ACCOUNTING FOR FINANCIAL ANALYSIS AND PLANNING

New Syllabus- 2070

Course No.: MGT 211 | **Full Marks: 100**
Nature of the Course: Core | **Pass Marks: 35**
Lecture hours: 150

Course Objectives

The objectives of the course are to provide the students with the knowledge required to analyze financial statement for decision making including long-term investment decisions. The course further attempts to provide sound knowledge required for higher studies in capital planning, analysis of financial statement and investment decisions.

Contents

Unit 1: Company: Conceptual and Theoretical Foundation **LH 8**

• Meaning, concept, types, and features of Public Limited Company • Advantages and Privileges of Public Limited Company • Memorandum of Association, Article of Association and Prospectus • Concept and types of Share Capital of the company.

Unit 2: Financial Statement of the Company **LH 25**

- Meaning, concept, features, objectives and importance of company financial statement
- Meaning, importance, objectives, contents and preparation of worksheet based Income Statement and Balance Sheet (in vertical form) as per Company Act and Mandatory Standards (Nepal Accounting Standard)
- Meaning, objectives, importance, contents and preparation of Cash Flow Statement under direct and indirect approach based on Company Act and Mandatory Standards (Nepal Accounting Standard)
- Meaning and concept of Value Added and its application, and concept, advantages, contents and preparation of Value Added statement showing Value Added generated and applied

Unit 3: Analysis of Financial Statement of a Company **LH 14**

- Meaning, importance and objectives of financial statement analysis, internationally accepted standard and financial statement,
- Ratio analysis- concept, uses, importance and limitations, types of ratios-computation and interpretation: liquidity, leverage,. activity / turnover, profitability and earning evaluation ratio for evaluating the financial performance of the company.

Unit 4: Company Growth, Merger, Combination and Liquidation **LH 40**

- Company expansion through Amalgamation and Absorption: meaning and concept, Purchase consideration - Concept and Determination
- Accounting treatment in the Books of both Purchasing and Vendor Company
- Preparation of Balance Sheet by Purchasing Company
- Internal Reconstruction: Meaning, importance, need and accounting treatment and balance sheet after reconstruction
- Expansion through Subsidiary Companies (Holding Company)
  Concept of Holding and Subsidiary Company, preparation of Consolidated Balance Sheet by Holding Company after due consideration of: Pre-acquisition and post-acquisition profit, Minority Interest, Cost of Control/Goodwill or Capital Reserve,

Revaluation of assets, Dividend from Subsidiary Company, Inter Company debt and unrealized profit.

- **Corporate Liquidation:** Concept and reasons for liquidation, procedures of winding up as per Company Act. Liquidator's Final Statement of Account: meaning, contents and preparation showing amount realized from assets realized.

Unit 5: Depreciation and its Effect in Financial Statement of a Company LH 22

• Depreciation - Concept and need • Accounting treatment under following Method of Depreciation - Original Cost Method, Diminishing Balance Method, Revaluation Method, Machine Hour Rate Method, Annuity Method, Depreciation Fund Method, Insurance Policy Method, and Sum of Year Digit Method and Change of Depreciation Method and their effects.

Unit 6: Price Level Changes LH 18

• Concept of Price Level Changes - Inflation and Deflation • Current Purchasing Power-accounting: Concept and Preparation of Financial Statements after Price Level Adjustments. • Current Cost Accounting: Concept and determination: Current Replacement Cost, Net Realizable Value of assets: Depreciation Adjustment, Holding Gains, Inventory Adjustment, Cost of Sales Adjustment, Monetary Working Capital Adjustment, Gearing Adjustment, Current Cost Reserve• Preparation of: Current Cost Profit and Loss Account, Current Cost Balance Sheet

Unit 7: Long-term Planning - Capital Budgeting LH 23

- **Capital Budgeting:** Concept and needs • Types of investment Proposals: Mutually Related Project, Mutually Exclusive Project, New Project, Replacement, Diversification, Expansion, Research and Development, Miscellaneous • Estimation of Cash Flow: Net Investment Cost of New Project, Differential Net Investment for replacement and mutually exclusive projects, Annual Net Cash Flow: Differential Net Cash Flow and Net Cash Flow for New Project, Net Cash Flow for Final Year: non-operating and including annual cash flow after tax • Methods of evaluation of investment proposal: Non-discounted Cash Flow Method: *Playback Period -Average Rate of Return*, Discounted Cash Flow Method: *Net Present Value, Profitability Index, Internal Rate of Return, Selection of Project based on profitability*
- **Determination of financing mix:** Leverage - its meaning and types, Financial Leverage and effect on the shareholder's return: effect on EBIT and EPS, Analysis of alternative financial plan EBIT - EPS analysis

Basic Books

Gupta, R.L. and Radhaswamy, M., **Advanced Accounting**, S. Chand and Sons. New Delhi.
Van Horne, **Financial Management and Policy,** Prentice Hall of India
Pandey, I.M., **Financial Management**, Bikash Publishing House, New Delhi.

Reference Books

Munankarmi, S.P., **Accounting for Financial Analysis and Planning,** Samjhana Publication House, Kathmandu.
Koirala, Y.R. and et.al, **Accounting for Financial Analysis and Planning**, Asmita Books Publishers and Distributors (P) Ltd., Kathmandu.
Shrestha, B.P. and Singh, Y.M., **Accounting for Financial Analysis and Planning,** Buddha Academy Publication House, Kathmandu.
Dangol, R.M., **Accounting for Financial Analysis and Planning,** Taleju Publishing House, Kathmandu.
Upadhyay, J.P. and Dahal. R., **Accounting for Financial Analysis and Planning**, Khanal Publication, Kathmandu.
Shukla, Grewal and Gupta, **Advanced Accounting**, Sahitya Bhawan, Agra.
Shukla, Grewal and Gupta, **Advanced Accounts**, S. Chand and Co., New Delhi.
Khan and Jain, **Financial Management**: Text and Problems, Tata McGraw Hill Co., New Delhi.

New Model Questions- 2070

Full Marks: 100
Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Questions Answer **(10×2=20)**

1. Write about the two differences between Equity Share Capital and Preference Share Capital.
2. Differentiate between pre-acquisition and post-acquisition dividend.
3. Define the meaning of cash from financing activities.
4. What do you mean by current purchasing power method?
5. Why is Capital Budgeting significant for an organization?
6. A company presents the following information.
   Equity share capital of Rs 100 each = Rs.100,000
   8% Preference share capital of Rs 100 each = Rs.60,000
   6% Debentures = Rs.40,000
   The company is within 40% tax racket
   Required: EPS at EBIT level of Rs.100,000
   Ans: Rs. 53.76 per share
7. You are provided the following information.
   Sales = Rs.300,000
   Wages to workers = Rs.50,000
   Interest received = Rs.10,000
   Cost of bought in materials and services = Rs.180,000
   Required: Amount of value added.
   Ans: Rs. 130,000
8. A company whose NPAT was Rs.60,000, has 10% debenture of Rs.100,000 and 8% preference share capital of Rs.100,000. If tax rate is 40%, find out interest coverage ratio.
   Ans: 11 times
9. The following information are provided
   Cost of sales adjustment = Rs.30,000
   Depreciation adjustment = Rs.10,000
   Current cost adjustment = Rs.60,000
   Required: Monetary working capital adjustment
   Ans: Rs. 20,000
10. A machine was purchased on 1st Baisakh, 2068 for Rs.90,000 and incurred Rs.10,000 each for transportation and installation. It was estimated that the machine will have a scrap value of Rs.10,000. The total life of the machine will be 10,000 hours. If machine runs for 3,000 hours during 2068, find out the amount of depreciation for the year 2068.
    Ans: Rs. 30,000

Descriptive Questions Answer (attempt any five) **(5×10=50)**

11. a. Ratio Analysis is used to measure financial performance of the organization, comment.(5)
    b. The following information are given.
    Current Ratio = 2 — Current Liabilities = Rs.250,000
    Fixed Assets = Rs.500,000 — Stock = Rs.100,000
    Prepaid expenses = Rs.25,000 — Debenture = Rs.100,000
    Share Capital = Rs.300,000 — Net Profit = Rs.50,000
    Inventory Turnover ratio = 5 times
    Required:
    (i) Quick ratio — (ii) Sales (Rs.)
    (iii) Debt to total capital ratio — (iv) Return on total assets (1.25×4=5)
    Ans: (i) 1.5:1 (ii) Rs. 500,000 (iii) 22.22% (iv) 5%
12. A company is considering the replacement of old machine. The existing machine is 5 year old, has current cash salvage value of Rs.30,000 and remaining depreciable life of 10 years. The machine was originally purchased for Rs.75,000 and it is being depreciated at Rs.5,000 per year for tax purpose. The new machine will cost Rs.150,000 and will be depreciated on straight line basis over 10 years with no salvage value. The management of the company

anticipates that with expanded operation, there will be a need of an additional working capital of Rs.30,000. The new machine will allow the company to expand the current operation and there by increase annual sales revenue by Rs. 40,000 and annual variable operating cost by Rs.10,000. The company's tax rate is 50% and its cost of capital is 10%.

Required:

i. Net cash outlay (NCO)
ii. Incremental annual cash inflow (CFAT)
iii. Final year cash inflow.
iv. Net Present Value (NPV) of the project.
v. Decision regarding replacement of old machine. (2+2+2+2+2)

Ans: (i) Rs. 140,000 (ii) Rs. 20,000 (iii) Rs. 50,000 (iv) (Rs. 5,545) (v) Should not replace

13. a. Clarify the meaning of depreciation with two main objectives. (5)

b. The following are the particulars relating to the machine account.

i. Purchase	5 machines at Rs.10,000 each
ii. Date of purchase	January 1, 2008
iii. Depreciation applied	Straight line at 20% p.a.
iv. Salvage Value	Rs.2,000 each (Book value)
v. Scrapped	One machine realizing Rs. 6,000 on the last date of December, 2010
vi. Accounts closed on	The last date of December every year

Required: Machinery account for 2010

Ans: Profit on sales Rs. 800; Balance Rs. 20,800

14. A book store performed the following transactions during the year, 2012. (5)

	Amount (Rs.)	Amount (Rs.)
Sales revenue		50,00,000
Less: Cost of goods sold:		
Beginning inventory	600,000	
Purchases	30,00,000	
Ending inventory	(400,000)	32,00,000
Gross profit		18,00,000
Less: Operating expenses:		
Administration (cash)	500,000	
Selling and distribution (cash)	240,000	
Interest	60,000	
Depreciation	200,000	10,00,000
Net income before tax		800,000
Less: Income tax		200,000
Net income after tax		600,000
Less: Dividend		300,000
Net profit		300,000

Price Indices	
1-1-2012	125
31-12-2012	200
Average Index	160
Time of fixed assets purchased	100

Required:

a. Purchasing power gain or loss on holding monetary items.
b. Restated purchasing power income statement (5+5=10)

Ans: (a) (Rs. 315,000) (b) (Rs. 160,000)

15. The balance sheet of a company is as follows:

Liabilities	Amount	Assets	Amount
3,000 Equity share capital of Rs.100 each, Rs.75 called up	225,000	Land & building	200,000
10% Preference share capital of Rs.100 each, fully paid up	100,000	Plant & machinery	240,000
8% Debenture	200,000	Inventory	190,000
Accounts payable	225,000	Accounts receivable	62,000
Preference dividend due	12,000	Cash	20,000
		Profit and loss account	50,000
	762,000		762,000

The Company went into voluntary liquidation. The assets except cash realized Rs.450,000 including Rs.180,000 on sale of plant and machinery, which was mortgaged against 8% debenture. The liquidator was entitled to a remuneration of 4% on value of assets realized and 2% on amount paid to equity shareholders. The cost of liquidation was Rs.12,000.

Required: Liquidator's final statement of account (10)

Ans: Liquidator's remuneration Rs. 18,000; Pref. Shareholders Rs. 90,000; Total Rs. 545,000

16. Define consolidated balance sheet. How would you ascertain the amount of minority interest and capital reserve or goodwill? Explain with suitable example. (4+6=10)

Analytical Questions Answer (attempt any two) **2x15=30**

17. A company and B company decided to amalgamate and a new Company, C Company is formed to take over the amalgamated companies with effect from January 1, 2013, when their balance sheet stood as follows:

Liabilities (Rs.)	A Co	B Co	Assets (Rs.)	A Co	B Co
Equity shares of Rs 100 each	100,0,000	500,000	Goodwill	190,000	60,000
			Premises	500,000	240,000
Reserve fund	290,000	175,000	Machinery	300,000	195,000
P/L A/C	110,000	75,000	Furniture	85,000	-
Accounts payable	95,000	47,500	Inventory	130,000	90,000
Outstanding expenses	5,000	2500	Account receivables	210,000	175,000
			Cash at bank	85,000	30,000
			Preliminary expenses	-	10,000
	1500,000	800,000		1500,000	800,000

C Company issued 5,000 equity shares of Rs.100 each, 10,000, 8% preference shares of Rs.10 each and 10% debentures Rs.200,000 to the public apart from the issues made to carry out the business combination.

Required:

i. Calculate the amount payable to each company assuming that the purchase consideration was settled by the following in each of the companies. 40% in equity shares, 30% in preference shares, 20% in debentures and the rest in cash.

ii. Necessary journal entries in the book of A Co.

iii. Amalgamated balance sheet of New Company. (4+6+5)

Ans: Purchase consideration Rs. 12,10,000 and Rs. 680,000; Loss on realization Rs. 190,000; B/S total Rs. 26,51,000

18. An unadjusted trial balance of a company is given below.

Particulars	Debit (Rs.)	Credit (Rs.)
Cash	200,000	
Bank	354,000	
Discount allowed	5,000	
Furniture	120,000	
Purchases	200,000	
Debtors	85,000	
Interest on loan	6,000	
Salary	60,000	
Rent	30,000	
Capital		500,000
Creditors		50,000
Discount received		10,000
Sales		400,000
10% Bank loan		100,000
	1060,000	1060,000

Adjustment:

a. Closing stock Rs.50,000.

b. Prepaid rent was Rs.2,000.

c. Out standing interest on bank loan was Rs.4,000.

d. Depreciation on furniture at 10% per annum.

Required:

i. Income statement (4)

ii. Balance sheet (5)

iii. Cash flow statement (6)

Ans: (i) Net income Rs. 145,000 (ii) B/S total Rs. 799,000 or Rs. 745,000
(iii) CFOA Rs. 74,000; CFIA Rs. (120,000); CFFA Rs. 600,000

19. a. Explain the meaning, features and privileges of public limited company. (2+3+3=8)

b. "Cash Flow Statement is useful internally to management and externally to investors and creditors." Discuss. (7)

1. Company: Conceptual and Theoretical Foundation

1. 2072 Q.No. 1

What do you mean by share capital? [2]

2. 2072 Q.No. 19

Explain the meaning and types of public limited company. [7]

3. 2072 (ii) Q.No. 1

Write any two differences between Equity share and Preference share. [2]

4. 2072 (ii) Q.No. 19

Explain the necessary documents which must be submitted by public company to have a company registration. [8]

5. 2071 Q.No.1

Explain the advantages of public limited company. [2]

6. 2071 Q.No.19

Write briefly about preference share and differentiate it with common share. [3+5=8]

7. 2071 Old Q.No.1

Clarify the meaning of preference share and mention any two differences between preference share and equity share. [2.5×2=5]

8. 2067 (I) Q. No. 1

Differentiate between equity share and debenture. [5]

9. 2060 Q.No.3

Write in brief about the equity share. [5]

10. 2059 Q.No.1

Define preference share capital and write about the different types of preference share capital. [2+3]

2. Financial Statements of a Company

1. 2072 Q.No. 2

Write in brief the objectives of financial statements. [2]

2. 2072 Q.No. 3

Differentiate between holding gain and operating gain. [2]

3. 2072 (ii) Q.No. 2

Write any two features of financial statement of a company. [2]

4. 2072 (ii) Q.No. 4

Differentiate between operating and non-operating expenses with example. [2]

Numerical Problems

5. 2072 Q.No. 18

Trial balance of a company is given below:

Particulars	Debit (Rs.)	Credit (Rs.)
Bank	70,000	
Cash	25,000	
Machinery	400,000	
Furniture	187,000	
Sales		650,000
Purchase	425,000	

Share capital		500,000
8% debentures		150,000
Debtors	150,000	
Creditors		110,000
Salaries	50,000	
Wages	60,000	
Discount	15,000	
Interest	12,000	
Electricity charges	16,000	
	14,10,000	14,10,000

Additional information:

Closing inventory is Rs.60,000.

Depreciation is 10% on machinery and 15% on furniture.

Outstanding salary is Rs.12,000.

Prepaid wages is Rs.15,000

Required: ❶ Income Statement and Balance Sheet using worksheet ❷ Cash flow statement [10+5=15]

Ans: ❶ NP: 66,950; ❷ 32,000; (587,000); 650,000

6. 2071 Q.No.17

The ledger balances of a newly established business co. are given below:

Capital	Rs.400,000	Interest on loan	Rs.5,000
10% loan	200,000	Discount allowed	3,000
Fixed assets	200,000	Salaries	72,000
Purchase	250,000	Office expenses	30,000
Sales	400,000	Rent	50,000
Debtors	20,000	Cash at bank	420,000
Creditors	50,000		

Adjustments:

a. Closing stock Rs. 50,000.

b. Pre-paid rent Rs.2,000.

c. Interest on loan payable for half year.

d. Charge depreciation of fixed assets @ 10% p.a.

Required: ❶ Income statement and Balance sheet using worksheet ❷ Cash flow statement. [4+5+6=15]

Ans: ❶Net profit Rs. 12,000; B/S total Rs. 672,000 ❷CFOA Rs. 20,000; CFIA Rs. (200,000); CFFA Rs. 600,000

3. Cash Flow Statement

Theoretical Questions

1. 2072 (ii) Q.No. 3

Explain briefly the cash from inventory activities. [2]

2. 2071 Q.No.3

Write the meaning of cash from financing activities. [2]

3. 2071 Q.No.19 ❷

Describe briefly the three activities of cash flow statement: [3+2+2=7]

4. 2064 Q.No. 1

"Changes in net income do not necessarily mean changes in cash flow." Briefly discuss. [5]

Numerical Problems

5. 2072 (ii) Q.No. 18

Following are the financial statement of a company:

Liabilities	Last year	Current year	Assets	Last year	Current year
Share capital	150,000	300,000	Land & Building	120,000	180,000
Share premium	15,000	30,000	Plant at cost	150,000	240,000
6% Debenture	75,000	30,000	Depreciation at plant	(45,000)	(60,000)

Sundry creditors	60,000	90,000	Investment	60,000	75,000
Retained earnings	30,000	75,000	Sundry debtors	45,000	60,000
Prov. for dividend	15,000	30,000	Inventories	30,000	75,000
Prov. for tax	30,000	45,000	Cash at bank	15,000	30,000
	375,000	600,000		375,000	600,000

Income Statement for the current year

Sales		300,000
Less: Cost of goods sold:		
Opening inventory	30,000	
Purchases	120,000	
Less: Closing inventory	(75,000)	
	75,000	
Wages	45,000	120,000
Gross income		180,000
Less: Operating expenses:		
Office expenses	45,000	
Depreciation	30,000	
Debenture Premium	4,500	
Interest on debenture	7,500	
Provision for tax	45,000	
Provision for dividend	30,000	162,000
		18,000
Add: Gain on sale of plant (cost Rs.30,000 - accumulated depreciation Rs.15,000)		12,000
Interest on investment		15,000
Net income		45,000

Required: Cash flow statement (apply direct method) showing cash from (i) operating activities (ii) Investing activities (iii) Financing activities. [6+4+3+2=15]

Ans i) 82,500; ii) (168,000); iii)100,500

6. 2071 Old Q.No.16

The comparative Balance Sheets and Income Statement of a company are as follows:

Liabilities	2011 (Rs.)	2012 (Rs).	Assets	2011 (Rs).	2012 (Rs).
Share capital	1,000,000	1,200,000	Fixed assets	800,000	1,000,000
Share premium	100,000	120,000	Bills receivable	300,000	250,000
8% Debenture	200,000	150,000	Stock	150,000	100,000
Bills payable	50,000	30,000	Investment	200,000	250,000
Provision for taxation	30,000	50,000	Cash at bank	50,000	130,000
Accumulated Dep.	40,000	60,000			
Retained earning	80,000	120,000			
	1,500,000	**1,730,000**		**1500,000**	**1,730,000**

Income Statement for the year 2012

	Rs.	(Rs.)
Sales revenue		1,000,000
Less: Cost of goods sold		600,000
Gross profit		400,000
Less: Operating expenses:		
General office expenses	150,000	
Depreciation on fixed assets	60,000	
Premium on redemption of debentures	10,000	
Interest on debentures	12,000	
Provision for taxation	50,000	282,000
Net income before other income		118,000
Add: Profit on sale of fixed assets		20,000
(Depreciated value of fixed assets Rs.40,000)		
Net income		**138,000**

Required: Cash Flow Statement showing operating activities, investing activities, and net change in cash position [6 + 3 + 4 + 2 = 15]

Ans: CFOA = Rs. 288,000; CFIA = Rs. (270,000); CFFA = Rs. 62,000

7. 2070 Q.No. 14

The Balance Sheets of a company at the end of two years are given below:

Liabilities	2068	2069	Assets	2068	2069
Share capital	30,000	48,000	Plant and machinery	28,000	40,000
Profit and loss a/c	26,000	28,000	Land and building	18,000	50,000
Bank loan	20,000	40,000	Investment	10,000	6,000
Accumulated depreciation	12,000	22,000	Book debts	10,000	12,000
Accounts payable	8,000	12,000	Inventories	6,000	8,000
			Cash at bank	24,000	34,000
	96,000	150,000		96,000	150,000

Income statement for the year 2069 ending		
Sales revenue		50,000
Less: Cost of goods sold		
Opening inventory	6,000	
Add: Purchases	28,000	
	34,000	
Less: Closing inventory	8,000	26,000
Gross margin		24,000
Less: Operating expenses:		
Depreciation on building	4,000	
Depreciation on plant	7,200	
Operating expenses	8,000	19,2000
Net Income from operation		4,800
Add: Gain on sale of investment		1,000
		5,800
Less: Loss on sale of plant (Sale proceed Rs. 2,000)		800
Net income		5,000

Required: Cash Flow Statement by direct method showing cash from operating, investing and financing activities [3 + 2 + 2 + 1 = 8]

Ans: CFOA Rs. 16,000; CFIA Rs. (41,000); CFFA Rs. 35,000

8. 2069 Q.No. 16 Or

The following are the balance sheets of a company for two different years:

Liabilities	1st Year	2nd Year	Assets	1st Year	2nd Year
Share capital	700,000	900,000	Land & building	200,000	200,000
Share premium	35,000	45,000	Plant & machinery	400,000	480,000
10% Debentures	200,000	100,000	Investment	205,000	350,000
Bank overdraft	-	50,000	Inventories	200,000	100,000
Accounts payable	150,000	100,000	Prepaid expenses	10,000	15,000
Accrued expenses	20,000	10,000	Accounts receivable	160,000	120,000
Provision for tax	50,000	70,000	Cash at bank	50,000	80,000
Profit & loss a/c	70,000	70,000			
	1,225,000	1,345,000		1,225,000	1,345,000

Income Statement for 2nd year

Sales revenue		700,000
Less: Cost of goods sold		400,000
Gross margin		300,000
Less: Operating expenses:		
Depreciation	48,000	
Interest	20,000	
Other expenses	72,000	
Provision for tax	70,000	
Total operating expenses:		210,000
Net income before other income		90,000
Add: Gain on sale of plant (Book value being Rs. 32,000)		22,000
Total net income		112,000

Required: Cash flow statement using direct method, by showing cash from operating, investing and financing activities. [6+3+5+1=15]

Ans: CFOA = Rs. 233,000; CFIA = (Rs.251,000); CFFA = Rs. 48,000

9. 2068 (I) Q.No. 16

The Balance Sheet and income statement of a company are as follows:

Balance Sheet

Equities	Year 4	Year 5	Assets	Year 4	Year 5
Share capital	400,000	500,000	Plant & machines	500,000	550,000
Share premium	40,000	50,000	Investment	120,000	70,000
Profit & loss a/c	40,000	120,000	Book debts	100,000	120,000
Debentures	250,000	100,000	Stock	175,000	125,000
Creditors	80,000	50,000	Prepaid expenses	10,000	15,000
Provision for dividend	50,000	35,000	Bank	165,000	205,000
Accum. depreciation	210,000	230,000			
	1,070,000	1,085,000		1,070,000	1,085,000

Income Statement for year 5

Sales revenue		1,000,000
Less: Cost of goods sold		
Beginning stock	90,000	
Add: Purchase	400,000	
Less: Ending stock	120,000	
	370,000	
Wages	230,000	600,000
Gross profit		400,000
Less: Operating expenses:		
General expenses	170,000	
Depreciation	50,000	
Interest	25,000	
Premium on debentures retired	15,000	
Provision for dividend	40,000	300,000
		100,000
Add: Gain on sale of plant		25,000
(Cost Rs.100,000 accumulated depreciation Rs.30,000)		
		125,000
Less: Loss on sale of investment		10,000
		115,000
Less: Tax		35,000
Net income		80,000

Required: Cash flow Statement showing cash from Operating activities, Investing activities, Financing activities and Cash balance. [6+3+4+2=15]

Ans: CFOA Rs. 165,000; CFIA Rs. (15,000); CFFA Rs. (110,000); CB Rs. 2,05,000

10. 2068 (II) Q.No. 14

The Balance sheet of a company are as follows:

Equities	2063 Rs.	2064 Rs.	Assets	2063 Rs.	2064 Rs.
Share capital	400,000	630,000	Land & building	360,000	425,000
8% debenture	300,000	150,000	Plant & equipment	270,000	370,000
Current liabilities	80,000	112,400	Inventory	90,000	60,000
Profit & loss a/c	30,000	77,600	Book debts	35,000	45,000
			Cash at bank	55,000	70,000
	810,000	970,000		810,000	970,000

The income statement of 2064 are as follows:

	Rs.	Rs.
Sales		600,000
Less: Cost of goods sold		
Opening inventory	90,000	
Purchase of material	160,000	
Closing inventory	(60,000)	
	190,000	
Wages	120,000	310,000
Gross profit		290,000
Less: Operating expenses	90,000	
Depreciation	30,000	120,000
		170,000
Less: Interest on debenture		24,000
		146,000

Less: Tax	58,400
	87,600
Less: Dividend	40,000
Retained earnings	47,600

Required: ❶ Cash flows from operating activities ❷ Cash flows from investing activities ❸ Cash flows from financing activities ❹ Changes in cash and cash equivalents.[3+2+2+1=8]

Ans: ❶ Rs. 170,000 ❷ (Rs.195,000) ❸ Rs. 40,000 ❹ Rs. 70,000

11. 2067 (I) Q. No. 16

The Balance Sheets of a company for two years are given below:

Liabilities	Year 1	Year 2	Assets	Year 1	Year 2
Equity share capital	700,000	1,000,000	Fixed assets	1,090,000	1,630,000
Share premium	70,000	100,000	Inventory	100,000	130,000
12% Debentures	200,000	100,000	Accounts receivable	80,000	60,000
Provision for tax	20,000	40,000	Prepaid expenses	10,000	10,000
Prov. for dividend	10,000	20,000	Cash	20,000	50,000
Accounts payable	50,000	175,000			
Accum. depreciation	250,000	265,000			
Profit and loss a/c	–	180,000			
	1,300,000	1,880,000		1,300,000	1,880,000

Income statement for the year 2

Sales revenue		Rs. 1,000,000
Less: Cost of goods sold		300,000
		700,000
Less: wages paid		275,000
Gross Profit		425,000
Less: Operating expenses:		
Administrative expenses	136,000	
Depreciation	35,000	
Provision for tax	40,000	
Provision for dividend	20,000	
Interest paid	24,000	
Premium on redemption of debentures	5,000	
Total operating expenses		260,000
Net profit		165,000
Add: Gain on sale of fixed assets		15,000
Retained earning		180,000

Additional information

i. A plant costing Rs. 40,000 with an accumulated depreciation of Rs. 20,000 has been sold for Rs. 35,000.

ii. Dividend paid in year 2-Rs. 10,000.

Required: Cash Flow Statement by using direct method. [6 + 3 + 4 + 2 = 15]

Ans: CFOA Rs. 3, 60,000; CFIA Rs. (5,45,000); CFFA Rs. 2,15,000

12. 2067 (II) Q. No. 16

The Income Statement for the current year and additional information thereon are given as under by a company finance department.

Income Statement for the year ending 31, Current Year

		Rs.
Sales revenue, net of return		735,000
Non-operating income:		
Interest income		39,000
Gain on sales of plant		3,000
Total revenue		777,000
Less: Cost and expenses:		
Cost of goods sold	Rs. 390,000	
Operating expenses	247,500	
Interest expenses	30,000	
Income taxes paid	28,500	
Loss on sales of securities	9,000	705,000
Net income		72,000

Additional information:

Operating expenses	includes depreciation	Rs.60,000
Increases in value:	Accrued interest receivable	4,500
	Inventory	30,000
	Account payable	24,000
	Income tax payable	2,700
Decreases in value:	Accounts receivable	15,000
	Prepayments	14,400
	Accrued interest payable	1,200

Debit and credit entries during the year in the following items are given:

	Debit entries	Credit entries
Securities	Rs. 55,500	Rs. 51,000
Cash loan to borrowers	63,000	75,000
Plant assets	187,500	15,000
Share capital	–	7,500
Share premium	–	112,500
Short term borrowing	102,000	67,500
Retained earnings	45,000	72,000

The credit entries in plant assets represents the book value with net of depreciation when it is sold or retired during the year. The debit and credit in retained earning represents dividends declared and paid and net income shown by income statement respectively. Cash and cash equivalent at the beginning amounted to Rs. 63,000.

Required: Cash Flow Statement showing cash flow from (1) Operating activity under direct method (2) Investing activity (3) Financing activity. [7+3+3+2 = 15]

Ans: CFOA Rs. 158,400; CFIA Rs. (171,000); CFFA Rs. 40,500; Ending cash balance Rs. 90,900

13. 2066 Q.No. 16

The Income Statement and the Balance Sheets of the company are given below:

Income Statement

Particulars		Rs.
Sales revenue		1,200,000
Less: Cost of goods sold		700,000
Gross profit		500,000
Less: Operating expenses		
Depreciation	160,000	
Other operating expenses	200,000	
Premium on redemption of debenture	20,000	380,000
Net profit before other income		120,000
Add: Profit on sale of plant (Book value, 40,000)		20,000
		140,000
Less: Dividend paid		40,000
Retained profit		100,000

Comparative Balance Sheet

Liabilities & equities	Year 2 Rs.	Year 1 Rs.	Assets	Year 2 Rs.	Year 1 Rs.
Share capital	1,200,000	1,000,000	Plant	1,600,000	1,200,000
Share premium	120,000	100,000	Inventories	200,000	100,000
10% debentures	100,000	200,000	Accounts		
Bills payable	80,000	100,000	receivable	200,000	300,000
Accounts payable	300,000	200,000	Cash	100,000	200,000
Retained earning	300,000	200,000			
	2,100,000	1,800,000		2,100,000	1,800,000

Required: Cash flow statement showing:

1. Cash from operating activities.
2. Cash from investing activities.
3. Cash from financing activities and
4. Cash balance. [6+3+4+2=15]

Ans: (1) Rs. 3,80,000 (2) (Rs. 5,40,000) (3) Rs. 60,000 (4) Rs. 1,00,000

14. 2065 Q.No. 16

The comparative Balance Sheet and Income Statement have been given below:

Liabilities	Year 3 Rs.	Year 4 Rs.	Assets	Year 3 Rs.	Year 4 Rs.
Share capital	200,000	300,000	Plant & machinery	300,000	500,000
Share premium	100,000	150,000	Investment	150,000	100,000
General reserve	194,400	349,400	Book debts	240,000	210,000
Debentures	300,000	200,000	Inventory	150,000	160,000
Bank loan	70,000	120,000	Expenses prepaid	7,500	6,500
Creditors	50,000	40,000	Cash and bank	200,000	340,300
Provision for tax	54,000	60,000			
Outstanding expenses	9,100	12,400			
Depreciation fund	70,000	85,000			
	1,047,500	1,316,800		1,047,500	1,316,800

Income Statement for the year 4

	Rs.	Rs.
Sales revenue		1,200,000
Less: Cost of goods sold		
Opening inventory	150,000	
Add: Purchases	400,000	
Less: Closing inventory	(160,000)	
Add: Wages	200,000	590,000
Gross profit		610,000
Less: Operating expenses		
General expenses	300,000	
Interest	30,000	
Depreciation	35,000	
Premium on redemption of debentures	15,000	
Provision for tax	40,000	420,000
		190,000
Add: Gain on sales of machinery (Cost Rs. 100,000. Accumulated depreciation 20,000)		10,000
		200,000
Less: Loss on sale of investment		5,000
Net income		195,000

Required: Cash flow statement (apply direct method) showing cash from (a) Operating activities (b) Investing activities (c) Financing activities [6+3+4+2=15]

Ans: CFOA Rs. 260,300; CFIA Rs. (165,000); CFFA Rs. 45,000

15. 2064 Q.No. 16 OR

The Income Statement of the year and the Balance Sheets of last year and this year had been given below:

Income Statement

	Amount (Rs.)
Sales revenue	1,200,000
Less: Cost of goods sold	405,000
	795,000
Less: Wages paid	315,000
Gross profit	480,000
Less: Operating expenses:	
Administrative expenses	180,000
Depreciation	75,000
Interest expenses	45,000
Provision for tax	60,000
Provision for dividend	30,000
Premium on redemption of debenture	15,000
Total operating expenses	405,000
Net profit before other income	75,000
Add: Gain on sale of machine (Cost Rs. 150,000 accumulated depreciation 60,000)	30,000
Retained earning	105,000

Balance Sheets

Liabilities & Capital	Last Year (Rs.)	This Year (Rs.)	Assets	Last Year (Rs.)	This Year (Rs.)
Share capital	750,000	1,050,000	Fixed assets	1,350,000	1,725,000
Share premium	75,000	105,000	Inventory	75,000	120,000
12% Debenture	300,000	150,000	ccounts receivable	75,000	105,000
Provision for tax	30,000	60,000	Cash at bank	30,000	60,000
Prov. for dividend	15,000	30,000			
Accounts payable	60,000	195,000			
Acc. depreciation	300,000	315,000			
Retained earning	–	105,000			
	1,530,000	2,010,000		1,530,000	2,010,000

Required: Cash flow statement using direct method to show: (a) Cash from operating activities (b) Cash from investing activities (c) Cash from financing activities [6+3+4+2=15]

Ans: (a) Rs. 2,85,000 (b) Rs. (4,05,000) (c) Rs. 1,50,000

16. 2063 Q.No. 16 OR

The Balance Sheets and Income Statements of Ltd. Company have been given below:

Balance Sheets

	Year I	Year II		Year I	Year II
Equity share capital	80,000	100,000	Land and building at cost		
Share premium	8,000	10,000	Plant and machinery at cost	40,000	50,000
Bank loan	-	20,000			
				50,000	70,000
Accounts payable	15,000	10,000	Accu. depreciation	(10,000)	(16,000)
Outstanding wages	5,000	6,000	Inventories	30,000	40,000
Provision for taxation	8,000	10,000	Accounts receivable	20,000	15,000
Profit and loss	14,000	24,000	Provision for doubtful debts	(4,000)	(3,000)
			Cash at bank	4,000	24,000
	130,000	180,000		130,000	180,000

Income Statement

	Sales		100,000
Less:	Cost of goods sold		
	Purchase	50,000	
Add:	Beginning inventory	30,000	
Less:	Ending inventory	(40,000)	40,000
	Wages		12,000
	Total cost of goods sold		52,000
	Gross margin		48,000
Less:	Operating expenses		10,000
	Interest on bank loan		2,000
	Depreciation on machinery		10,000
	Provision for taxation		8,000
Loss sales of machine (cost 10,000; accumulated depreciation Rs. 4,000)			4,000
	Total operating expenses		34,000
Net income			14,000

Required: Statement of cash flow (apply direct method) [15]

Ans: CFOA Rs. 20,000; CFIA Rs. (38,000); CFFA Rs. 38,000

17. 2062 Q.No.16

The financial statement of a Ltd. company have been presented below:

Balance Sheet of Ltd. Company

Liabilities	Year I	Year II	Assets	Year I	Year II
Equity share of Rs. 100 each	100,000	200,000	Land and building	80,000	120,000
Share premium	10,000	20,000	Plant & machinery at cost	100,000	160,000
10% Debenture	50,000	20,000	Depreciation on plant	(30,000)	(40,000)
Accounts payable	40,000	60,000	Investment	40,000	50,000
Provision for taxation	20,000	30,000	Inventories	20,000	50,000
Provision for dividend	10,000	20,000	Accounts receivable	30,000	40,000
Profit & Loss a/c	20,000	50,000	Cash at bank	10,000	20,000
	250,000	400,000		250,000	400,000

Income Statement for Year II

Sales		Rs. 200,000
Less: Cost of goods sold		
Beginning inventory	Rs. 20,000	
Purchases	80,000	
Less: Ending inventory	(50,000)	50,000
Wages paid		30,000
Total cost of goods sold		80,000
Gross margin		120,000
Less: Operating expenses:		
Office expenses		30,000
Interest on debenture		5,000
Depreciation		20,000
Redemption of debentures (Premium)		3,000
Provision for taxation		30,000
Provision for dividend		20,000
Total operating expenses		108,000
Net income before other income		12,000
Add: Interest from investment		10,000
Add Profit on sale of plant (Cost 20,000) accumulated depreciation 10,000		8,000
Total Net income		30,000

Required: Cash flow statement showing cash from ❶ Operating activities ❷ Investing activities ❸ Financing activities [6+4+3+2]

Ans: ❶ Rs. 55,000 ❷ (Rs. 112,000) ❸ Rs, 67,000

18. 2061 Q.No.16 OR

The Balance Sheet of a company for 2001 is given below:

Liabilities	2000	2001	Assets	2000	2001
Share capital: Equity shares of Rs. 100 each	1,000,000	1,500,000	Plant & machinery Less depreciation	770,000	1,540,000
Share premium	100,000	150,000	Investment	300,000	200,000
10% debenture	100,000	200,000	Inventories	150,000	200,000
Accounts payable	100,000	80,000	Accounts receivable	200,000	150,000
Accrued wages	10,000	20,000	Prepaid operating exp.	30,000	10,000
Provision for taxation	80,000	60,000	Cash at bank	50,000	100,000
Profit & loss A/C	110,000	190,000			
	1,500,000	2,200,000		1,500,000	2,200,000

Income Statement for 2001

Sales net		Rs. 1,000,000
Less: Cost of goods sold		
Beginning inventory	150,000	
Add: Purchases	500,000	
Less: Ending inventory	(200,000)	450,000
Wages		150,000
Total cost of goods sold		600,000
Gross margin		400,000
Less: Operating expenses:		
Operating expenses other than depreciation		100,000
Depreciation on plant & machinery		100,000
Loss on sale of plant (book value 60,000)		10,000
Provision for taxation		80,000
Total		290,000
Net income		110,000
Add: Profit on sale of investment		70,000
Total net income		180,000

Required: Statement of sources and application of cash showing:

1. Cash available from operating activities. [6]
2. Cash available from investing activities. [4]
3. Cash available from financing activities. [3]
4. Ending balance of cash and cash equivalent. [2]

Ans: 1. Rs. 210,000, 2. Rs. (710,000), 3. Rs. 550,000, 4. Net change in cash Rs. 50,000

19. 2060 Q.No.16 OR

The income statement and balance sheet of a ltd. company have been given below:

Income Statement for year two

	Rs.	Rs.
Sales (net)		1,200,000
Less: Cost of goods sold		
Purchase	500,000	
Add: Beginning inventory	100,000	
Less: Ending inventory	(150,000)	450,000
Wages		400,000
Total cost of goods purchased		850,000
Gross margin		350,000
Operating expenses (including depreciation Rs. 80,000 Interest on debenture Rs. 20,000 and insurance premium)		200,000
Premium on redemption of debenture		10,000
Loss on sale of fixed assets (cost Rs. 80,000 Accumulated depreciation 40,000)		10,000
Provision for taxation		60,000
Provision for dividend		50,000
Total operating expenses		330,000
Net income		20,000

Balance Sheet of A. Ltd. for year one and two

Liabilities	Year One	Year Two	Assets	Year One	Year Two
Equity share capital	800,000	1,000,000	Land & building (cost)	500,000	700,000
10% debenture	200,000	100,000	Plant & machinery (cost)	650,000	800,000
Bank loan	100,000	300,000	Inventory	100,000	150,000
Accumulated dep.	100,000	140,000	Accounts receivable	150,000	200,000
Accounts payable	100,000	100,000	Prepaid insurance	10,000	20,000
Wages accrued	—	20,000	Cash at bank	90,000	30,000
Provision for taxation	50,000	60,000			
Provision for dividend	50,000	60,000			
Retained earning	100,000	120,000			
	1,500,000	1,900,000		1,500,000	1,900,00 0

Required: Statement of sources and application of cash showing

a. Cash from operating activities.
b. Cash from investing activities.
c. Cash from financing activities.
d. Ending balance of cash and cash equivalent. [6+4+3+2]

Ans: a. Rs. 90,000; b. Rs. (400,000); c. Rs. 250,000; d. Net change in cash Rs. (60,000)

20. 2059 Q.No.16 OR

The income statement and the balance sheets of a company have been provided below:

	Sales (net)		Rs. 500,000
Less:	Cost of goods sold:		
	Beginning inventory	100,000	
	Purchases	200,000	
Less:	Ending inventory	(80,000)	220,000
	Wages paid		80,000
	Total cost of goods sold		300,000
	Gross margin		200,000
Less:	Operating expenses:		
	Operating expenses (excluding depreciation)	50,000	
	Depreciation on plant	40,000	
	Provision for taxation	50,000	
	Premium on redemption of debenture	5,000	
	Total operating expenses		145,000
	Net operating income		55,000
Add:	Profit on sale of machine book value Rs. 25,000		15,000
	Net income		70,000

Net changes in balance sheet items during the year were:

Share capital	Rs. 200,000	Profit & loss	Rs. 20,000
Share premium	Rs. 20,000	Fixed assets (net)	Rs. 200,000
Debenture	Rs. 50,000	Inventory	Rs. 20,000
Accounts payable	no change	Accounts receivable	Rs. 40,000
Provision for taxation	Rs. 10,000	Cash at bank	Rs. 20,000

Required: Cash flow statement by showing cash from operating, financing and investing activities. [6+4+3+2=15]

Ans: CFOA Rs. 90,000, CFIA (Rs. 2,25,000) and CFFA Rs. 1,15,000

21. 2058 Q.No.16

The balance sheets and the income statements of a company have been given below:

Balance Sheets

Liabilities	Year I	Year II	Assets	Year I	Year II
Share capital	400,000	500,000	Land & building	100,000	100,000
Share premium	20,000	25,000	Plant & machinery, net	250,000	300,000
10% debenture	100,000	50,000	Investment at cost	100,000	150,000
Bank overdraft	—	20,000	Inventories	100,000	50,000
Accounts payable	80,000	50,000	Prepaid expenses	4,000	6,000
Outstanding expenses	10,000	5,000	Accounts receivable	96,000	74,000
Provision for taxation	30,000	40,000	Cash at bank	30,000	50,000
Profit & loss	40,000	40,000			
	680,000	730,000		680,000	730,000

Income Statement Year II

Sales revenue		Rs. 400,000
Less: Cost of goods sold		
Beginning inventory	Rs. 40,000	
Add: Purchases	150,000	
Less: Ending inventory	(30,000)	160,000
Wages		90,000
Total cost of goods sold		250,000
Gross margin		150,000
Less: Operating expenses		
Operating expenses (including depreciation Rs. 30,000 and interest Rs. 10,000)		80,000
Debenture premium		10,000
Provision for taxation		40,000
Total operating expenses		130,000
Net income before other income		20,000
Add: Gain on sale of plant (Cost Rs. 30,000 accumulated depreciation Rs. 10,000)		20,000
Total net income		**Rs. 40,000**

Required: Statement of cash collection and disbursements showing. Net cash available from operation, investing and financial activities. [6+3+4+2=15]

Ans: CFOA Rs. 105,000, CFIA Rs. (1,10,000) and CFFA Rs. 25,000

22. 2057 Q.No.16

The Income Statement and other related information have been provided below:

Income Statement for the year end 2056

	Rs.	Rs.
Sales Revenue		5,00,000
Less: Cost of goods sold		3,00,000
Gross margin		2,00,000
Less: Operating Expenses:		
Office rent, rates and salaries	60,000	
Depreciation written off on machinery	50,000	
Premium on redemption of Debentures	5,000	
Interest on Debenture	10,000	
Provision for taxation	20,000	
Total Operating expenses		1,45,000
Net Income before other income		55,000
Add: Profit on sale of plant (Book value 40,000)		10,000
Net Income		65,000
Less: Provision for Dividend		30,000
Retained earning		35,000

Other Balance Sheet Items:

	Baisakh 1, 2056	Chaitra 30, 2056
Inventories	50,000	60,000
Accounts receivables	80,000	50,000
Account payables	40,000	70,000
Outstanding salaries	10,000	5,000
Debenture	1,50,000	1,00,000
Provision for taxation	30,000	20,000
Provision for Dividend	20,000	30,000
Plant & Machinery (net)	3,50,000	6,00,000
Investment at cost	50,000	1,00,000
Share capital	5,00,000	7,00,000
Cash at Bank	30,000	50,000

Required: Statement of sources and application of cash showing net cash available from operating, investing and financing activities. [6+3+4+2 = 15]

Ans: CFOA Rs. 145,000; CFIA Rs. (340,000), and CFFA Rs. 1,25,000

23. 2056 Q.No.16 OR

The balance sheets of a company for the past two years are:

Capital Liabilities	Amount Year I	Amount Year II	Assets	Amount Year I	Amount Year II
Share capital	5,00,000	7,00,000	Land & Building at cost		
Share premium	50,000	70,000	Plant & Machinery	3,00,000	3,00,000
10% Debentures	1,00,000	50,000	Trade Investment	3,60,000	6,30,000
Bank overdraft	50,000	1,00,000	Inventories	40,000	
Account payable	1,00,000	80,000	Accounts receivable	1,50,000	1,50,000
Provision for dividend	50,000	70,000	Cash at bank	1,00,000	1,50,000
Provision for taxation	50,000	60,000		50,000	70,000
Retained earning	1,00,000	1,70,000			
	10,00,000	13,00,000		10,00,000	13,00,000

Additional information:

Depreciation on plant & Machinery was written off by Rs.70000. Company paid a dividend and taxation of Rs.50000 each during the period II. Trade investment were sold for Rs.80000 and the profit realized was credited to profit & loss account. A premium of 10% was paid to debenture holders at the time of redemption of debenture debts.

Required: [7+2+4+2]

a. Cash available from operating activities.
b. Cash available from investing activities.
c. Cash available from financing activities.
d. Net change in cash and cash equivalent.

Ans: a. Rs. 1,15,000; b. (Rs. 2,60,000); c. Rs. 1,65,000; d. Rs. 20,000

24. 2055 Q.No.4

The detailed income statement of a company is as under:

Particulars	Rs.	Rs.
Cash and credit sales		5,00,000
Less: Purchases	1,50,000	
Less: Direct wages	1,50,000	
		3,00,000
Total cost of goods sold		
Gross margin		2,00,000
Less: Operating Expenses	60,000	
Less: Depreciations	40,000	
		1,00,000
Total operating expenses		
Net income before tax		1,00,000
Less: Tax paid	30,000	
Less: Dividend paid	20,000	50,000
Retained earning		50,000

Additional information:

Current liabilities increased by	Rs.50,000
Current assets other than cash increased by	Rs.60,000
Net value of plant & Machinery increased by	Rs.1,60,000

Company issued additional shares of	Rs.1,00,000
Beginning balance of cash	Rs.50,000
Ending balance of cash	Rs.30,000

Required:

a. Cash available from operating activities [3]
b. Cash available from investing activities [2]
c. Cash available from financing activities [2]
d. Changes in cash and cash equivalent position [1]

Ans: a. Rs. 1,00,000; b. (Rs. 2,00,000) c. Rs. 80,000; d. (Rs. 20,000)

4. Value Added Statement

1. 2072 Q.No. 6

The following information are provided: [2]

Sales	Rs.700,000
Opening stock of materials	Rs.100,000
Closing stock of materials	Rs.75,000
Materials purchased	Rs.400,000

Required: Added value

Rs.275,000

25. 2072 (ii) Q.No. 8

Following information are provided: [2]

Sales.. 1,000,000
Commission to salesman......................... 50,000
Purchase of raw materials...................... 600,000
Income tax paid................................ 20,000
Royalty received............................... 50,000

Required: Added value

Ans: Rs. 400,000

2. 2071 Q.No.8

Following information is provided: [2]

Cost of bought in material = Rs.600,000
Sales return = Rs.60,000
Royalty received = Rs.50,000
Sales = Rs.800,000
Income tax paid = Rs.20,000

Required: Added value

Ans: Rs. 190,000

3. 2070 Q.No.14

A manufacturing company provides you the following information:

Revenue from sales goods	Rs. 850,000
Materials purchases & used	210,000
Paid for the other services used for production of goods	72,105
Opening stock of finished goods, work- in- progress and raw materials	45,000
Closing finished goods, WIP and raw materials	65,000
Productive & non- productive wages to the workers	343,600
Salaries to the staff of the functional departments	142,620
Depreciation of productive assets	20,500
Depreciation on office equipments	1,120
Dividend proposed	24,000
Taxes paid	18,500

Required: Value added statement showing value added generated and applied for. [5]

Ans: Rs. 587,895

4. 2069 Q.No. 12

The details regarding manufacturing and selling of a finished goods have been provided below:

Raw material	Rs. 200,000
Store & fuel	30,000
Wages	50,000
Factory expenses	120,000

Total manufacturing cost	400,000
Less: Closing stock	40,000
Cost of sales	360,000
Sales revenue	510,000
Gross profit	150,000

Non-manufacturing cost:

Office & administrative overhead	Rs. 70,000
Selling & distribution overhead	Rs. 30,000
Other expenses	Rs. 10,000

Required: Value added statement [5]

Ans: Rs. 90,000

5. 2068 Q.No. 12

Following information is supplied by a Manufacturing Concern

Sales revenue	Rs. 720,000
Miscellaneous income	20,000
Wages & salaries	200,000
Material purchased	290,000
Services purchases	70,000
Depreciation on fixed assets	35,000
Amortization of intangible assets	5,000
Interest on loan paid	20,000
Dividend proposed	20,000
Loan interest payable	4,000
Tax on profit for the year	60,000
Profit transfer to general reserve	20,000
Profit retained	16,000

Required: Value Added Statement showing value added generated and applied [2.5+2.5]

Ans: 3,80,000

6. 2067 Q. No. 12

The details regarding costs and other relevant information have been provided below.

Sales revenue	Rs. 1,200,000
Freight	Rs. 30,000
Stores supplies	Rs. 30,000
Depreciation	Rs. 80,000
Purchases	Rs. 420,000
Income tax	Rs. 60,000
Dividend paid	Rs. 40,000
Manufacturing expenses	Rs. 300,000
Administrative expenses	Rs. 60,000
Selling & Distribution expenses	Rs. 20,000

Required: Value Added Statement by showing retained profit for the period. [5]

Ans: Rs. 3,40,000

7. 2066 Q. No. 12

A manufacturing firm provides the following information:

Purchase of raw materials	Rs. 150,000
Opening stock of raw materials	50,000
Closing stock of raw materials	30,000
Manufacturing expenses	120,000
Administrative & general expenses	30,000
Selling & distribution expenses	60,000
Wages to workers	90,000
Salary to employees	50,000
Tax paid to government	20,000
Dividend paid to shareholders	25,000
Depreciation on fixed assets	7,500
Sales revenue	650,000

Required: Value added statement. [5]

Ans: Rs. 270,000

8. 2065 Q. No. 12

A factory provides the following information:

Particulars	Amount (Rs.)
Sales revenue	10,00,000
Value of material bought	400,000
Wages paid to worker	350,000
Interest on loan	10,000
Dividend received	5,000
Depreciation	40,000
Dividend paid	35,000
Tax paid 25% of net profit	

Required: Value added statement showing value added generated and applied. [5]

Ans: TVA = Rs. 6,05,000

9. 2064 Q. No. 11

A factory provides the following information: [5]

Sales revenue	Rs. 3,30,600
Factory and general expenses	69,600
Raw materials purchases	1,12,000
Selling and distribution expenses	39,200
Opening value of raw materials	22,000
Closing value of materials, WIP and finished goods	59,000
Rent income	5,500
Wages to labourers	81,200
Salaries to the staff	15,200
Depreciation on assets	14,400
Income tax paid	7,200
Dividend and interest paid	10,800

Required: Value added statement-showing value added generated and applied.

Ans: TVA = Rs. 1,52,300

10. 2063 Q. No. 14

The Trial Balance of a manufacturing company as on Ashadh 31, last year is given as under:

Account heads	Balances	
	Dr. Rs.	Cr. Rs.
Sales	–	6,75,000
Current liabilities	–	37,500
Opening stock	18,750	–
Fixed assets	3,00,000	–
Wages and salaries	37,500	–
Purchases	1,50,000	–
Carriage	15,000	–
Factory expenses	1,12,500	–
Administrative and selling expenses	1,68,750	–
Bank overdraft	–	12,500
Current assets	60,000	–
Capital	–	1,50,000
Interest expenses	12,500	–
	8,75,000	8,75,000

Depreciation on fixed assets was charged at 20% of cost and closing stock was valued at Rs. 18,000.

Required: Value added statement in complete form. [5]

Ans: Rs. 228,000

11. 2062 Q. No. 15

The manufacturing and profit and loss account of a company for the year ended 31st December last year is given below:

Manufacturing and Profit and Loss Account

	Rs.		Rs.
To Raw material b/d	20,000	By Closing raw materials c/d	25,000
To Raw materials purchased	150,000	By Manufacturing cost	225,000
To Wages and salaries	70,000		
To Carriage	10,000		
	250,000		250,000
To Manufacturing cost b/d	225,000	By Sales	300,000
To Finished goods b/d	40,000	By Closing stock	50,000
To Pension	20,000		
To Interest on loan	5,000		
To Depreciation	10,000		
To Tax	10,000		
To Net profit	40,000		
	350,000		350,000

Required: Value added statement.

Ans: Total Value added Rs. 155,000

12. 2061 Q. No. 8

The trial balance of a firm as on 31st December, last year is given below:

Particulars	Debit (Rs.)	Credit (Rs.)
Beginning stock	32,000	
Purchases	150,000	
Wages	80,000	
Sundry debtors	70,000	
Carriage	10,000	
Sales	–	380,000
Drawing	20,000	
Cash at bank	40,000	
Salaries	20,000	
Rent & taxes	78,000	
Sundry creditors		20,000
Capital		100,000
Total	**500,000**	**500,000**

Additional information:

(i) Closing stock- Rs. 40,000, (ii) Wages prepaid- Rs. 10,000

Required: Value-added statement [5]

Ans: Rs. 150,000; Rs. 60,000

13. 2061 2nd Q. No. 15

The following figures have been extracted from the books of a factory for a certain period.

Wages and salaries	Rs. 30,000
Trunk and telephone	10,000
Interest on loan	3,000
Dividend to shareholder	5,000
Tax	10,000
Depreciation	2,000
Purchase of material	100,000
Other suppliers	10,000
Opening stock	5,000
Closing stock	15,000
Dividend received	10,000

The sales for the period was Rs. 200,000

Required: Value added statement by showing conversion and bought in material cost and profit. [5]

Ans: Rs. 100,000; Rs. 50,000