

(a) Decrease in cash.

(b) Increase in cash**.**

(c) No change in cash.

d) All of the above

54. Cash flows from extraordinary items comprise:

(a) Bad debts recovered.

(b) Winning of a lottery.

(c) Winning of a law suit.

(d) All of the above.

55. Which of the following is an item of operating activities

(a) Claim from an insurance company.

(b) Interest and dividend received.

(c) Payment of salaries and wages to employees

(d) All of the above

56. As per Accounting Standard-3, Cash Flow is classified into

a) Operating activities and investing activities

b) Investing activities and financing activities

c) Operating activities and financing activities

d) Operating activities, financing activities and investing activities

57. Cash Flow Statement is also known as

a) Statement of Changes in Financial Position on Cash basis

b) Statement accounting for variation in cash

c) Both a and b

d) None of the above.

58. The objectives of Cash Flow Statement are

a) Analysis of cash position

b) Short-term cash planning

c) Evaluation of liquidity

d) Comparison of operating Performa

59. Funds Flow Statement is also known as

a) Statement of Funds Flow

b) Statement of Sources and Application of Funds

c) Statement of Sources and Uses of Funds

d) All of the above

60. Which of the following rules stands true while preparation of Schedule of changes in working capital?

A) An increase in current assets increases working capital.

B) An increase in current assets decreases working capital.

C) An increase in current liabilities decreases working capital.

D) An increase in current liabilities increases working capital

a) A and C

b) A and D

c) B and D

d) A, B, C and D

61) Contribution margin is also known as:

A) Marginal income

B) Gross profit

C) Net profit

d) All the above

62) Period cost means

A) Variable cost

B) Fixed cost

C) Prime cost

d) All of the above

63) The costing method in which fixed factory overheads are added to inventory is
A) Direct costing
B) Marginal costing
C) Absorption costing
d) All of the above

64) When fixed cost is Rs 10,000 and P/V ratio is 50% the break -even point will be
A) Rs20,000
B) Rs 40,000
C) Rs 50,000

d) All of the above

65) When margin of safety is 20%and P/V ratio is 60% the profit will be
A) 30%
B) 33.3%
C) 12%
d) None of these

66) When sales are Rs 2,00000 fixed cost Rs 30,0000 P/V ratio 40% the amount of profit will be
A) Rs 50,000
B) Rs 80,000
C) Rs 12,000
d) None of these

67) Contribution is difference between sales and
A) Purchase
B) Variable cost
C) Margin cost
d) None of these

68) The break- even point is increased when fixed cost is
A) Increased
B) Decreased
C) Medium
d) None of these

69)The fixed cost and profit will added to be
A) Margin cost
B) Contribution
C) Both i & ii
d) None of these

70) The technique of marginal costing in based on classification of costs into___________ and__________ cost

A) Fixed and variable

B) Fixed and margin

C) Variable and margin

d) All the above

71) The excess of sales over break even sales is termed as

A) Variable of sales

B) Margin of sales

C) Both a & b

D) All the above

72) The break- even point is_________ when selling price is increase

A) Increased

B) Decreased

C) Medium

D) All the above

73) In marginal cost of finished goods is value at__________ cost

A) Variable cost

B) Standard cost

C) Marginal cost

D) All the above

74) Direct costing is based on classification of costs into_______ and _______cost

A) Direct, indirect

B) Direct, opposite

C) Indirect, opposite

D) All the above

75) Both variable and fixed cost to be charged to products in case of_________cost

A) Standard cost

B) Absorption cost

C) Both a & b

D) All the above

76.While selecting optimum product mix ___________ is the real index of profitability.

a) Contribution per unit

b) Contribution per unit of key factor

c) Profit and sales

d) None of the above

77. In a competitive market, the price is determined by the

a) Individual concern

b) Market forces
c) Both a and b
d) None of the above

78. Marginal costing is helpful in
a) Price determination only in long term
b) Monopoly conditions
c) Both a & b
d) None of the above

79. The various aspects of a price policy are
A) Normal price
B) Minimum price
C) Depression price
D) Special price including dumping
a) Both A and B
b) Both B and C
c) Both C and D
d) None of the above

80. If desired profit is decided, then normal price should be
a**) Marginal cost + Contribution**
b) Marginal cost + Fixed cost – profit
c) Both a & b
d) All the above

81. Sales budget is:
A) Functional budget
B) Master budget
C) Expenditure budget.
D) None of the above

82. In the case of plant the limiting factor may be :
A) Insufficient capacity
B) Shortage of experience hands
C) Shortage of power
D) None of the above

83. In case of materials key factor may be:
A) Insufficient advertising
B) Restriction imposed by quit
C) Low market demand.
D) All the above

84. The budget that is prepared first of all id:
A) Cash budget
B) Master budget

C) Budget for the key factor
D) All the above

85. The budget which commonly takes the form of budgeted profit &loss account and balance sheet is :
A) Cash budget
B) Master budget
C) Flexible budget.
D) All the above

86. The difference between fixed and variables cost has a special significance in the preparation of:
A**) Flexible budget**
B) Master budget
C) Cash budget
D) All the above

87. A detailed plan of operation for some specific future period:
A) Budget
B) Cash
C) Production.
D)None of the above

88. Establishment of budgets relating to the responsibilities of executive to the requirements of policy:
A) Objective of budget
B) Budgetary control
C) Master budget.
D) All the above

89. Budgeting means the process of preparing:
A) Management account
B) Financial account
C) Budget.
D) None of the above

90.____become a key factor in the majority of cases and therefore it's the starting point:
A) Sales factor
B) Key factor
C) Managerial factor.
D) All the above

91. Sales budget is prepared by the ______:
A) Purchase manager
B) Sales manager
C) Financial manager.
D) All the above

92. Flexable budget is a ____budget:

A) Dynamic
B) Static
C) Non-dynamic.
D) None of the above

93.____is a budget prepared by the production manager shows the forecast of output:
A) Sales budget
B) Work over head budget
C) Production budget.
D) All the above

94._____budget represents the amount of cash receipts and payment:
A) Sales budget
B) Production budget
C) Cash budget.
D) None of the above

95.___is a effective management tool for planning decision making ,co-ordination control a business:
A) Standard costing
B) Budget costing
C) Work costing.
D) All the above

96. Material cost variance is also called :
A) Fixed variance
B) Time variance
C) Total variance.
D) All the above

97.____in place of _____ in the formula meant for direct material variance:
A) Quantity and time
B) Time and quantity
C) Time and labour.
D) None of the above

98.___is considered to be a system of cost variance:
A) Standard costing
B) Budget costing
C) Work costing.
D) All the above

99. The most significant contribution of standard costing to the science and arts of management is the presentation of :
A) Variance
B) Favorable
C) Controllable.

D) All the above

100.____is the process of analyzing variance by sub-dividing the total variance
A) Favorable analysis
B) Variance analysis
C) Control analysis
D) All the above

ANSWER: 1.Accounts 2. Records of facts 3. Appropriation of profit 4. Long term deferred charges 5. Furniture 6.Operating profit ratio7. Financial information 8. All of these 9. Determination of profits 10. Actual figures 11.Optional 12. Business as going concern 13.Actual amount paid 14.Individual and business 15.Certain facts and figures16.Provide information for planning, decision making etc 17.None 18. Accounting conventions 19.All 20**.** Comparative statement 21. Accounting ratio 22. c) J. Betty 23.Either of the above 24.Pure ratio form 25. A, B and D 26. Both a and b 27. All of the above 28. A, B and D 29. a) A and B 30.Sales 31. Both a and b 32.Closing stock is deducted from cost of goods sold 33. It can be converted into gross profit by adding interest to it 34. b) (Gross Profit/Net sales)*100 35.25% 36.20% 37. d) 20% 38. All of the above 39. A and B 40.Sales 41. Share premium 42. Purchase of land 43. Trade investments 44. Goodwill 45. Mortgage loan 46. Source of funds 47. Application of funds 48. Cash receipts from sale of goods 49. All of the above 50. Net profit plus decrease in current assets 51.Cash basis of accounting 52. Decrease in cash 53. Decrease in cash 54.All of the above 55. Interest and dividend received 56. Operating activities and financing activities 57. Both a and b 58. Analysis of cash position 59. All of the above 60. A and C 61. A) Marginal income 62. Fixed cost 63. Absorption costing 64. Rs20,000 65.12% 66. Rs 50,000 67.Variable cost 68. Increased 69.Contribution 70. Fixed and variable 71. Margin of sales 72. Increased 73. Marginal cost 74. Direct, indirect 75. Absorption cost 76. Contribution per unit of key factor **77.** Market forces 78. Monopoly conditions 79. None of the above 80. Marginal cost + Contribution 81. Functional budget 82. Insufficient capacity 83. Restriction imposed by quit 84. Budget for the key factor 85. Master budget 86. Flexible budget 87. Budget 88. Budgetary control 89. Budget 90. Sales factor 91. Sales manager 92. Dynamic 93. Production budget 94. Cash budget 95. A) Standard costing 96.Total variance 97. Time and quantity 98. Standard costing 99. Variance 100. Variance analysis

K2 LEVEL

1. Explain management accounting.
   Management accounting is concerned with accounting information that is useful to management.

2. Classify any two limitations of financial accounting.
   *Technological revolution
   * Monetary nature

3. Describe the comparative statement?

Comparative financial statements are statements of the financial position of a business to design to provide time perspective to consideration of various elements.

4. Discuss common size statement?

Balance sheets of the same concern of two or more than two concerns for the same year are converted into percentage form are known as common size statements.

5. Clarify the trend analysis?

Trend analysis involves the collection of information from multiple time periods and plotting the information on a horizontal line for future review.

6. Discriminate any two differences between management accounting and cost accounting.

The primary objective of cost accounting is to determine and to record the cost of producing a product the purpose of management accounting is to provide information to the management.

7. Explain reporting?

The interpreted information in the form of quantitative expression must be communicated to those who are interested in it to whom it vital importance at reasonable time.

8. Interpret tax accounting?

Income statement are prepared the management is informed about tax burden from central it to whom it central government state government and local authorities

9. Classify the main objective of management accounting?

The main objective of management accounting is to prepare financial information to the management.

10. Discuss the natures of management accounting?

*Forecasting

*Supply information

*No fixed norms

11. INTERPRET ABOUT THE MEANING OF RATIO?

A ratio is a simple arithmetical expression of the relationship of one number to another. It may be defined as the indicated quotient of two mathematical expressions. In simple language ratio is one number expressed in terms of another and can be worked out by dividing one number into the other.

12. SHOW DOWN THE NATURE OF RATIO ANALYSIS?

Ratio analysis is a technique of analysis and interpretation of financial statements.

- Selection of relevant data from the financial statements depending upon the analysis.
- Calculation of appropriate ratios from the above data.
- Comparison of the calculated ratios with the ratios of the same firm in the past
- Interpretation of the ratios

13. DEMONSTRATE ABOUT THE LIMITATIONS OF THE RATIO ANALYSIS?

1. Limited use of a single ratio
2. Lack of adequate standards
3. Inherent limitations of accounting
4. Change of accounting procedure
5. Window dressing
6. Personal bites
7. Uncomparable
8. Absolute figures Distortive
9. Price level changes
10. Ratios no substitutes
11. Clues not conclusions

14. DESCRIBE ABOUT THE SHORT TERM FINANCIAL POSITION?

The short-term creditors of a company like suppliers of goods of credit and commercial banks providing short-term loans are primarily interested in knowing the company's ability to meet its current obligations. Two types are; 1.Liquidity ratios 2.Current assets movement.

15. DISCUSS ABOUT ABSOLUTE LIQUID RATIO?

Absolute Liquid Ratio=absolute liquid assets/current liabilities

(or)

Cash Ratio=cash&bank+short-term securities/current liabilities

Although receivables, debtors and bills receivable are generally more liquid than inventories, yet there may be doubts regarding their realization into cash immediately or in time.

16. CLASSIFY ANY TWO LIMITATIONS OF CURRENT RATIO?

- Crude ratio: It measures only the quantity and not the quality of current assets.
- Window Dressing: Valuation of current assets and window dressing is another problem of current ratio. It is done to show current ratio at a particular figure. It does not present the real financial position of the concern.

17. ILLUSTRATE ABOUT THE INVENTORY TURNOVER RATIO?

Every firm has to maintain a certain level of inventory of finished goods so as to be able to meet the requirements of the business. It is also called as stock velocity.

a. Inventory turnover ratio=cost of goods sold/average inventory at cost
b. Inventory turnover ratio=net sales/average inventory at selling price
c. Inventory turnover ratio=net sales/average inventory at selling price
d. Inventory turnover ratio=net sales/Inventory

18. SUMMARLIZE THE LONG TERM FINANCIAL POSITION?

The term 'solvency' refers to the ability of a concern to meet its long term obligations. The long term indebtedness of a firm includes debentures holders, financial intuitions providing medium and long term loans and other creditors selling goods on instalments basis. The long-term creditors of a firm are primarily interested to knowing the firm’s ability to pay regularly interest on long-term borrowings, repayment of the principal amount at the maturity and the security of their loans.

19. OUTLINE ABOUT THE DEBT-EQUITY RATIO?

Debt-equity ratio, also known as External-Internal Equity ratio is calculated to measure the relative claims of outsiders and the owners against the firm's assets.

Debt equity ratio=outsiders funds/shareholders funds

20. EXPLAIN ABOUT THE CAPITAL TURNOVER RATIO?

Capital turnover ratio is the relationship between cost of goods sold and the capital employed. This ratio is calculated to measure the efficiency or effectiveness with which a firm utilises its resources or the capital employed.

Capital turnover ratio=cost of goods sold or sales/capital employed

21. Explain fund flow statement?

Fund flow statement is a financial statement which the business has been financial funds.

22. Illustrate any two importance of fund flow statement.

The management can formulate to financial policies. It point out the causes for changes in financial policies

23. Report the preparation of fund flow statement?

Statement of changes in working capital funds two statements.

24. Discuss trading profit?

Trading profit is enquiring to earnings from operations.

25. Construct the methods to calculate funds from operations?

*Statement form

*Account form

26. Express two uses of cash flow statement.

Cash flow statement facilitates to prepare sound financial policies.

27. Classify the cash flow statement?

*Cash flow from operating activities

*Cash flow from investing activities

28. Explain cash flow statement

Cash flow statement is a statement of recording systematically all inflows and outflows of cash of the accounting period.

29. Report the preparation of cash flow statement?

Flow of cash due o noncurrent items. Flow of cash due to operations.

30. Give examples of cash flow from operating activities.

Cash receipts from sale of goods .cash payment to suppliers for goods and service.

31. Explain about the marginal cost.

The amount of any given volume of output by which aggragate costs are changed if the volume of output is increased by one unit.

32. Interpret the marginal costing.

The ascertainment of marginal costs and of the effects on profit of changes involume or type Of output by differentiate between fixed cost and variable cost.

33. Report any two feature of marginal costing?

The stocks of finished goods and work in progress are valued at marginal costs only.

The variable cost are regarded as the cost of products.

34. Classify any two advantages of marginal costing?

Marginal costing is a method of cost accounting and decision-making used for internal reporting in which only marginal costs are charged to cost units and fixed costs are treated as a lump sum. It is also known as direct, variable, and contribution costing

marginal costing, only variable costs are used to make decisions. It does not consider fixed costs, which are assumed to be associated with the time periods in which they were incurred.The costs actually incurred when you manufacture a product

35. Discuss about break even analysis.

The study of cost volume profit analysis is often regarded to as break even analy

36. Illustrate the break-even point.

The point of sales volume of which total revenue is equal to total cost.

37. Compare break-even point as a percentage of estimated capacity.

Break even point is estimated at percentage of sales or capacity by dividing the break even sales by the capacity sales.

38. Summarize about the contribution.

Contribution is difference between sales and variable cost or marginal cost of sales.

39. Describe the cash break-even point.

Cash break even point defined as the point of sales volume at which total revenue is equal to total cost.

40. Demonstrate break-even point in units.

$$\text{Break even point} = \frac{\text{fixed cost}}{\text{Selling price per unit-variable cost}}$$

41. Describe Budget.

A budget is a numerical statement expressing the plans, policies and goals of the enterprise for a definite period in the future.

42. Explain the objectives of Budget?

It directs the all attention of all common all the disclose of organisational weakness

43. Discuss Budgeting?

The entire process of preparing the budgets is known as budgeting.

44. Express Budget Control?

Budget control means the establishment of budget relating to the responsibility of executives' to the policy.

45. Classify the Budget according to time?

*Short term budget

*long term budget

*current budget

46. Report the Flexible Budget?

It is the dynamic budget and which is designed to change in accordance with the level of activity.

47. Discuss Sales Budget?

It is the most important budget as it is usually the most difficult forecast. it is the starting point and it is prepaid according to product or salesman etc.

48. Describe the Production Budget?

It is a budget prepared by a production manager, showing the forecast of output .the objective is to determine the quantity of production for a budget period.

49. Construct the Cash Budget?

This budget represents the amount of cash receipt and payment and the balance during the budget period.

50. Construct the preparation of Cash Budget?

It ensure sufficient cash for business requirements.

K3 LEVEL (ALL UNITS)

1. From the following balance sheet of Ram co ltd. For the year ended 2009 and 2010, you are required to prepare a comparative income statement .

BALANCE SHEET as on 31st December

	2009	2010		2009	2010
Bills payable	500	750	Cash	1,000	1,400
Sundry			Debtors	2,000	3,000
creditors	1,500	2,000	Stock	2,000	3,000
Tax payable			Land	1,000	1,000
6%Debentures	1,000	1,500	Buildings	3,000	2,700
10%Preference	1,000	1,500	Plant	3,000	2,700
capital	3,000	3,000	Furniture	1,000	1,400
Equity capital	4,000	4,000			
Reserves	2,000	2,450			
	13,000	15,200		13,000	15,200

2. The following is the profit and loss account of sun ltd. For 2009 and 2010:

COMPARATIVE PROFIT AND LOSS ACCOUNT

For the year ended 31st December

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of sales	4,63,250	4,83,899	By sales	7,21,456	8,34,250
To			Less: returns	11,588	13,903
administrative	46,531	54,137			
expenses	91,823	1,15,632		7,09,868	8,20,347
To selling	4,275	3,500	By other		
expenses			incomes:	3,795	2,620
To interest paid	1,254	350	Interests	4,250	3,792
To loss on sale	43,038	80,390	Discounts		
of fixed items	70,742	88,851	Profit on sale	3000	–
To income tax			(land)		
To net profit	7,20,913	8,26,759		7,20,913	8,26,759

3. From the following data relating to the purchase of a firm, prepare trend percentages and trend ratios.

YEAR	PURCHASES ('00,000)
2005	1,672
2006	1,789
2007	1,873
2008	1,923
2009	2,123
2010	1,463

4. From the following figures, compute trend percentage and comment, using 2005 as the base year:
('000)

Year	Sales	Cost of goods sold	Profit before tax
	Rs.	Rs.	Rs.
2005	600	360	120
2006	680	414	138
2007	840	512	186
2008	960	574	204
2009	1040	600	228
2010	1200	666	300

5. From the following balance sheet of a company, you are required to prepare a common size balance sheet

BALANCE SHEET as on 31st Dec.

Liabilities	Rs.	Assets	Rs.
Equity share capital	1,25,000	Plant & Machinery	2,00,000
Preferences share capital	50,000	Furniture	12,140
	55,000	Current Assets	1,69,500
Reserves	35,000		
Profit & loss a/c	1,16,640		
Current liabilities			
	3,81,640		3,81,640

6. From the following statements, prepare common-size analysis of the company.

BALANCE SHEET as on 31st Dec.

Liabilities	Rs.	Assets	Rs.
Share capital	13,16,000	Cash	54,000
Fixed liabilities	4,50,000	Debtors	4,40,000
Sundry creditors	84,000	Stock	2,00,000
Other liabilities	1,56,000	Prepaid expenses	22,000
		Bills receivable	20,000
		Fixed assets (Net)	12,70,000
	20,06,000		20,06,000

INCOME STATEMENT for the year ended 31st Dec.

Net sales Rs.25,38,000

Cost of goods sold		14,22,000
Gross profit		11,16,000
Selling expenses:	7,20,000	
Administrative expenses	1,84,000	9,04,000
Operating profit		2,12,000
Other incomes		26,000
		2,38,000
Other expenses		40,000
Income before tax		1,98,000
Tax		68,000
Income after tax		1,30,000
Loss on sale of security		96,000
Surplus		34,000

7. From the following profit and loss accounts and balance sheets for the year ended 31st Dec. 2009 and 2010, prepare a comparative income statement.

PROFIT AND LOSS ACCOUNT

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of sales	600	750	By net sales	800	1000
To administrative expenses	20	20			
To selling expenses	30	40			
To net profit	150	190			
	800	1000		800	1000

8. From the following profit and loss account and balance sheet , prepare a comparative income statement.

PROFIT & LOSS ACCOUNT

For the year ended 31st Dec., 2010

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of goods	500	640	By sales	700	900
To operating expenses:	20	20			
Administrative	30	40			
Selling	150	200			
To net profit					
	700	900		700	900

9. expenses for the production of 5000 units in a factory are given as follows: K3

	Per unit (Rs)
Materials	50
Labour	20
Variable overheads	15
Fixed overheads (50,000)	10
Administrative expenses (5% variable)	10
Selling expenses (20% fixed)	6
Distribution expenses (10% fixed)	5
Total cost of sales per unit	116

You are required to prepare a budget for the production of 7,000 units

10. Prepare a production budget for each month and a summarized production cost budget for the six months period ending 31st December,2005 from the following data of product 'X'.

11 The units to be sold for different months are as follows:

July, 2005	1,100
August	1,100
September	1,700
October	1,900
November	2,500
December	2,300
January 20152,000	

(2)There will be no work in progress at the end of any month.

(3) Finished units equal to half the sales for the next month will be in stock at the end of each month (including June, 2005)

(4) Budgeted production cost for the year ending 31st Dec2015 are as follows

Production (units)	22,000
Direct materials (per unit)	Rs 10
Direct wages (per unit)	Rs 4

Total factory over heads apportioned to products Rs 88,000

12. A company manufactures two products A and B and the budgeted data for the year are follows:

K3

	Product A (R s)	Product B (R s)
Sales price per unit	100	75
Direct materials per unit	20	10
Direct wages per units	5	4
Total work overheads	10,105	9,009

Total marketing overhead 1,200 1,100

The sales manager forecasts the sales in unit as follows:

	Product A (units)	Product B (units)
January	28	10
February	28	12
March	24	16
April	20	20
May	16	24
June	16	24
July to December ,each month	18	20

It is assumed that (1) there will be no work-in-progress at the end of any month and (2) finished units equal to half the sales for the following month will be kept in stock.

Prepare a production budget for each month and production cost budget.

13. A company is expecting to have R s.32,000 cash in hand on 1.4.2014 and it requests you to prepare cash budget for the three months, April to June 2014.the following information is supplied to you:

Month	Sales (R.s)	Purchases (R s)	Wages (R s)	Expenses (R s)
February	70,000	44,000	6,000	5,000
March	80,000	56,000	9,000	6,000
April	96,000	60,000	9,000	7,000
May	1,00,000	68,000	11,000	9,000
June	1,20,000	62,000	14,000	9,000

Other information:

(a)Period of credit allowed by suppliers is two months.

(b) 25% of sales is for cash and the period of credit allowed to customers for credit sales is one month.

(c) Delay in payment of wages and expenses one month.

(d) Income tax R s.28,000 is to be paid in June 2005.

5. From the following budget data, forecast the cash position at the end of April ,May and June 2005:

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Miscellaneous Rs.
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

Additional information:

Sales: 20% realized in the month of sales, discount allowed 2%.balance realized equally in two subsequent months.

Purchases: these are paid in the month following the month of supply.

Wages: 25% paid in the arrears following month.

Miscellaneous expenses. Paid a month in arrears.

Income-tax: first installment of advance tax Rs.25,000 due on or before 15th June.

Income from investments: Rs.5, 000 received quarterly, in April, July, etc….

Cash in hand: Rs. 5,000 on 1st April, 2005.

14.From the following forecasts of income and expenditure, you are required to prepare a cash budget for three months ending 30th November. The bank balance on 1st September was Rs.10,000.

Month	Sales Rs.	Purchases Rs.	Wages Rs.	Factory expenses Rs.	Office expenses Rs.
July	80,000	40,000	5,600	3,900	10,000
August	76,500	42,000	5,800	4,100	12,000
September	78,000	38,500	5,800	4,200	14,000
October	90,000	37,500	5,900	5,100	16,000
November	95,000	43,000	5900	6,000	13,000

A sales commission of 4% on sales, due in the month in which sales dues are collected is payable in addition to office expenses. fixed assets worth Rs.65,000 will be purchased in September to be paid in the following month.Rs.20,000 in respect of debenture interest will be paid in October. The period of credit is obtained from supplies of goods. Wages are paid twice in a month on 1st and 16th respectively. Expenses are paid in the month which they are due.

15.Budgeted profit statements for the three months are:

K3

	January (Rs)	February (Rs)	March 2005 (Rs)
Sales	42,000	36,000	34,000
Cost of sales	32,700	28,100	26,600
Gross profit	9,300	7,900	7,400
Administrative ,selling and distribution expenses	6,300	5,400	5,100
Net profit before tax	3,000	2,500	2,300

15. budgeted balance at the end of each month:

K3

	January Rs	February Rs	March 2005 Rs
Stock	24,000	22,000	20,000
Debtors	52,000	50,000	47,000
Creditors	40,000	39,000	38,000
Outstanding expenses	4,000	4,000	4,000
Dividend due	9,700		
Tax due	6,400	6,400	6,400

Depreciation amounting to Rs1,700 has been included in the budgeted expenditure of each month. You are required to prepare a month wise cash budget for the three months on receipt and payment basis

16. Determine the amount of variable cost from the following particulars: K3

Sales -Rs.1, 50,000, fixed cost -Rs.30, 000, Profit-Rs.40,000

17. From the following information find out the amount of profit earned during the year using the K3

marginal cost technique:

Fixed cost -Rs.2, 50,000 selling price - Rs.15 per unit

Variable cost - Rs.10 per unit Output level -75000 units

18) . Sales -Rs.1,00,000, Profit -Rs.10,000, Variable cost -70% K3

Find out (i) P/V ratio, (ii) Fixed cost (iii) Sales volume to earn a Profit of Rs.40,000.

19. Sale of a product amounts to 200 units per month at Rs.10 per unit. Fixed overhead cost is Rs.400 per month and variable cost is Rs.6 per unit. There is a proposal to reduce prices by 10 percent. Calculate present and future P/V ratio. How many units must he sold to earn the present total profits?
K3

20.The sales turnover and profit during two years were as follows:
K3

Year	Sales (Rs)	Profit (Rs)
2003	1, 40,000	15,000
2004	1, 60,000	20,000

(i)P/V ratio (ii) Sales required to earn a profit of Rs.40,000 (iii) Profit when sales are Rs.1, 20,000.

21. From the following information, calculate the Break-even point in units and in sales value: K3

Output = 3,000 units

Selling price per unit = Rs.30

Variable cost per unit = Rs.20

Total fixed cost = Rs.20, 000

22. From the following particulars, Calculate:
K3

(i) Break-even point in terms of sales value and units.

(ii) Number of units that must be sold to earn a profit of Rs.90,000.

Fixed factory Overheads cost =Rs.60,000

Fixed selling Overheads cost =Rs. 12,000

Variable Manufacturing cost per unit = 12

Variable selling Cost per unit = 3

Selling Price per unit = 24

23. From the following data, you are required to calculate:

(a) P/V ratio

(b) Break-even sales with the help of P/V ratio.

(c) Sales required to earn a profit of Rs.4, 50,000

Fixed expenses =Rs.90, 000

Variable Cost per unit:

Direct Material =Rs.5

Direct labour =Rs.2

Direct Overheads =100% of Direct labour

Selling price per unit =Rs.12.

24.From the following data, you are required to calculate break-even point and net sales value at this point. K3 Direct material cost per unit =10

Direct labour cost per unit =5

Fixed Overhead =50,000

Variable Overheads @ 60% on direct labour

Selling price per unit =25

Trade discount =4%

If sales are 10% and 25% above the break-even volume, determine the net profits.

25. From the following particulars, find out the break-even point:
K3

Variable cost per unit -Rs.15

Fixed expenses -Rs.54,000

Selling price per unit -Rs.20

What should be the selling price per unit, if the break-even point should be brought down to 6,000 units?

26. From the following information, ascertain by how much the value of sales must be increased by the company

to break-even:

Sales-Rs.3, 00,000,

Fixed cost- Rs, 1, 50,000 and Variable Cost-Rs.2, 00,000.

27. Calculate:

(i) The amount of fixed expenses.

(ii) The number of units to break-even.

(iii) The number of units to earn a profit of Rs. 40,000.

The selling price per unit can be assumed at Rs.100. The company sold in two successive periods 7,000 units and 9,000 units and has incurred a loss of Rs.10,000 and earned Rs.10,000 as profit respectively.

28. From the following information, calculate the cash Break-even point.

Selling price per unit	-Rs.40
Variable cost per unit	-Rs.30
Depreciation included in above per unit	-Rs.5
Fixed expenses	-1,00,000
Depreciation included in fixed cost	-25,000.

29. From the following information of a company producing three products, You are required compute (a) Composite P/V ratio, and (b) Composite Break-even point:

Product	Sales revenue Rs	Variable Cost Rs
X	20,000	10,000
Y	40,000	14,000
Z	60,000	36,000

Fixed costs: Rs.50, 000.

30.The Everest Snow company manufactures and sells direct to consumers 10,000 jars of 'Everest Snow' per month at Rs.125 per jar. The company's normal production capacity is 20,000 jars of snow per month. An analysis of cost for 10,000 jars is given below:

Direct material	- 1,000
Direct labour	- 2,475
Power	- 140
Jars	- 600
Misc.Supplies	- 430
Fixed Expenses of manufacturing, selling and administration	- 7,955
Total	-Rs.12600

The company has received an offer for the export under a different brand name of 1, 20,000 jars of snow at 10,000 jars per month at 75 paise a jar.

Write a short report on the advisability or otherwise of accepting the offer.

31. A manufacturing company finds that while the cost of making a component No. 0.51 in its own workshop is Rs.800 each, the same is available in market at Rs. 6.50 with assurance of continuous supply. Give your suggestion whether to make or buy this component. Give also your views incase the supplier reduces the price from Rs. 6.50 to Rs. 5.50. The cost data is follows:

	Rs.
Material	3.00
Direct labour	2.00
Other variable expenses	1.00

Depreciation and other fixed expenses 2.00

8.00

32. LMN Ltd. Purchases 20,000 bells per annum from an outside supplier at Rs,15 each. The management feels that these be manufactured and not purchased. A machine costing Rs.50, 000 will be required to manufacture the item within the factory. The machine has an annual capacity of 30,000 units and life of 5 years.The following additional information is available: K3

Material cost per bell	-Rs.2,00
Labour cost per bell	-Rs.1,00
Variable overheads	-100% of labour cost

(a) The company should continue to purchase the bells from outside supplier or should make them in the factory, and

(b) The company should accept an order to supply 5000 bells to the market at a selling price of Rs.4.50 per unit?

33. In a factory producing two different kinds of articles, the limiting factor is the availability of labour. From the following information, show which product is more profitable:

	Product A cost per unit Rs.	Product B cost per unit Rs.
Materials	5.00	5.00
Labour: 6 hours @ Re.0.50	3.00	
3 hours @ Re.0.50		1.50
Overheads:Fixed -50% of labour	1.50	0.75
Variable	1.50	1.50
Total cost	11.00	8.75
Selling price	14.00	11.00

Profit 3.00 2.25

Total Production for the month 500
600

Maximum capacity per month is 4800 hours. Give proof in support of your answer.

K4 & K5 LEVEL

1. From the following profit and loss account and balance sheet of Ram co ltd. For the year ended 2009 and 2010, you are required to prepare a comparative income statement and a comparative balance sheet.

PROFIT AND LOSS ACCOUNT

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of goods sold	6,000	7,500	By net sales	8,000	10,000
To operating expenses:					
	200	200			
Administrative	300	400			
Selling	1,500	1,900			
To net profit					
	8,000	10,000		8,000	10,000

BALANCE SHEET as on 31st Dec…

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
Bills payable	500	750	Cash	1,000	1,400
Sundry	1,500	2,000	Debtors	2,000	3,000
creditors	1,000	1,500	Stock	2,000	3,000

Tax payable 6 % debentures 10 %preference capital Equity capital Reserves	1,000 3,000 4,000 2,000 13,000	1,500 3,000 4,000 2,450 15,200	Land Buildings Plant Furniture	1,000 3,000 3,000 1,000 13,000	1,000 2,700 2,700 1,400 15,200

2. The following is the profit and loss account of sun ltd. For 2009 and 2010:

PROFIT AND LOSS ACCOUNT

For the year ended 31st Dec

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of sales	4,63,250	4,83,899	By sales	7,21,456	8,34,250
To administrative expenses	46,531	54,137	Less: Returns	11,588	13,903
				7,09,868	8,20,347
To selling expenses	91,823	1,15,632	By other incomes:		
To interest paid	4,275	3,500	Interests	3,795	2,620
To loss on sale of fixed items	1,254	350	Discounts	4,250	3,792
To income tax	43,038	80,390	Profit on sale (land)	3,000	-
To net profit	70,742	88,851			
	7,20,913	8,26,759		7,20,913	8,26,759

Prepare the above data in a suitable comparative form both in absolute way and in common size.

3. From the following balance sheet, prepare a common-size statement:

	2009	2010
Assets:	Rs.	Rs.
Cash	27,000	31,500
Debtors	2,20,000	2,11,000
Stock	1,00,000	1,26,000
Prepaid expenses	11,000	21,000
Bills receivables	10,000	10,500
Fixed assets	6,35,000	6,50,000
	10,03,000	10,50,000

Liabilities & Capital:		
Share capital	6,58,000	7,00,000
Long-term capital	2,25,000	2,00,000
Sundry creditors	42,000	50,000
Other liabilities	78,000	1,00,000
	10,03,000	10,50,000

4. The summary of balance sheet data in respect of A ltd. and B ltd. is as under:

	A ltd.	B ltd.
	Rs.	Rs.
Buildings	1,00,000	4,50,000
Machinery	3,00,000	7,50,000
Share capital	4,50,000	14,50,000
Retained earnings	50,000	33,000
Debtors	1,15,000	1,60,000
Stocks	60,000	2,17,000
Cash	10,000	5,000
Prepaid expenses	5,000	3,000
Creditors	91,000	1,00,000
Liability for expenses	9,000	17,000
Preliminary expenses	10,000	15,000

Prepare common-size balance sheet.

5. Convert the following income statement into common-size income statement and comment on the prevailing conditions.

	2009	2010
	Rs.	Rs.
Gross sales	15,300	18,360
Less: Returns	300	350
Net sales	15,000	18,010
Less: Cost of Sales	9,100	10,125
Gross profit	5,900	7,885
Operating Expenses:		
Selling expenses	3,000	3,300
Administrative expenses	1,500	1,700
Total operating expenses	4,500	5,000
Operating profit	1,400	2,885
Other incomes	150	200
	1,550	3,085

Other expenses	200 1,350	300 2,785

6. From the following profit and loss accounts and balance sheets for the year ended 31st Dec. 2009 and 2010, prepare comparative income statements and comparative balance sheets.

PROFIT AND LOSS ACCOUNTS

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of sales	600	750	By net sales	800	1,000
To administrative expenses	20	20			
To selling expenses	30	40			
To net profit	150	190			
	800	1,000		800	1,000

BALANCE SHEETS

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
Bills payable	50	75	Cash	100	140
Sundry creditors	150	200	Debtors	200	300
Tax payable	100	150	Stock	200	300
6% Debentures	100	150	Land	100	100
10% Preference shares	300	300	Buildings	300	270
			Plant	300	270
Equity shares	400	400	Furniture	100	140
Reserves	200	245			
	1,300	1,520		1,300	1,520

7. From the following profit and loss account and balance sheet , prepare a comparative income statement and a comparative balance sheet.

PROFIT AND LOSS ACCOUNT

For the year ended 31st Dec. 2010

(in lacks of Rs.)

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
To cost of goods sold	500	640	By sales	700	900
To Operating expenses:					
Administrative	20	20			
Selling	30	40			
To net profit	150	200			
	700	900		700	900

Balance sheet as on 31st Dec., 2010

	2009	2010		2009	2010
	Rs.	Rs.		Rs.	Rs.
Bills payable	50	75	Cash	50	70
Tax payable	100	150	Debtors	300	450
Creditors	150	200	Stock	100	200
15% Debentures	100	150	Land	100	120
12% Preference shares	200	200	Buildings	250	225
Equity capital	300	300	Plant	200	180
Reserves	200	250	Furniture	100	80
	1,100	1,325		1,100	1,325

8. Following is the balance sheet of AB co.ltd as on.

	Rs. 1.1.2010	Rs. 31.12.2010
Liabilities:		
Equity share capital	3,00,000	3,50,000
Share premium		30,000
General reserve	45,000	65,000
Profit and loss	30,000	80,000
6% Debentures		70,000

Sundry creditors	85,000	90,700
Provision for taxation	22,500	40,500
Proposed dividend	30,000	35,000
	5,12,500	7,62,000
Assets:		
Land and buildings	2,30,000	3,90,000
Plant and machinery	85,400	1,40,000
Furniture	5,500	6,500
Stock	82,400	95,700
Sundry debtors	75,000	85,500
Bank balance	34,200	44,300
	5,12,500	7,62,000

Additional information:

Depreciation written off during the year:

Land and buildings	Rs. 60,000
Plant and machinery	50,000
Furniture	1,200

You are required to prepare a cash flow statement.

9. The balance sheets of AB & co.ltd. as the end of 31.3.2009 and 31.3.2010 are given below:

Capital & Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 Rs.
Share capital	1,00,000	1,50,000	Freehold land	1,00,000	1,00,000
Securities	-	5,000	Plant at cost	1,04,000	1,00,000
premium	50,000	60,000	Furniture at cost	7,000	9,000
General reserve	10,000	17,000	Investment at	60,000	80,000
Profit & loss a/c	70,000	50,000	cost	30,000	70,000
6% Debentures			Debtors	60,000	65,000
Provision for	50,000	56,000	Stock	30,000	45,000
Depreciation on			Cash		
plant					
Provision for	5,000	6,000			
Depreciation on	20,000	30,000			
furniture	86,000	95,000			
Provision for					

taxation Sundry creditors	3,91,000	4,69,000		3,91,000	4,69,000

A plant purchase for Rs. 4,000 (Depreciation Rs. 2,000) was sold for cash Rs. 800 on 30th Sep 2009. On 30th June , 2009 an item of furniture was purchased for Rs. 2,000. There were the only transactions concerning fixed assets during 2009. Depreciation on plant was provided at 8% on cost (the sold out item is not taken into consideration) and on furniture at 12.5% on average cost. A dividend of 22.5% on original shares was paid. Rs. 20,000. Debentures were redeemed at a premium of 5%.

You are required to prepare a cash flow statement.

10. The following are the summarised balance sheets of M/s Ram Prashad ltd. as on 31st March:

Capital & Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 Rs.
Capital:			Fixed assets:		
10% pref. share capital	1,00,000	1,10,000	Machinery	2,00,000	2,30,000
Equity capital	2,20,000	2,50,000	Building	1,50,000	1,76,000
Reserve & surplus:			Land	18,000	18,000
Securities premium	20,000	26,000	Current assets:		
P & l. account	1,04,000	1,34,000	Cash	42,000	32,000
Liabilities (Non-Current):			Debtors	38,000	38,000
12 % Debentures	70,000	64,000	B/R	42,000	62,000
Current liabilities:			Stock in hand	84,000	98,000
Creditors	38,000	46,000			
B/P	5,000	4,000			
Provision for Taxation	10,000	12,000			
Dividends Payable	7,000	8,000			
	5,74,000	6,54,000		5,74,000	6,54,000

You are required to prepare a Cash Flow Statement.

11. From the balance sheet of Burn products ltd. given below , prepare cash flow statement.

BALANCE SHEET

As on 31st March,2010

(Rs. In lakhs)

Liabilities	Previous year	Current year	Assets	Previous year	Current year
	Rs.	Rs.		Rs.	Rs.
Equity share	8.00	12.00	Freehold land	5.54	11.32
capital			Buildings		
	0.80	1.20	Plant and	3.56	5.13
Securities	0.60	0.90	machinery	0.24	0.15
premium	1.95	2.08	Furniture and	2.21	2.60
General reserve	-	2.60	fittings	3.65	3.91
Profit and loss A/c	0.98	1.09	Stock	0.48	0.40
5% debentures	3.35	3.64	Debtors		
Income tax			Bank and cash		
payable	15.68	23.51		15.68	23.51
Creditors					

Depreciation written off during the year:

Plant and Machinery   Rs. 1.28 lakhs

Furniture and Fittings   Rs. 0.04 lakh

12.The balance sheets of National co. ltd. as on 31st March are as follows:

Capital & Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 Rs.
Share capital	5,00,000	7,00,000	Land and	80,000	1,20,000
Profit and loss	1,00,000	1,60,000	Buildings	5,00,000	8,00,000
account	50,000	70,000	Plant and	1,00,000	75,000
General reserve	1,53,000	1,90,000	Machinery	1,50,000	1,60,000
Sundry creditors	40,000	50,000	Stock	20,000	20,000
Bills payable	7,000	5,000	Sundry Debtors		
Outstanding			Cash		
expenses	8,50,000	11,75,000		8,50,000	11,75,000

Additional information:

(1) Rs. 50,000 Depreciation has been charged on plant and machinery during the year 2009-10.

(2) A price of machinery was sold for Rs.8,000 during the year 2009-10. It had cost Rs. 12,000 depreciation of Rs 7,000 had been provided on it.

Prepare a cash flow statement for the year 2009-10.

13. From the following data of Swadeshi ltd. Prepare the cash flow statement of sources and uses funds for the year ended 31st Dec 2010.

Liabilities	31-12-09	31-12-10	Assets	31-12-09	31-12-10
Share capital Reserves and surplus Debentures Creditors Unclaimed divided	30,000 14,000 5,000 11,000 - 60,000	36,000 19,000 - 9,000 1,000 65,000	Goodwill Machinery Stock Debtors Cash	6,000 25,000 12,000 15,000 2,000 60,000	5,000 20,000 18,000 19,000 3,000 65,000

On 1st January , 2010 (1) machinery for Rs. 3,000, stock worth Rs.1,000 and goodwill worth Rs.2,000 were acquired by issue of shares ; and (2) machinery of the book value of Rs. 6,000 was sold for Rs. 6,500. On 31st Dec , 2010 the debentures were redeemed for Rs 4,900 and the shareholders were paid Rs, 2,500 cash dividend.

14. The balance sheets of X ltd. as on 31st March, are given below:

Liabilities	2009 Rs.	2010 Rs.	Assets	2009 Rs.	2010 Rs.
Share capital Capital reserve General reserve P/L a/c General liabilities Provision for I. Tax Preferred Dividend	3,00,000 - 50,000 1,70,000 1,40,000 90,000 36,000 7,86,000	4,00,000 10,000 65,000 2,00,000 1,15,000 80,000 48,000 9,53,000	Fixed Assets: Machinery at cost Less: Depreciation Trade investment Current Assets: Stock Debtors Bank Mis Expenses: Preliminary	 5,00,000 1,50,000 3,50,000 80,000 2,00,000 1,06,000 30,000 20,000 7,86,000	 6,00,000 1,70,000 4,30,000 60,000 2,63,000 1,50,000 40,000 10,000 9,53,000

			Expenses		

During the year ended 31st March 2010 the company-

(1) Sold one machine for Rs. 30,000, the cost of which was Rs. 60,000 and depreciation provided on it was Rs. 20,000
(2) Sold trade investment at a profit which was credited to capital reserve; and
(3) Decided to write off fixed assets costing Rs. 10,000 (fully depreciated).
(4) Treat provision of tax and proposed dividend as non-current liabilities.

Prepare cash flow statement for the year ended 31st March, 2010 show all other workings also.

15. From the following details relating to the accounts of Grow More ltd. prepare cash flow statement:

Liabilities	31-3-2010 Rs.	31-3-2009 Rs.	Assets	31-3-2010 Rs.	31-3-2009 Rs.
Share capital	10,00,000	8,00,000	Plant and		
Reserve	2,00,000	1,50,000	Machinery	7,00,000	5,00,000
Profit and loss			Land/	6,00,000	4,00,000
account	1,00,000	60,000	Building	1,00,000	-
Debentures	2,00,000	_	Investments		
Provision for	1,00,000	70,000	Sundry	5,00,000	7,00,000
taxation	2,00,000	1,00,000	Debtors	4,00,000	2,00,000
Proposed	7,00,000	8,20,000	Stock		
Dividend			Cash on	2,00,000	2,00,000
Sundry creditors			Hand/Bank		
	25,00,000	20,00,000		25,00,000	20,00,000

(1) Depreciation @ 25% was charged on the opening value of plant and machinery .
(2) During the year one old machine costing 50,00-0(WDV 20,000) was sold for Rs. 35,000.
(3) Building under construction was not subject to any depreciation.
(4) Rs. 50,000 was paid towards Income tax during the year .

Prepare cash flow statement.

16. On 1st January 2010, Raman ltd. wants to implement its programme of expansion but finds that there shortage of funds. On 1st January 2009, it had a balance in Bank-Rs. 1,80,000.

From the following information , prepare a statement for Board of Directors to show how the overdraft of Rs 68,750 as at 31st Dec 2009 has arisen.

Figures as per balance sheet as at 31st Dec each year are as follows:

	Year 2009 Rs.	Year 2010 Rs.
Fixed assets	7,50,000	11,20,000
Stock & Stores	2,20,000	3,30,000
Sundry Debtors	3,50,000	3,35,000
Bank balance	1,80,000	68,750 (OD)
Trade creditors	2,70,000	3,50,000
Share capital(in shares of Rs. 10 each)	2,50,000	3,00,000
Bills receivable	2,50,000	3,00,000

The profit for the year ended 31st Dec , 2010 before charging depreciation add taxation amounted to Rs. 2,40,000.

5,000 shares were issued on 1st January , 2010 at a premium of Rs. 5 per share

Rs. 1,34,500 were paid in March 2010 by way of Income tax.

Dividends were paid as follows:

For 2009 (final) on the capital on 31-12-2009 at 10% less tax at 25%.

For 2010 (interim) 5%, free of tax. Assume that it has been declared after the issue of fresh shares.

17. Given below are the balance sheets of ABC company ltd… as on 31st March 2009 and 31st March 2010.

	31-3-2009 Rs.	31-3-2010 Rs.
Equity share capital	2,00,000	3,00,000
Long-term loan	1,00,000	1,0,0000
Creditors	1,50,000	2,00,000

Bills payable	2,00,000	3,00,000
Retained earnings	1,80,000	2,00,000
	8,30,000	11,00,000
Cash	60,000	30,000
Stock	1,20,000	1,90,000
Debtors	80,000	1,20,000
Goodwill	2,00,000	1,50,000
Plant and Machinery	1,00,000	2,00,000
Land and Buildings	2,00,000	4,00,000
Furniture	70,000	10,000
	8,30,000	11,00,000

Additional information:

(a) Operating expenses include depreciation Rs. 80,000 and amortization of goodwill Rs. 50,000.
(b) A machine has been sold for Rs. 15,000. The written down value of the machine was Rs. 40,000 and Rs. 20,000 depreciation is charged on the same in 2010.
(c) Plant and machinery was purchased for cash Rs. 1,40,000 and land and buildings for Rs. 2,60,000.
(d) Furniture was sold for cash Rs. 60,000
(e) Equity shares were issued for cash Rs.1,00,000.
(f) Rs. 80,000 dividend was paid in cash.
(g) Net profit for the year 2009-2010 was Rs.1,00,000.

Prepare a statement of cash flow for the year 2010 under the indirect method.

18. Prepare a cash flow statement by indirect method of Atlantic business corporation from the following:

BALANCE SHEETS

As at Jan 1 and Dec 2010

Liabilities	Jan 1 Rs.	Dec 31 Rs.	Assets	Jan 1 Rs.	Dec 31 Rs.
Current	30,000	32,000	Cash and		
liabilities	22,000	22,000	bank balance	40,000	44,400
Bonds payable			Accounts		
Bonds payable	(2,000)	(1,800)	receivable	10,000	20,700
discount	35,000	43,500	Inventories	15,000	15,000
Capital stock	15,000	19,500	Land	4,000	4,000
Retained			Business		
earnings			premises	20,000	16,000

			Plant & equipment Accumulated Dep. Patents & Trademarks	15,000 (5,000) 1,000	17,000 (2,800) 900
	1,00,000	1,15,200		1,00,000	1,15,200

Additional information:

(1) A building that costs Rs 4,000 and which had a book value of Rs. 1,000 was sold for Rs 1,400.

(2) The depreciation charge for the period was Rs. 800.

(3) There was a Rs. 5,000 issue of capital stock.

(4) Cash dividend of Rs. 2,000 and a stock dividend of Rs. 3,500 were declared.

19. From the following balance sheets of Excellent Industries ltd. for the year ended 31st March 2009 and 2010, prepare a cash flow statement by indirect method:

Liabilities	31-3-2009 Rs.	31-3-2010 Rs.
Equity shares of Rs 10 each	10,00,000	11,50,000
Securities premium	-	3,00,00
Profit and loss appropriation a/c	3,80,000	3,80,000
Profit for the year	-	5,50,000
6% Debentures	6,00,000	3,00,000
Sundry creditors	5,55,000	4,00,000
Provision for taxation	1,20,000	2,20,000

Proposed dividend		1,50,000		2,20,000
		28,05,000		32,35,000

Assets		31-3-2009 Rs.		31-3-2010 Rs.
Property		5,00,000		5,50,000
Plant and Machinery	12,00,000		14,50,000	
Less; Depreciation	3,60,000	8,40,000	4,00,000	10,50,000
Share in subsidiary company		4,00,000		4,50,000
Stock in trade		6,00,000		6,40,000
Debtors		3,60,000		4,00,000
Bank		1,05,000		1,45,000
		2,80,500		32,35,000

The following additional information is available:

(a) A machinery costing Rs. 3,00,000 was sold during the year for Rs.1,80,000. The depreciated value of the equipment was Rs. 1,20,000 . the difference between the depreciated value and the amount realised was transferred to profit and loss account.
(b) Income tax paid during the year was Rs. 1,50,000.

Assume that debentures have been partially redeemed at par.

20. Following are the summarised balance sheets and income statement of X ltd. for the year ending 31st Dec 2010.

Liabilities	31-3-2009 Rs.	31-3-2010 Rs.
Capital	7,20,000	8,88,000
Profit & loss	3,03,600	3,27,600
Sundry creditors	4,80,000	4,68,000
O/S expenses	48,000	96,000
Income tax payable	24,000	26,400
Accumulated depreciation on plant	2,40,000	2,64,000
	18,15,600	20,70,000

Assets	31-3-2009 Rs.	31-3-2010 Rs.
Land & buildings	96,000	1,92,000
Plant	7,20,000	11,52,000
Cash	1,20,000	1,44,000
Debtors	3,36,000	3,72,000
Stock	5,28,000	1,92,000
Advances	15,600	18,000
	18,15,600	20,70,000

NB: Cost of plant sold was Rs. 1,44,000.

Income statement for 2010

	Rs.
Net sales	50,40,000
Less: cost of sales	
39,60,000	
Depreciation	
1,20,000	
Salaries & Wages	
4,80,000	48,96,000
Operating expenses	1,44,000
1,60,000	24,000
Provision for tax	1,68,000
1,76,000	3,03,000
	4,71,6000
	1,44,000
Add : Profit on sale of plant	
Net profit	3,27,600
Retained earnings	
Less: Dividend paid	

You are required to prepare cash flow statement by indirect method…

21. Present the following information to show clearly to management.
K4

(a) The marginal product cost and the contribution per unit.

(b) The total contribution and profits resulting from each of the following mixtures.

	Product	Price per unit (Rs)
Direct material	A	10
Direct material	B	9
Direct wages	A	3
Direct wages	B	2

Fixed expenses................Rs.800

Variable expenses are allotted to the products as 100% of direct wages.

	Product	Product per unit Rs.
Sale price	A	20
Sale price	B	15

Sales mixtures:

(a) 100 units of product A and 200 of B.

(b) 150 units of product B and 150 of B.

(c) 200 units of product A 100 of B.

22. The price structure of a cycle made by the Cycle Company Ltd as follows: K4

	Per cycle Rs.
Materials	60
Labour	20
Variable overheads	20
Total	100
Fixed overheads	50
Profit	50
Selling price	200

This is based on the manufacture of one lakh cycles per annum.

The company expects that due to competition they will have to reduce selling prices, but they want to keep the total profits intact. What level of production will have to be reached, i.e., how many cycles will have to be made to get the same amount of profit if:

(a) The selling price is reduced by 10%.

(b) The selling price is reduced by 20%.

23. The following data are available from the records of a company: K4

Sale - Rs.60, 000, Variable cost - Rs.30, 000 and fixed cost - Rs.15, 000

You are required to:

(a) Calculate the P/V ratio, Break-even Point and Margin of Safety at this level.

(b) Calculate the effect of 10% increase in sale price.

(c) Calculate the effect of 10% decrease in sale price.

24. Product 'A' can be manufactured either by machine X or machine Y. Machine X can produce 50 units of 'A' per hour and machine Y, 100 units per hour. Total machine hour available are 2000 hours per annum. Taking into account the following cost data, Determine the profitable method of manufacture: K4

Per unit of Product 'A'	Machine X Rs.	Machine Y Rs.
Direct material	8	10
Direct wages	12	12
Variable overheads	4	4
Fixed overhead	5	5
	29	31
Selling price	30	30

25. A factory engaged in manufacturing plastic buckets is working at 40% capacity and produces 10,000 buckets per annum.

The present cost break-up for one bucket is as under: K4

Rs.

Material	10
Labour Cost	3
Overhead	5(60% fixed)

The selling price is Rs.20 per bucket.

If it decided to work the factory at 50% capacity, the selling price falls by 3%. At 90% capacity, the selling price falls by 5% accompanied by a similar fall in the prices of material.

You are required to calculate the profit at 50% and 90% capacities and also calculated break-even points for the capacity productions.

26. The management of a company considers that product B, one of its three main lines, is not as profitable as the other two with the result that no particular efforts are being made to push its sales. The selling prices and costs of these products are as follows:

K4

Product	Selling price	Direct material	Direct labour		
	Rs.	Rs.	Dept X	Dept Y	Dept Z
A	50	10	4	2	2
B	40	6	2	4	2
C	45	8	2	2	4

Overhead rates for each department per rupee of direct labour as follows:

	Dept. X Rs.	Dept. Y Rs.	Dept. Z Rs.
Variable Overhead	1.25	0.50	1.00

Fixed Overhead	1.25	2.00	1.50
	2.50	2.50	2.50

What advice would you give to the management about the profitability of profitability of Product B? Give reasons.

27. The following data relates to a company which manufactures three products A, B and C. K4

	A	B	C
Production (units)	2000	2400	3000
Cost per unit	Rs	Rs	Rs
Material	5	8	12
Labour	2	4	3
Variable over head	1	2	1
Fixed overhead	6	5	6
	14	19	22
Selling price per unit	20	25	30

The production managers suggest that one production line should be discontinued-he undertakes to double the existing production in the remaining two lines. You are required to advise the management whether the suggestion is acceptable and, if so, which production line should be discontinued?

28. The following figures relate to one year's working at 100 per cent capacity level in a manufacturing business: K4

	Rs.
Fixed overheads	- 1, 20, 000

Variable overheads - 2,00,000

Direct wages - 1,50,000

Direct materials - 4, 10,000

Sales - 10, 00,000

Represent the above figures on break-even chart and determine the break-even point. Verify your result by calculations

29 The following information is given about M/S. S.P.Limited for the year ending Dec.31, 2011:

(i)	Stock turnover ratio	= 6 times
(ii)	Gross Profit Ratio	=20% on sales
		=3,00,000
(iii)	Sales for 2007	
(iv)	Closing stock is Rs.10,000 more than	=20,000
	the opening stock	=30,000
(v)		
	Opening and creditors	
(vi)		
		=60,000
(vii)		
	Closing creditors	
(viii)		
		=50,000
	Trade debtors at the end	
	Net working capital	

Find out: (a) Average Stock (b) Purchases (c) Creditors turnover ratio (d) Average payment period (e) Average collection period (f) Working capital turnover ratio

30. You are supplied with the following information from 5 the records of M/S.Anand Prabhat Ltd for the year ending Dec 31, 2011:

(i) Trade debtors at the end of the year	90,000

(ii)Trade creditors in the beginning of the year	25,000
(iii)Trade creditors at the end of year	45,000
(iv)Net working Capital	1,20,000
(v)Stock turnover Ratio	50 times
(vi)Sales for the year 2010	5,00,000
(vii)Gross profit ratio	20% on sales

Calculate:

(a) Average Stock (b) Purchases (c) Average payment period (d) Average collection period

(e)Creditors turnover ratio (f) working capital turnover ratio 3:3.

31. The following is the balance sheet 0f bhubneshwara Ltd., as on 30th June, 2011:

Balance sheet

Liabilities	**Rs**	**Assets**	**Rs**
Equity share capital	3,00,000	fixed assets	6,00,000
9%pref share capital	1,00,000	Investments	50,000
10%debentures	2,00,000	current assets	2,50,000
Reserves and surplus	50,000		
current liabilities	2,50,000		
	9,00,000		**9,00,000**

You are required to calculate:

(a) Debt-equity ratio (long-term debt to equity)

(b) Proprietary ratio (c) solvency ratio

(d) Fixed assets to proprietors fund ratio

(e) Fixed assets ratio (f) current assets to proprietors fund ratio

32. Following is the profit & loss a/c to electro matrix Ltd for the year ended 31st dec, 2011:

Dr.	Rs	Cr.	Rs
To opening stock	1,00,000	By sales	5,60,000
To purchase	3.50.000	By closing stock	1,00,000
To wages	9,000		
To gross profit c/d	2,01,000		
	6,60,000		**6,60,000**
To administrative expenses	20,000	By gross profit b/d	2,01,000
To selling distribution expenses	89,000	By interest on investment (outside business)	10,000
To non operating expenses	30,000	By profit on sale of investments	8,000
To net profit	80,000		
	2,19,000		**2,19,000**

You are required to calculate:

i) Gross profit ratio ii) net profit ratio iii) operating ratio

iv) Operating profit ratio v) administrative expenses ratio

33. Calculate (i) Operating leverage (ii) Financial leverage and (iii) Composite leverage from the following figures:

Particulars	Original (Rs)	after an increase of 20% in sale

		(Rs)
Sales (20,000 units x Rs.10)	2,00,000	2,40,000
Variable cost (Rs.6 per unit)	1,20,000	1,44,000
Fixed cost	60,000	60,000
Earnings before interest & tax(EBIT)	20,000	36,000
Less: interest	5,000	5,000
Profit before tax(EBIT)	15,000	31,000
Tax at 50%	7,500	15,500
Profit after tax	7,500	15,500