# D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS0,VELLORE-1.

## ACCOUNTING MANAGERIAL DECISION

## I ST M.COM

## BUDGETING AND BUDGETARY CONTROL

### SECTION – A 6 MARKS

1. From the following figures prepare raw material purchase Budget.

| PARTICULARS | MATERIAL | | | |
|---|---|---|---|---|
| | A | B | C | D |
| **Estimated :-** | | | | |
| Opening stock | 16,000 | 6,000 | 24,000 | 2,000 |
| **Estimated :-** | | | | |
| Closing stock | 20,000 | 8,000 | 28,000 | 4,000 |
| **Estimated :-** | | | | |
| (Sales) Consumption | 1,20,000 | 44,000 | 1,32,000 | 36,000 |
| Standard Price Per | 0.25 | 0.05 | 0.15 | 0.10 |

2. The Sales directors of a manufacturing company reports that to sales 40,000 units of a particulars Product the production department of gives following particulars 2 kinds of raw materials AB are required for manufacturing the product each product required 3 units of Material A 2 unit of Materials B. The estimated opening of next year will be finished product 10,000 units.

   Material A = 12,000 Units
   Material B = 15,000 Units

   The describe closing balance at the end of the year.

   Material A =14,000 Units
   Material B = 15,000 Units

Finished product 16,000 unit

Draw up material purchases Budget.

3. The Sales directors of Palavan limited report that next year he expected to sell 54,000 certain product the production Manager constant the store keeper and its figure given below 2 kinds, of raw material A, B required Manufacturing A, B required manufacturing the product each unit of product 2 unit of AB unit of B. The opening balance sheet at commencement of next year.

| PARTICULARS | RS |
|---|---|
| Finished Product<br>1000 Units | Finished |
| Material A 12000 unit<br>B 15000 unit | A 13000 unit<br>B 16000 unit |

Describe closing balance at next year.

4. Draw a Material procurement budget (quantitative) from the following information estimate of sales of a product 40,000 units each unit of product required 3 Materials (A) 5 Material (B). Estimated opening balances at next year.

Material A 12,000 Units
Material B 20,000 Units

Material on order

Material A 7,000 Units
Material B 11,000 Units

The closing balance at in next year finished product 7000 units.

Material A 15,000 Units
Material B 25,000 Units

Material on order

Material A 8,000 Units
Material B 10,000 Units

## PRODUCTION BUDGET

5. From the following budget prepare a product budget of sales co-operation of the year ended on 30th June 2007.

| Product | Sales | Estimated stock (Unit) | |
|---|---|---|---|
| | | | |

| | | | |
|---|---|---|---|
| A | 1,50,000 | 14,000 | 15,000 |
| B | 1,00,000 | 5,000 | 4,500 |
| C | 70,000 | 8,000 | 8,000 |

6. From the following particulars prepare production budget for 3 month May June & July.

| | |
|---|---|
| Estimated Sales | 1,60,000 |
| June | 1,30,000 |
| July | 1,20,000 |
| Opening May | 80,000 |
| June | 65,000 |
| July | 60,000 |
| Closing May | 10,000 |
| June | 80,000 |
| July | 14,000 |

**COST BUDGET**

7. From the following particulars prepare production cost budget for the Month of December 2000.

| PARTICULARS | OPENING | CLOSING |
|---|---|---|
| Finished Goods | 1,200 | 1600 (Units) |
| Raw Material | | |
| A | 5,000 Kgs | 4800 |
| B | 2,000 Kgs | 3100 Kgs |

Budget sales for the Month 7000 Units.
Raw Materials recurred to produced

1. Unit for A 4 kgs and Rs.8 per kg.
2. Unit for B 2 Kgs at 25 per Kg.

**SALES BUDGET (Units):-**

1. Chengacherical ltd., sells two produce A and Y which are produced in its special produced division. Sales for the year 1999 were planned as follows:

| | 1st Quarter Units | 2nd Quarter Units | 3RD Quarter Units | 4th Quarter Unit |
|---|---|---|---|---|
| PRODUCT X | 25000 | 30000 | 32500 | 37500 |
| PRODUCT Y | 12500 | 11250 | 10000 | 9500 |

The Selling prices were Rs.20 per unit and R.50 per unit respectively for X and Y. Average sales returns are 4% of sales and the discounts and bad debts amount to 3 % of the total sales. Prepare sales budget for the year 1999.

**PURCHASE BUDGET:**

1. From the following figures, Raw materials for the Budget period 1977.

| | **A** | **B** | **C** | **D** | **E** | **F** |
|---|---|---|---|---|---|---|
| Estimated stock 1st Jan. | 16,000 | 6,000 | 24,000 | 14,000 | 2,000 | 28,000 |
| Estimated stock 31st Jan. | 20,000 | 8,000 | 28,000 | 4,000 | 16,000 | 32,000 |
| Estimated consumptions | 1,20,000 | 44,000 | 1,32,000 | 36,000 | 88,000 | 1,72,000 |
| Standard price per unit | 25 p | 5 p | 10 p | 20 p | 30 p | |

2. A Company at present apparently at 30% capacity producers and Sales 40,000 units given below are the expenses per unit.

Direct Material 15

Direct Labour 10

Factory O.H (30% Fixed) Rs.5

Office O.H 3 (60% Variable)

Selling and distribution O.H. 2 (50% fixed)

Selling price 45

Prepare at budget at 60%.

Capacity and 90% capacity.

3. Electonic ltd at prepared its budget for the year ending 31.03.05 based on the production of 1 lakh units of that only product as under,

| | |
|---|---|
| Raw Material | 2,52,000 |
| Direct labour | 75,000 |
| Direct Expenses | 10,000 |
| Works overhead | |
| (60% fixed) | 2,50,000 |
| Administration O.H | 40,000 |
| (80% Fixed) | |
| Selling O.H | 20,000 |
| (50% Fixed) | |

For warn of demand the actual production for the period was only 60,000 units. Prepare a flexible budget showing the budgeted cost per unit and the both original and actual performance.

**SECTION – B 15 MARKS**

**FLEXIBLE BUDGET:**

4. A Company at present 50% produced and sales 10,000 units the unit cost is Rs.180, and selling price is Rs.200. The expenses per unit are given below direct material 400 .

   Direct labour 30. Factory expenses (60% is variables) 30 Administration expenses (40% fixed among) 20. Prepare a flexible budget at 80 capacity. (Balance 40% Fixed.)
5. With the following data for 60% activity. Prepare a budget at 80% activity production at 60% capacity 600 units.

| | |
|---|---|
| Material | RS. 100 per unit |
| Labour | Rs.40 per unit |
| Direct expenses | Rs. 10 per unit |
| Factory Expenses | Rs.40,000 ( 40% Fixed) |
| Administration Expenses | Rs.30,000 (60% Fixed) |

6. A Firm expert to have Rs. 30,000 on 1st May 2006 and require you to prepare and estimate of the cash position during the three Month from May to July 2006. The following information a supply to you.

| MONTH | SALES | PURCHASES | WAGES | FACTORY | OFFICES | SELLING |
|---|---|---|---|---|---|---|
| March | 40,000 | 24,000 | 6,000 | 3,000 | 4,000 | 3,000 |
| April | 46,000 | 28,000 | 6,500 | 3,500 | 4,000 | 3,500 |
| May | 50,000 | 32,000 | 6,500 | 4,000 | 4,000 | 3,500 |
| June | 72,000 | 36,000 | 7,000 | 4,400 | 4,000 | 2,000 |
| July | 84,000 | 40,000 | 7,250 | 4,250 | 4,000 | 4,000 |

Additional Information :-

- 25% of sales is cash remaining amount is collected in the Month following.
- Suppliers supply goods on 2 Month produced.
- Delay in payment of Wages and all other expenses 1 month following.
- Income tax Rs.10,000 is due to be paid in July.
- Proportion share dividend of 10% on Rs.1,00,000 is to be paid in May Month.

7. XYZ Companies wished to arranged over draft facilities with its Bankers during the period April to June will be manufacturing mostly stock of Prepare Cash Budget for the above from the following data.

| **MONTH** | **SALES** | **PURCHASES** | **WAGES** |
|---|---|---|---|
| FEB | 1,80,000 | 1,24,800 | 12,000 |
| MARCH | 1,92,000 | 1,44,000 | 14,000 |
| APRIL | 8,000 | 2,43,000 | 11,000 |
| MAY | 1,74,000 | 2,46,000 | 10,000 |

| | | | |
|---|---|---|---|
| JUNE | 1,26,000 | 2,68,000 | 15,000 |

- 50% of credit sales is realized in the Month following the sales and the other 50% in the 2ND Month following creditors or paid in the month following the month of purchases.
- Wages or paid at the end of the respective Month.
- Cash at Budget 1 April Rs.25,000.

8. Prepare a flexible budget for Overheads on the basis of the following data. Ascertain the overhead rate at 50% 60% and 70% capacity.

| | At 60% Capacity |
|---|---|
| Variable Overheads: | |
| Indirect Material | 6,000 |
| Indirect labour | 18,000 |
| Semi- variable overhead | |
| Electricity (40% fixed : 60% Variable) | 30,000 |
| Repairs (80% fixed : 20 % Variable) | 3,000 |
| Fixed Overheads : | |
| Depriciation | 16,500 |
| Insurance | 4,500 |
| Salaries | 15,000 |
| Total overheads | 93,000 |
| Estimated direct labour hours | 1,86,000 |

9. Your company manufactures two products ‘A’ and ‘B’. A forecast of the units to be sold in the first seven Months of the year is given below:-

| | **Product A** | **Product B** |
|---|---|---|
| January | 1000 | 2800 |
| February | 1200 | 2800 |
| March | 1600 | 2400 |

| | | |
|---|---|---|
| April | 2000 | 2000 |
| May | 2400 | 1600 |
| June | 2400 | 1600 |
| July | 2000 | 1800 |

It is anticipated that (i) There will not work in – progress at the end of any month and (ii) Finished units equal to half the sales for the next month will be in stock at the end of each month (including the previous year)

Budgeted production and production costs for the whole year are as follows:

| | **Product A** | **Product B** |
|---|---|---|
| Production (Units) | 22,000 | 24,000 |
| Direct material (per unit) | Rs.12.50 | 19.00 |
| Total factory overhead | 66,000 | 96,000 |

Prepare for the six month period ending 30th June

(i) A production budget for each Month, and (ii) A summarized production cost budget.

**SECTION –A**

**SECTION – B**

8. Prepare the production of the 5000 units in a factory are given as follows,

| **Particulars** | **Per Unit (Rs)** |
|---|---|
| Mateial | 50 |
| Labour | 20 |
| Varible O.H | 15 |
| Fixed O.H. | 10 (50,000) |

| | |
|---|---|
| Administration (expense) | 10 (5% variable) |
| Selling expenses | 6 (20% fixed) |
| Distribution expenses | 5 (10% fixed) |
| | |
| Total cost per unit | 116 |

Your required prepare a budget for the productions of 7000 units.

9. Explain Zero based Budgeting? Briefly?
10. Explain Briefly Budgets based on functions?
11. From the following data, prepare a production budget for the ABC Co.ltd.

Stock for the budget period:

| Product | As on 1st Jan | As on 30th June |
|---|---|---|
| A | 8000 | 10000 |
| B | 9000 | 8000 |
| C | 12000 | 14000 |

Requirement to fulfill programme

| | | |
|---|---|---|
| A | - | 60,000 Units |
| B | - | 50,000 Units |
| C | - | 80,000 Units |

Normal loss in production

| | | |
|---|---|---|
| A | - | 4% |
| B | - | 2% |
| C | - | 6% |

## UNIT-2

**FUNDS FLOW STATEMENT:**

1. From the following prepare a statement showing changes in the working capital during 1998:

Balance sheet of XYZ a on 31st December

| **Liabilities** | **1997** | **1998** | **ASSETS** | **1997** | **1998** |
|---|---|---|---|---|---|
| Capital :<br><br>Equity share | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| capital | 1,50,000 | 1,50,000 | Fixed Assets | 1,60,000 | 2,25,000 |
| Preference share capital | - | 1,00,000 | Investments | - | 10,000 |
| Reserves and surplus: | | | Current Assets : | | |
| General reserve | 40,000 | 50,000 | | | |
| Profit and loss A/c | 35,000 | 80,000 | Stock | 30,000 | 50,000 |
| | | | Debtors | 30,000 | 50,000 |
| Current liabilities: | | | Bills receivables | 7,000 | 4,000 |
| Creditors | 30,000 | 20,000 | Prepaid expenses | 10,000 | 23,000 |
| Bill payable | - | 4,000 | | | |
| Bank Overdraft | 5,000 | - | Cash | 30,000 | 20,000 |
| Provision for taxation | 8,000 | 13,000 | Advances | 21,000 | 61,000 |
| Proposed dividend | 20,000 | 26,000 | | | |
| **TOTAL** | **288,000** | **4,43,000** | | **288,000** | **4,43,000** |

2. From the following details, find out the funds from operations:

Profit and loss a/c for the year ended..

| PARTICULARS | RS | RS | PARTICUALRS | RS | RS |
|---|---|---|---|---|---|
| To Salaries | | 1,20,000 | By Gross profit | | 3,00,000 |
| To Rent | | 45,000 | By profit on sale of building | | |
| To Provision for bad debts | | 15,000 | Sold for | 30,000 | |
| | | | Book value | 15,000 | 15,000 |
| To preliminary expenses written off | | 30,000 | | | |
| To Goodwill written off | | 15,000 | | | |
| To Depreciation on Machinery | | 15,000 | | | |
| To Loss on sale of plant: | | | | | |
| Book Value Rs. | 30,000 | | | | |
| Sold for Rs. | 24,000 | 6,000 | | | |
| To Provision for tax | | 15,000 | | | |
| To Net profit | | 4,000 | | | |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| | | 3,15,000 | | | 3,15,000 |

3. From the following balance sheets of Sun Company Ltd., as on 31st Dec 1997 and 31st Dec 1998 . Prepare:

   (i) A Schedule of changes in working capital and

   (ii) Funds flow statement.

| **Liablilities** | **31.12.97 RS** | **31.12.98 RS** | **Assets** | **31.12.97 RS** | **31.12.98 RS** |
|---|---|---|---|---|---|
| Equity share capital | 3,00,000 | 4,00,000 | Furniture | 1,00,000 | 1,20,000 |
| Share premium | - | 10,000 | (at cost) | | |
| General Reserve | 1,00,000 | 1,20,000 | Less: | | |
| Profit and loss A/c | 40,000 | 70,000 | Depreciation | 56,000 | 68,000 |
| Debentures | 2,00,000 | 1,50,000 | | 44,000 | 52,000 |
| Bills payable | 50,000 | 40,000 | Goodwill | 20,000 | 16,000 |
| Trade creditors | 70,000 | 80,000 | Long term | 80,000 | 1,04,000 |
| Outstanding | | 2,000 | Investments | | |
| expenses | 4,000 | | Stock | 5,08,000 | 5,78,000 |
| | | | Debtors | 62,000 | 56,000 |
| | | | Cash at Bank | 44,000 | 62,000 |
| | | | Discount on | | |
| | | | debentures | 6,000 | 4,000 |
| | 7,64,000 | 8,72,000 | | 7,64,000 | 8,72,000 |

4. Prepare Fund flow statement:

| **Liablilities** | **1980** | **1981** | **Assets** | **1980** | **1981** |
|---|---|---|---|---|---|
| Share Capital | 7,20,000 | 8,40,000 | Fixed Assets | 12,00,000 | 14,40,000 |
| General reserve | 2,40,000 | 3,00,000 | Less: | | |
| Capital reserve | - | 12,000 | Accumulated | | |
| | | | depreciation | 2,40,000 | 3,00,000 |

| | | | | | |
|---|---|---|---|---|---|
| Profit &Loss a/c | 1,20,000 | 2,40,000 | | | |
| 7% Debentures | 3,60,000 | 2,40,000 | Net Fixed Assets | 9,60,000 | 11,40,000 |
| Creditors for expenses | 12,000 | 14,400 | Investment at cost | 2,16,000 | 2,16,000 |
| Creditors for goods | 1,92,000 | 3,00,000 | Inventory at cost | 2,40,000 | 3,24,000 |
| Proposed dividend | 36,000 | 42,000 | Sundry debtors Less: Provision | 2,70,000 | 2,94,000 |
| Provision for Tax | 84,000 | 90,000 | Bills Receivable | 48,000 | 78,000 |
| | | | Prepaid expenses | 12,000 | 14,400 |
| | | | Miscellanies expenses | 18,000 | 12,000 |
| | 17,64,000 | 20,78,400 | | 17,64,000 | 20,78,400 |

(i) During the year 1981, Fixed Assets Written down value Rs.12,000 (Dep. written off Rs. 36,000) was sold for Rs.9600.

(ii) The proposed dividend of last year was paid in 1981.

(iii) During the Year 1981, investment costing Rs.96,000 were sold and later in the year investments of the same cost were purchased.

(iv) Debentures were redeemed at a premium of 10% in 1981.

(v) Liability for Taxation for 1980 came to Rs.66,000.

(vi) During the year 1981. Bad debts written off was Rs.18,000 against the provision account.

5. From the following summarized financial statement of Anxious Ltd., as at 30.4.91 and 30.4.92.

| **Liablilities** | **1980** | **1981** | **Assets** | **1980** | **1981** |
|---|---|---|---|---|---|
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Share Capital | 10,00,000 | 12,00,000 | Fixed Assets | 18,00,000 | 20,50,000 |
| General reserve | 5,00,000 | 6,00,000 | Investments | 2,00,000 | 2,50,000 |
| Profit &Loss a/c | 1,00,000 | 1,50,000 | Inventories | 5,00,000 | 7,00,000 |
| Debentures | 500,000 | 500,000 | Debtors | 5,85,000 | 6,40,000 |
| Sundry creditors | 9,00,000 | 10,50,000 | Cash | 15,000 | 10,000 |
| Proposed dividend | 1,00,000 | 1,50,000 | | | |
| | 31,00,000 | 10,50,000 | | 31,00,000 | 10,50,000 |

During the year ended 30.4.92, depreciation charged on Fixed assets amounted to Rs.2,50,000. The Final dividend for the year ended 30.4.91 amounted to Rs.1,00,000 was paid on 8.1.92.

6. From the following information relation to X & Company, Prepare funds flow statement:

| **Liablilities** | **1973 Rs.** | **1974 Rs.** | **Assets** | **1973 Rs.** | **1974 Rs.** |
|---|---|---|---|---|---|
| Share Capital | 3,00,000 | 4,00,000 | Cash | 30,000 | 90,000 |
| Reserve | 1,00,000 | 50,000 | Accounts receivable | 105000 | 1,50,000 |
| Retained earnings | 30,000 | 60,000 | Inventories | 1,50,000 | 1,95,000 |
| Accounts payable | 45,000 | 1,35,000 | Fixed Assets | 1,90,000 | 2,10,000 |
| | 4,75,000 | 6,45,000 | | 4,75,000 | 6,45,000 |

The Company issued bonus shares for Rs.50,000 and for Rs.50,000, Depreciation written off during the year Rs.15,000.

7. The following Balance sheets related to Rathnam & Co Ltd., Madras:

| **Liablilities** | **1983 Rs.** | **1984 Rs.** | **Assets** | **Figure in , 000 1973 Rs.** | **1984 Rs.** |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Share Capital | 700 | 870 | Land | 80 | 80 |
| Reserves and surplus | 300 | 390 | | | |
| Debentures | 440 | 440 | Buildings | 400 | 320 |
| Provision for depreciation | 100 | 56 | Machinery | 300 | 340 |
| | | | Finished stock | 140 | 120 |
| Current liabilities | 600 | 640 | Stock of Material | 160 | 224 |
| | | | Debtors | 200 | 370 |
| | | | Patents | 20 | 18 |
| | | | Cash | 800 | 888 |
| | | | Discount on debentures | 40 | 36 |
| | .2140 | .2396 | | .2140 | .2396 |

Additional information:

(i) Net profit after tax Rs.2,00,000.

(ii) Shares issued for cash Rs.1,00,000.

(iii) Bonus shares issued Rs.70,000

(iv) Buildings sold Rs.28,000 (Original cost Rs.80,000 written down value Rs.20,000)

8. Following are the comparative balance sheet of a company for the years 1989 and 1990.

| **Liablilities** | **1989 Rs.** | **1990 Rs.** | **Assets** | **1989 Rs.** | **1990 Rs.** |
|---|---|---|---|---|---|
| Share Capital | 70,000 | 74,000 | Cash | 9,000 | 7,800 |
| Debentures | 12,000 | 6,000 | Debtors | 14,900 | 17,700 |
| Creditors | 10,360 | 11,840 | Stock | 49,200 | 42,700 |
| Profit & Loss a/c | 10,740 | 11,360 | Land | 20,000 | 30,000 |
| | | | Goodwill | 10,000 | 5,000 |
| | 1,03,100 | 1,03,200 | | 1,03,100 | 1,03,200 |

Additional Information :

(i) Dividends were paid totaling Rs. 4000.

(ii) Land was purchased Rs.15,000.

You are required to prepare a statement showing changes in working capital and a fund flow statement.

9. From the following Trail balance of Ramesh, Prepare funds flow statement:

| | 1996 | | 1997 | |
|---|---|---|---|---|
| | Dr<br>Rs. | Cr<br>Rs. | Dr<br>Rs. | Cr<br>Rs. |
| Machinery | 50,000 | - | 60,000 | - |
| Furniture | 10,000 | - | 15,000 | - |
| Share Capital | - | 3,00,000 | - | 4,00,000 |
| Stock | 85,000 | - | 1,05,000 | - |
| Debtors | 1,60,000 | - | 1,70,000 | - |
| Cash | 1,10,000 | - | - | - |
| Creditors | - | 1,00,000 | - | 70,000 |
| Profit & Loss a/c | - | 15,000 | | 30,000 |
| | 4,15,000 | 4,15000 | 5,00,000 | 5,00,000 |

10. Robinson Crusoe Ltd, Presents the following Financial statements for 1980 and 1981. Prepare a source and application of funds statement and evaluate your Findings:

| Liablilities | 1980<br>Rs. | 1981<br>Rs. | Assets | 1980<br>Rs. | 1981<br>Rs. |
|---|---|---|---|---|---|
| Sundry creditors | 8,26,000 | 12,54,00 | Cash | 1,06,000 | 62,000 |
| | | | Investments | 1,74,000 | - |
| Bills payable | 4,52,000 | 6,28,000 | Sundry debtors | 6,92,000 | 10,56,000 |
| Loan from Bank | 2,00,000 | 4,70,000 | Stock in trade | 8,64,000 | 13,66,000 |
| | | | Net fixed assets | 22,26,000 | 27,96,000 |
| Reserves & Surplus | 13,84,000 | 17,28,000 | | | |
| Share Capital | 12,00,000 | 12,00,000 | | | |
| | 40,62,000 | 52,80,000 | | 40,62,000 | 52,80,000 |

Depreciation of Rs. 3,78,000 was written off for 1981 of Fixed assets.

**CASH FLOW STATEMENT :**

1. From the following ,prepare cash flow statement:

Balance sheet as on 31st December

| Liabilities | 2001 | 2002 | Assets | 2001 | 2002 |
|---|---|---|---|---|---|
| Share capital | 65,000 | 78,000 | Fixed Assets | 83,000 | 86,000 |
| Profit & loss a/c | 4,000 | 6,500 | Stock in trade | 29,000 | 37,000 |
| Debentures | 30,000 | 25,000 | Cash | 8,000 | 9,000 |
| Creditors for goods | 17,000 | 16,000 | Prepaid expenses | 1,000 | 1,500 |
| Bills payable | 4,000 | 5,000 | Goodwill | 1,000 | - |
| Outstanding expenses | 2,000 | 3,000 | | | |
| | 1,22,000 | 1,33,500 | | 1,22,000 | 1,33,500 |

2. From the following balance sheets of Mr.Willam. Prepare a cash flow statement.

| Liabilities | 2001 | 2002 | Assets | 2001 | 2002 |
|---|---|---|---|---|---|
| Share capital | 65,000 | 78,000 | Fixed Assets | 83,000 | 86,000 |
| Profit & loss a/c | 4,000 | 6,500 | Stock in trade | 29,000 | 37,000 |
| Debentures | 30,000 | 25,000 | Cash | 8,000 | 9,000 |
| Creditors for goods | 17,000 | 16,000 | Prepaid expenses | 1,000 | 1,500 |
| Bills payable | 4,000 | 5,000 | Goodwill | 1,000 | - |
| Outstanding expenses | 2,000 | 3,000 | | | |
| | 1,22,000 | 1,33,500 | | 1,22,000 | 1,33,500 |

3. From the following balance sheets of Mr.William, Prepare a cash flow statement.

| Liabilities | 2002 | 2003 | Assets | 2002 | 2003 |
|---|---|---|---|---|---|
| Capital | 5,00,000 | 6,12,000 | Land & Building | 3,00,000 | 4,40,000 |
| Sundry Creditors | 1,60,000 | 1,76,000 | Plant & Machinery | 3,20,000 | 2,20,000 |
| Mr.Willam's loan | 1,00,000 | - | Stock | 1,40,000 | 1,00,000 |
| Loan from Bank | 1,60,000 | 2,00,000 | Sundry debtors | 1,20,000 | 2,00,000 |
| | | | Cash | 40,000 | 28,000 |
| | 9,20,000 | 9,88,000 | | 9,20,000 | 9,88,000 |

**Additional Information :**

A Machine costing Rs.40,000 ( accumulated depreciation Rs.12,000) was sold for Rs.20,000. The provision for depreciation on 31.12.02 was Rs.1,00,000 and on 31.12.03 Rs.1,60,000. The Net profit for the year 2003 was Rs.1,80,000.

4. From the following information, Prepare a cash flow statement for the year 1982.

Comparative Balance sheets as on 31st December

| **Liabilities** | **1981 Rs.** | **1982 Rs.** | **Assets** | **1981 Rs.** | **1982 Rs.** |
|---|---|---|---|---|---|
| Equity share capital | 1,40,000 | 1,40,000 | Fixed Asset (Net) | 90,000 | 87,000 |
| Reserves | 74,000 | 1,05,000 | Cash | 75,000 | 97,000 |
| Sundry creditors | 32,000 | 35,000 | Sundry debtors | 43,000 | 40,000 |
| Wages outstanding | 3,000 | 4,000 | Inventory | 49,000 | 58,000 |
| Miscellaneous expenses | 11,000 | 3,000 | Prepaid Rent | 3,000 | 5,000 |
| Outstanding | 2,60,000 | 2,87,000 | | 2,60,000 | 2,87,000 |

5. Accumulated depreciation was Rs.16,000 at the end of 1981 and Rs.19,000 at the end of 1982 .

Other Information :

| | |
|---|---|
| Sales | 3,00,000 |
| Cost of goods sold | 1,90,000 |
| Wages | 23,000 |
| Rent | 6,000 |
| Misc. Operating expenses | 47,000 |
| Depreciation | 3,000 |

6. Prepare a statement showing changes in working capital and cash from operation during 1988.

| **Liabilities** | **1997** | **1998** | **Assets** | **1997** | **1998** |
|---|---|---|---|---|---|
| Capital | 1,50,000 | 1,50,000 | Fixed Assets | 1,60,000 | 2,25,000 |
| Prf. Share | - | 1,00,000 | Investments | Nil | 10,000 |

| | | | | | |
|---|---|---|---|---|---|
| capital | | | | | |
| General reserve | 40,000 | 50,000 | Stock | 30,000 | 50,000 |
| P&L A/C | 35,000 | 80,000 | Debtors | 30,000 | 50,000 |
| Creditors | 30,000 | 20,000 | Bills receivable | 7,000 | 4,000 |
| Bills payable | Nil | 4,000 | Prepaid expenses | 10,000 | 23,000 |
| Bank O/D | 5,000 | NIL | Cash | 30,000 | 20,000 |
| Provision for taxation | 8,000 | 13,000 | Advances | 31,000 | 61,000 |
| Proposed dividend | 20,000 | 26,000 | | | |
| | 2,82,000 | 4,43,000 | | 2,88,000 | 4,43,000 |

5. From the following balance sheet as on 31st Dec 1987 and 31st Dec 1988. You are required to prepare a cash flow statement.

| Liabilities | 19987 | 1988 | Assets | 1987 | 1988 |
|---|---|---|---|---|---|
| Share Capital<br>P&L a/c<br>General<br>Reserve<br>6% Bonds<br>Creditors<br>Outstanding | 50,000<br>25,000<br>15,000<br>25,000<br>15,000<br>5,000 | 75,000<br>40,000<br>20,000<br>30,000<br>20,000<br>7,500 | Fixed Asset<br>Inventories<br>Goodwill<br>Debtors<br>Bills<br>receivable<br>Bank | 50,000<br>25,000<br>25,000<br>25,000<br>5,000<br>5,000 | 75,000<br>40,000<br>20,000<br>40,000<br>10,000<br>7,500 |
| | 1,35,000 | 1,92,500 | | 1,35,000 | 1,92,500 |

**UNIT – V**

**(MARGINAL COSTING)**

**6 MARKS :-**

**Problem 1 :-**

The Fixed Expenses of an Industrial concern amount to Rs.1,80,000. Its variable cost per Unit is Rs.29 and selling price is Rs.44 per Unit. Calculate the Break Even point.

**Problem 2:**

a. Calculate the Break-even point:-

   Sales 1000 Units at Rs.10 each Rs.10,000, Variable cost – Rs.6 per Unit, Fixed Cost- Rs.8000.

b. If the selling price is reduced to Rs.9 what is the new Breack –Even point.

**Problem 3:**

Calculate P/V ratio, BEP and Profit.

| | |
|---|---|
| Sales | 10,00,000 |
| Variables cost | 6,00,000 |

Fixed cost 3,00,000 and also calculate when the sales amount Rs.12,00,000. Sales required to earn profit of Rs.2,00,000.

**Problem 4**

Prepare Absorption and Marginal costing. The following figures are Extracted from the Books of Vijay Irons ltd for the year 1989 and 1990 whose capacity is Rs.10,000 irons P.a

| | Per Unit |
|---|---|
| Direct Material | 3.50 |
| Direct Labour | 0.50 |
| Fixed overhead | 2.00 |
| Selling price | 8.00 |

Production in 1989 was 10,000 and in 1990 also it was 10,000 Units. A sale was 8000 Units in 1989 and 12000 Units in 1990.

**Problem 5 :**

From the following details which product is more profitable to manufacturing. Assume time as key factor:

| **PARTICULARS** | **PRODUCT A** | **PRODUCT B** |
|---|---|---|
| Material | 24 | 14 |
| Labour (per hour) | 2 | 3 |
| Variable Overheads | | |
| Sales Price | 100 | 110 |
| Standard time (in hour) | 2 | 3 |

**Problem 6 :**

A Fixed Cost per Month in a factory Rs.50,000. The Contribution per unit Rs.50 for product A and Rs.25 for Product B which of the following is most yielding product.

| | | | | | |
|---|---|---|---|---|---|
| (i) | A | = | 800 Units | B | = 1000 Units |
| (ii) | A | = | 1500 Units | B | = NIL |
| (iii) | A | = | 3000 Units | B | = 3000 Units |
| (iv) | A | = | 1200 UNITS | B | = 400 Units |

**Problem 7 :**

From the Particulars given below calculation,

a. Breakeven point
b. Profit or Loss when sales are Rs.12000 and
c. Sales required to earn profit of Rs.5000.

| | Sales | Profit/ Loss (-) |
|---|---|---|
| Period 1 | 10,000 | 500 |
| Period 2 | 14,000 | 1500 |

1. From the following information calculate P/V Ratio, BEP and Margin of safety

| | |
|---|---|
| Total Sales | Rs.3,60,000 |
| Selling Price Per unit | 100 |
| Variable cost Per unit | 50 |
| Fixed Cost | 1,00,000 |

If the selling is reduced to Rs.90 by how much is margin of safety is reduced.

**Problem 2:**

The following information is obtained from for the year ending 31st March 2008.

| | |
|---|---|
| Sales | Rs.2,00,000 |
| Variable cost | Rs.1,50,000 |
| Fixed cost | Rs. 30,000 |

You are Required to calculate the following :

a) P/V Ratio
b) BEP
c) Margin of safety

c. Revised P/V Ratio BEP and Margin of safety in each of the following cases:

(i) 25% Increase in selling price.
(ii) 10% Decrease in selling price
(iii) 20% Increase in Fixed price.
(iv) 10% Decrease in Fixed price.
(v) 10% increase in variable cost.

**Problem 3 :**

The P/V Ration of a firm dealing in precision Instruments is 50% and margin of safety is 40%

You are required to work-out breakeven point and the net profit if the sales volume is Rs.50,00,000. If 25% of variable cost is labour cost. What will be the effect on BEP and profit when labour efficiency decreases by 5 %.

**Problem 4 :**

An Automobile Manufacturing Company finds that the cost of making part no.208 in its own workshop is Rs.6. The same part is available in the market at Rs.5.60 with as Assurance of continuous supply. The cost data to make the part are

| | |
|---|---|
| Material | Rs.2 |
| Direct labour | Rs.2.50 |
| Other variable cost | Rs.0.50 |
| Fixed cost Allocated. | Rs.1 |

a) Should the part be made or budget?
b) Will your answer be different if the market price is 4.60?

**Problem 5 :**

The problems are the operating details of two plants operating under the same management.

| | **Plant A** | **Plant B** |
|---|---|---|
| Sales | 10,00,000 | 8,00,000 |
| Variable cost | 6,00,000 | 5,00,000 |
| Fixed cost | 2,00,000 | 1,00,000 |
| Capacity of operation | 100% | 50% |

It is proposed to merge both the plants:

You are required to ascertain:

a) Break Even Sales and Break Even Capacity of the merged plant.
b) Profit and profitability of Operating the merged plant at 90 % of the capacity.
c) Capacity level of Operation, if profit of Rs.4,00,000 (the profit made by both plants before merger) has to be made by merged plant.