

Q) Prepare a statement of changes in working capital from following balance sheets of Gayatri & Co.

Liabilities	1998	1999	Assets		1999
			5 lakh	6,00,000	
Equity capital	3,70,000	4,50,000	Long term invest	2,00,000	1,00,000
Debentures	22,000	13,000	Work in progress	48,000	49,00,000
Tax payable	96,000	1,92,000	Stock in trade	1,00,000	2,25,000
Accounts payable	57,000	45,000	Accts receivable	20,000	1,40,000
Interest payable	50,000	35,000	Cash	30,000	10,000
Dividends	11,30,000	12,65,000	Total	11,30,000	2,65,000
<u>Total</u>					

Statement of changes in working capital of  
M/s Gayatri Ltd

Particulars	Years end		Effect on WA	
	1998	1999	Increase	Decrease
<u>Current Assets</u>				
Work in progress	80,000	90,000	10,000	
Stock in trade	1,50,000	2,25,000	75,000	
Accounts receivable	20,000	1,40,000	80,000	
Cash	30,000	10,000		20,000
<u>Total CA</u>	<u>3,30,000</u>	<u>4,65,000</u>		
<u>Current Liabilities</u>				
Tax payable	22,000	43,000	21,000	
Accts payable	96,000	1,92,000	96,000	
Interest payable	57,000	45,000		12,000
Dividends payable	50,000	35,000		15,000
<u>Total CL</u>	<u>2,60,000</u>	<u>3,15,000</u>		
<u>Net working capital</u>	<u>70,000</u>	<u>1,50,000</u>	<u>2,04,000</u>	<u>(-1,24,000)</u>

2) From the following balance sheets of Banu Corporation Ltd, prepare statement showing changes in working capital.

<u>Particulars</u>	1999	1998
<u>Assets</u>		
Goodwill	5000	10,000
Cash	20,000	25,000
Debtors	90,000	98,000
Closing stock	1,20,000	82,000
Long term investments	10,000	15,000
Land	27,000	15,000
Preliminary expenses	3000	5000
Total	3,25,000	2,55,000

## Liabilities

<u>Liabilities</u>		
Trade creditors		45,000
Bills payable		35,000
Loans short term		20,000
Share capital		1,26,000
Profit & loss account		60,000
Total	3,25,000	2,38,000

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Particulars	Years		WA	
	1998	1999	Increase	Decrease
<u>Current Assets</u>				
Cash	25,000	20,000	45,000	-5,000
Debtors	98,000	90,000	8,000	-8,000
closing stock	82,000	120,000	38,000	38,000
CA	210,000	280,000	70,000	10,000
<u>Current Liabilities</u>				
Trade creditors	50,000	45,000	5,000	5,000
Bills payable	20,000	25,000	15,000	15,000
short term loans	-	20,000	20,000	20,000
	20,000	1,00,000	82,000	43,000
Net WA	1,40,000	1,80,000	40,000	40,000
Increase in WA	40,000	83,000	83,000	83,000

Q) From the following BS of Bhuvana Ltd, we are required to prepare schedule of changes in WA.

Particulars	1998		1999	
	Assets	Liabilities	Assets	Liabilities
Cash	60,000	4,00,000	94,000	5,00,000
Debtors	2,40,000	1,40,000	2,30,000	90,000
stock in trade	1,60,000	20,000	1,80,000	46,000
Land	1,00,000	6,36,000	1,32,000	6,36,000
	5,60,000			
Share Capital				
Trade creditors				
Retained earnings (P&L account)	20,000	6,160,000	46,000	6,36,000

Statement of changes in working capital  
of M/s Bhuvana Ltd

Particulars	Years		WA ₹
	1998	1999	
Cash	60,000	94,000	34,000
Debtors	2,40,000	2,30,000	10,000
Stock in trade	1,60,000	1,60,000	20,000
Total CA	4,60,000	5,04,000	
Trade creditors	1,40,000	90,000	50,000
Total CL	1,40,000	90,000	
Net WA	3,20,000	4,14,000	94,000
Increase in WA	94,000		

From the following balance sheets of M/s Tharan & Co.  
Prepare a schedule change in working capital  
and a funds flow statement.

Liabilities	Assets		1998	1999
	1998	1999		
Capital	63,000	1,00,000	Cash	15,000
Long term borrowings	50,000	60,000	Debtors	30,000
Trade creditors	42,000	39,000	Stock in trade	55,000
Bank overdraft	36,000	25,000	Land & buildings	80,000
Outstanding expenses	5000	6000	Furniture	15,000
Total	1,95,000	2,30,000	Total	1,95,000

Particulars	Years		Effect on WA	
	1998	1999	Increase	Decrease
Cash	15000	20000	5000	
Debtors	20000	28000		2000
Stock in trade	55000	72000	17000	
Total CA	1,00,000	1,20,000		
Trade creditors	42000	39000	3000	
Bank overdraft	35000	25000	10000	
Outstanding exp.	5000	6000		1000
Total CL	82,000	80,000		
Net working capital	18,000	50,000	35,000	30000
Increase in WA	32,000			82,000

## ~~Q3 Q4 Funds flow statement~~

Sources	Amt	Applications	Amt
Long term borrowings	10,000	Purchase of land&build.	10,000
Sale of furniture	5000	Net Increase in working capital	32,000
Funds from operations	37,100		
<b>Total</b>	<b>52,100</b>		

From the following BS of P/L's Budget, prepare funds flow statements and show your working clearly.

Liabilities	1998	1999	Assets	1998	1999
Share Capital	60,000	65,000	Goodwill	30,000	25,000
P&L A/cnt	34,000	26,000	Plant & Machinery	60,000	50,000
Current Liabilities	12,000	3,000	Current Assets	16,000	19,000
Total	1,06,000	94,000	Total	1,06,000	94,000

### Change in working capital

Particulars	Years		Effect on W.C.	
	1998	1999	P <del>142</del>	S <del>122</del>
Current Assets	16,000	19,000	3,000	
Current Liabilities	12,000	3,000	9,000	
Net W.C.	4,000	16,000	12,000	0
Increase in W.C.	12,000			12,000

Particulars	Amt	Particulars	Amt
To goodwill written off	5,000	By balance b/d	34,000
To depreciation on plant & machinery	20,000	By F/F/O	29,000
To dividends paid	12,000		
To Balance c/d	26,000		
	63,000		63,000

## Additional information

- 1) Depreciation of 20,000 on plant & machinery charged to P&L account.
- 2) Dividends of 12,000 were paid during the year.

## fund flow statement

Sources	Amt	Applications	Amt
funds from operations	29,000	Net increase in w/c	12,000
Issue of new capital	5000	purchase of P&M	10,000
		Dividend paid	12,000
	34,000		24,000

## Share Capital

To balance c/d	65,000	By balance b/d By bank(?)	60,000 5000
	65,000		65,000

## Plant & Machinery

To balance b/d	60,000	By depreciation	20,000
To bank(?)	10,000		
		By balance b/d	50,000
			20,000

From the following figures of Bhavana comp Ltd you are required to prepare schedule of changes in WC & sources, applications statement

Liabilities	98	99	Assets	98	99
Equity share capital	24,000	36,000	Land & buildings	1,66,200	3,29,600
Share premium	24,000	26,000	Machinery	1,06,800	1,15,300
General reserve	18,000	27,000	Furniture	2,200	4,500
P & L Account	58,100	62,400	Stock	66,300	28,000
8% debentures	-	28,000	Debtors	1,09,500	1,17,300
Provision for taxation	29,400	32,700	Bank	14,400	12,000
Creditors	1,00,500	1,09,200			
	490,400	705,200		4170,400	2,05,300

### Adjustments

- 1) Depreciation written off during the year on plant & machinery 38,400.
- 2) On furniture 1200

### Current liability

### Statement of changes in working capital

Particulars	Years		Effect on WC	
	1998	1999	Increase	Decrease
Stock	66,300	28,000	11,700	
Debtors	1,09,500	1,17,300	7800	
Bank	14,400	12,000		
Total CA	1,90,200	2,07,300	1,700	2,400
Provision for taxation	29,400	32,700		3300
Creditors	1,00,500	1,09,200		9200
Total CL	1,29,900	1,41,900	(?)	(?)
Net working capital	60,300	65,400	19,500	14,400
Increase in WC	5100			5100

## PL Adjustment a/c

Cr

Dr Particulars	Amt	Particulars	Amt
To transfers to general reserve	9,000	By balance b/d	58,500
To balance c/d	62,400		
To depreciation	38,400	By F/F/O	52,500
(a) Plant & Machinery	1200		
(b) Furniture			
	1,11,000		
			\$1,11,000

## Land &amp; Buildings a/c

To bal b/d	1,66,200	By bal c/d	3,29,600
To bank (?)	1,73,400		
	3,39,600		3,29,600

## Machinery a/c

To bal b/d	1,06,800	By depreciation	38,400
To bank (?)	85,500	By bal c/d	1,53,900
	\$82,300		1,92,300

## Furniture a/c

To bal b/d	7200	By depreciation	1200
		By bank (?)	1500
		By bal c/d	4500
	7200		7200

## Funds flow statement

Sources	Amt	Applications	Amt
Issue of share capital	1,20,000	Redemption of debentures	26,000
Share premium	12,000	Purchase of L&B	1,73,400
Sale of furniture	1500	Purchase of P&M	85,500
<del>Interest</del>	<del>600</del>	<del>F/F/O</del>	5100
F/F/O	52,500		
Redemption of debentures	78,000		
	2,64,000		2,64,000

The following are the summarized balance sheets of goodluck Ltd as on 31<sup>st</sup> dec 1999 and 31<sup>st</sup> dec 2000.

Liabilities	1999	2000	Assets	1999	2000
Equity share capital	400,000	240,000	Land & buildings	1,05,000	150,000
8% debentures	50,000	-	Plant & machinery at cost	2,90,000	3,20,000
Share premium	-	10,000	Furniture	9000	10,000
General reserve	30,000	50,000	Inventories	1,30,000	1,05,000
P&L account	48,000	68,000	Sundry debtors	75,000	85,000
Sundry creditors	1,20,000	1,50,000	Cash	15,000	26,000
Proposed dividends	20,000	24,000			
Provision for depreciation					
(a) Land & machinery	1,40,000	1,60,000			
(b) Furniture	6000	4000			
Total	6,24,000	6,96,000	Total	6,24,000	6,96,000

### Additional info

- 1) Furniture which costs 5000 is return down value - £1000 was sold during the year 2000 for £2000
- 2) Plant & machinery which costs 20,000 and in respect of which Rs. 13,000 has been written off as depreciation was sold during the year 2000 for Rs. 3000
- 3) The dividends of 1999 were paid during the year 2000.

# Statement of changes in working capital.

Particulars	Years		Effect on WC	
	1999	2000	Increase	Decrease
Inventories	1,30,000	1,05,000	-25,000	25,000
Sundry debtors	75,000	85,000	10,000	10,000
Cash	15,000	26,000	11,000	11,000
Total CA	2,20,000	2,16,000	(8,000)	(8,000)
Sundry creditors	1,20,000	1,50,000	(30,000)	30,000
Proposed dividends	20,000	24,000	4,000	4,000
Total CL	1,50,000	1,74,000	24,000	24,000
Net working capital	70,000	42,000	28,000	28,000
Decrease in WC	-	-	-	-

## P&L adjustment a/c

Dr	Particulars	Amt	Cr	Particulars	Amt
To transfer to general reserves	20,000	By balance b/d	48,000		
To provision for dep on P&M	23,000	By profit on sale surpn	1000		
To provision for dep on surpn	2000				
To loss on sale P&M	4000				
To balance c/d	68,000	By F/F/O	68,000		
	1,12,000	total			1,12,000

## Provision for depreciation on plant & machinery a/c

Dr	Particulars	Amt	Cr
To depr on P&M	13,000	By balance b/d	1,40,000
To balance c/d	1,60,000	By P&L adj a/c(?) (Total depr charged on P&M)	23,000
	1,63,000		1,63,000

# Plant & Machinery a/c

Particulars	Amt	Particulars	Amt
To balance b/d	2,92,000	By bank (sale)	3000
		By loss on sale	4000
		By depreciation	13,000
		By balance c/d	3,120,000
To bank (?) (Purchase of P&M)	50,000		
			3,40,000

## Provision for depreciation w/f furniture a/c

Particulars	Amt	Particulars	Amt
To furniture depreciation	4000	By bal b/d	6000
To bal c/d	4000	By P&L adj a/cnt	2000
	3000		8000

## Furniture a/c

To bal b/d	9000	By bank (sale)	2000
To adj P&L a/c	1000	By provision	4000
To bank (?) (Purchase)	6000	By bal c/d	10,000
	16,000		16,000

## Statement of Sources & Application

Sources	Amt	Applications	Amt
Issue of share capital	40,000	Redemption of debentures	50,000
Share premium	10,000	Purchase of L&B	45,000
Sale of furniture	2000	Purchase of P&M	50,000
Sale of P&M	3000	Purchase of furniture	6000
F/flo	18,000	Dividends paid	2000
N/D/w/c	28,000		
			1,51,000
	1,51,000		

Liabilities	1999	2000	Assets	1999	2000
Share Capital	6,00,000	8,00,000	Plant & Machinery (at cost & cost)	4,00,000	6,45,000
Debentures	2,00,000	3,00,000	Land & Buildings	3,00,000	4,00,000
P.L.A/C	1,25,000	2,50,000	Stock	3,00,000	3,50,000
Creditors	1,15,000	90,000	Bank	20,000	40,000
Provision for bad debts	6000	2000	Preliminary exp	2000	6000
Provision for depreciation	20,000	24,000	Debtors	69,000	61,000
Land & Buildings	30,000	35,000			
Plant & Machinery					
Total	10,96,000	15,02,000	Total	10,96,000	15,02,000

### Additional information

- 1) During the year, a part of machinery costing Rs. 20,000 (accumulated depreciation thereon Rs. 8,000) was sold for Rs. 6,000.
- 2) Dividends of Rs. 50,000 were paid during the year.
- You are required to prepare schedule changes in working capital & funds flow statement.

### Statement of schedule changes in WC

Particulars	Years		Effect on WC	
	1999	2000	Rs	Rs
<del>Creditors</del>				
Stock	3,00,000	3,50,000	50,000	
Bank	20,000	40,000	-20,000	8000
Debtors	69,000	61,000		(8,000)
Total CA	3,89,000	4,51,000		
<del>Creditors</del>				
Provision for R&D	1,15,000	90,000	25,000	
	6000	2000	3000	
Total CL	1,21,000	93,000		
Net WC	2,68,000	3,58,000	90,000	8000
Increase in WC	90,000			

Particulars	Amnt	Particulars	Amnt
To dividends	50,000	By bal b/d	1,28,000
To bal old	2,50,000		
To preliminary exp <sup>written off</sup>	1000		
To loss on sale	62,000	F/F/O	
To provision for dep on P&M (bal L&B)	8000 4000		
	374,000		2,49,000
			3,74,000

### Provision for depreciation on L&B a/c

To bal old	24,000	By bal b/d	20,000
		By bank (?)	4000
	24,000	Adj P&L a/c	
			24,000

### Provision for depreciation on P&M a/c

To depreciation	2000	By bal b/d	30,000
To bal old	34,000	By P&L a/c	2000
	35,000		
			37,000

### Plant & Machinery a/c

To bal b/d	4,00,000	By bank (sale)	8000
	399,02,8	By bal c/d	6,45,000
	399,02,8	By provision for depreciation	20,000
To cash a/c (Purchase)	3,15,000	By P&L a/c (loss on sale)	62,000
	3,15,000		
			7,15,000

### Land & Building a/c

To bal bld	3,00,000	
To bank (?)	1,00,000	By bal c/d
	4,00,000	

### funds flow statement

Sources	Amt	Applications	Amt
Issue of share capital	2,00,000	By P&L purchase	3,15,000
Issue of debentures	1,00,000	By L&B purchase	1,00,000
sale of machinery	8,000	By dividends	50,000
F/F/O	2,49,000	N/I/w/c	90,000
	5,55,000		5,55,000

From the following information of Tejassee Hd

Liabilities	98	99	Assets	98	99
Share Capital	2,00,000	2,50,000	Land & Building	2,00,000	1,90,000
General reserve	50,000	60,000	Plant	1,50,000	1,74,000
P&L a/c	30,500	30,600	Stock	1,00,000	74,000
Short term loan	20,000	—	Debtors	80,000	64,200
Creditors	1,30,000	1,35,200	Cash	500	600
Provision for taxation	20,000	25,000	Bank	—	8000
Total	5,30,500	5,10,800	Total	5,30,500	5,10,800

### Additional information

e) Additional information  
1) Depreciation was written off on plant

Rs. 14,000

2) Dividend of Rs. 20,000 was paid during 1999

3) Income tax provision made during the year Rs. 25,000

### Land & Building a/c

To bal b/d	3,00,000	
To bank (?)	1,00,000	
	4,00,000	
		By bal c/d
		4,00,000
		4,00,000

### Funds flow statement

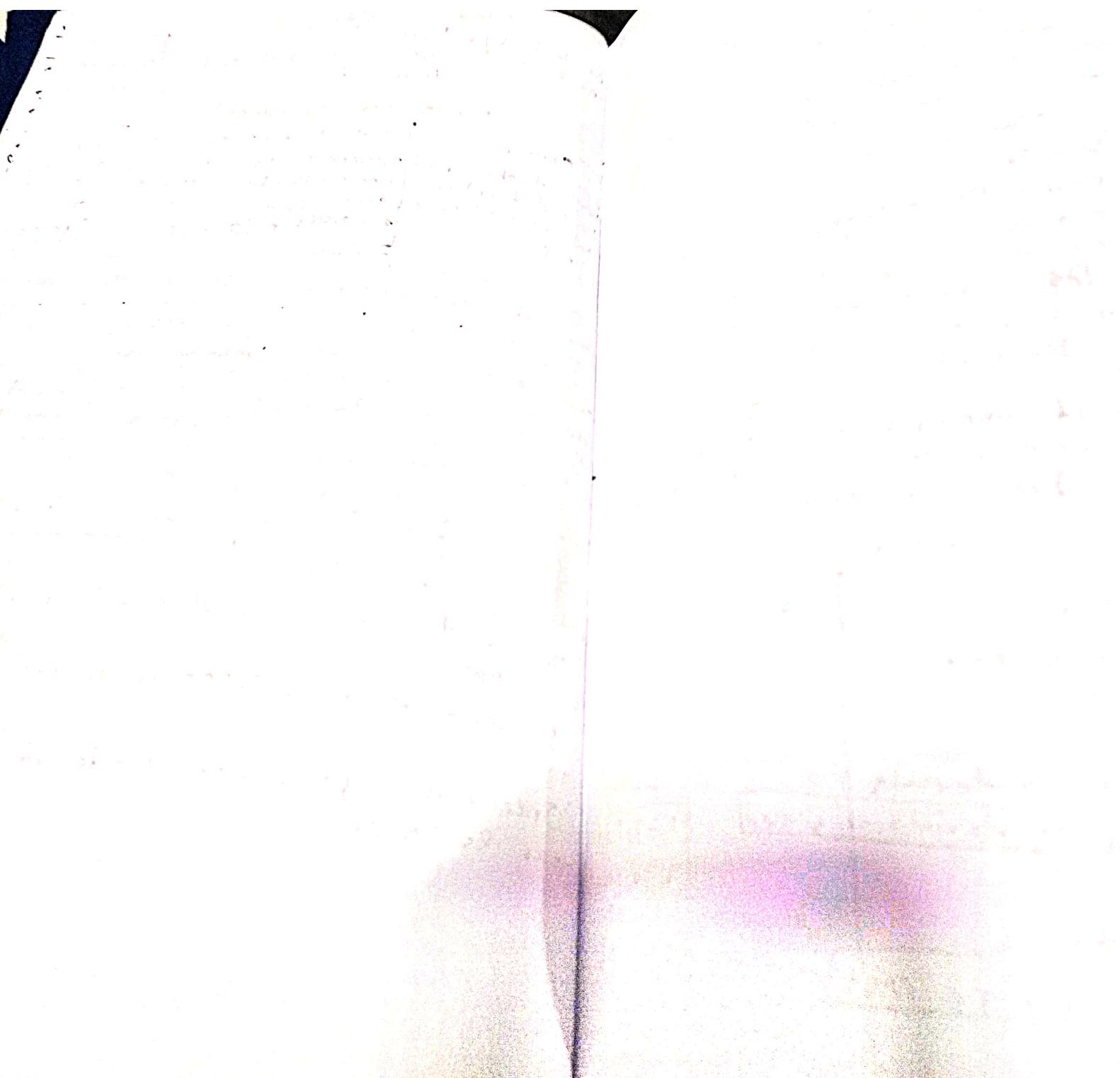
Sources	Amnt	Applications	Amnt
Issue of share capital	2,00,000	By PCLM purchase	3,15,000
Issue of debentures	1,00,000	By L&B purchase	1,00,000
Sale of machinery	8,000	By dividends	50,000
F/F/O	2,49,000	N/I/W/C	190,000
	5,55,000		5,55,000

From the following information of Tejassee Ltd

Liabilities	98	99	Assets	98	99
Share Capital	2,00,000	2,50,000	Land & Buildings	2,00,000	1,90,000
General Reserve	50,000	60,000	Plant	1,50,000	1,24,000
PCL a/c	30,500	20,600	Stock	1,00,000	74,000
Short term loan	20,000	—	Debtors	80,000	64,200
Creditors	1,30,000	1,25,200	Cash	500	600
Provision for taxation	20,000	25,000	Bank	—	800
Total	5,30,500	5,10,800	Total	5,30,500	5,10,800

### Additional information

- 1) Depreciation was written off on plant Rs. 14,000
- 2) Dividend of Rs. 20,000 was paid during 1999
- 3) Income tax provision made during the year Rs. 25,000



The cost of sale of a product A is made up as follows:

Materials used in manufacturing - 60,000

Materials used in primary packing - 10,000

" " in selling product - 1500

" " in factory - 750

" " office - 1250

Labor required in producing - 10,000

" " for factory supervision - 2000

Indirect expenses - factory - 1000

Administration expenses - 1250

Depreciation on office building & equipment - 750

" " factory " - 1250

Selling expenses - 3500

Freight on materials purchased - 5000

Advertising - 1250

Assuming that all products manufactured are sold, what should be the selling price to obtain a profit of 20% on selling price?

### Cost sheet

Particulars	Amt
Materials used in manufacturing	60,000
Materials used in primary packing	10,000
Freight on materials purchased	5000
Labor required in producing	10,000
	<u>Prime cost</u>
	85,000
ADD factory overhead	
Materials used in factory	750
Labor for factory supervision	2000
(+) Depreciation on factory	(+)1250
Indirect expenses - factory	(+)1000
Works cost / factory cost	<u>90,500</u>

<u>ADD office overhead</u>	1250
Materials used in office	1250
Administration expenses	1250
Depreciation on office building	750
Cost of production / Cost of goods sold	93,250
<u>ADD selling cost</u>	1500
Materials used in selling product	3500
Selling expenses	1250
Advertising expenses	1000
Cost of sales	1,00,000
Profit	25,000
<u>Selling price</u>	1,25,000

80% = 1,00,000

20% = ?  $\rightarrow$  1,25,000

## Job Costing

It is a method of cost ascertainment used in job order industries. The special features of such industries are as follows:

- 1) Production is against customer orders, and not for stocks.
- 2) Each job has its own characteristics and requires special attention.
- 3) The flow of production from one department to another is not uniform.

### Objectives:

- 1) Cost of each job - order is ascertained separately. This helps in finding out the profit or loss in each individual job.