

Fundamental of Management

Class Assignment

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2K18 / SE / 041

Q → Consider change in three financial statements for foll. respective changes; answer the foll. questions.

(i) If you buy a new machine for Rs 50,000 & pay cash.

⇒ On buying a new machine worth Rs 50,000 & paying cash, cash decreases, asset increases and in cash flow diagram

50,000 is ^{cost} reduced & investment activity increases.

Asset = liability + stakeholder's equity.

Cash spent = 50,000 (reduced)

~~xxx~~ No effect in income statement.

^{On buying}
(ii) New machine for Rs 50,000, pay in next month.

In balance sheet, asset inc'd by Rs 50,000, liability will inc' by 50,000 (account payable). So net amount is balanced i.e. income statement remains same.

Also, Cash value doesn't change & in cash flow diagram, there is no change.

(iii) A machine is stolen from the company.

→ Cash value doesn't change

→ Asset will dec' in balance sheet.

→ No change in cash flow diagram

→ In income statement, loss on asset.

(iv) 10 units of products @ Rs 50,000 per unit is sold. COGS is Rs 40,000 per unit.

→ In Balance sheet, asset will dec' by $\text{Rs } 40,000 \times 10 = \text{Rs } 4,00,000$ & cash inc'd by $5,00,000 - 4,00,000 = 1,00,000$

→ In income statement

Sale of goods (credit) 5,00,000

COGS (debit) 4,00,000

→ In cash flow diagram, there will be an inc' of Rs 1,00,000.

- (v) On selling an old car machine in a company.
- In balance sheet, cash increase & asset decrease.
 - In cash flow diagram, cash increases.
 - There is incz in income statement.

- (vi) If you receive Rs 5000 due in account receivable
- In balance sheet, cash incz by 5000, asset doesn't change.
 - In cash flow diagram, cash increases by 5000
 - No effect in income statement.

- (vii) Make payment of 7000, due today
- In balance sheet, cash reduced by 7000, asset doesn't change
 - In cash flow diagram, cash decz by 7000, liabilities decz
 - There is no effect in income statement.