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ASSIGNMENT  
Accounting  
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Q1

Ans 1 Common Size Statement

Comparative Statement

Meaning - Financial statements in which each items is expressed as a percentage of a common base. | Financial statement showing figures of two or more years side by side to compare changes.

Purpose - To analyze structure and composition of financial statements. | To analyze increase or decrease over time.

Base - Uses a common base. | Uses previous year as base for comparison.

Type of Analysis - Vertical analysis | Horizontal analysis

Shows - Percentage relationship of each item to total. | Absolute change and percentage change.

Q2

Ans2

$$\text{Current Ratio} = 2.5$$

$$\text{Net Working Capital} = ₹ 3,00,000$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$2.5 = \frac{CA}{CL}$$

$$2.5 \times CL = CA$$

$$\text{Net Working Capital} = 3,00,000$$

$$CA - CL = 3,00,000$$

$$2.5 CL - CL = 3,00,000$$

$$1.5 CL = 3,00,000$$

$$CL = \frac{3,00,000}{1.5}$$

$$CL = 2,00,000$$

$$CA = 5,00,000$$

$$\text{Liquidity Ratio} = 1.5$$

$$\frac{CA - \text{Stock}}{CL} = 1.5$$

$$\frac{5,00,000 - \text{Stock}}{2,00,000} = 1.5$$

$$5,00,000 - \text{Stock} = 3,00,000$$

$$\text{Stock} = 2,00,000$$

$$\text{Stock turnover} = 6$$

$$\frac{\text{Cost of Sales}}{\text{Stock}} = 6$$

$$\text{COS} = 6 \times 2,00,000 = 12,00,000$$

$$\text{Gross Profit Ratio} = 30\%$$

$$\text{G.P.} = 30\% \text{ of Sales}$$

$$\text{Sales} = \frac{12,00,000}{0.8} = 15,00,000$$

$$\text{G.P.} = 3,00,000$$

$$\text{Fixed Assets turnover} = 2$$

$$\frac{\text{COS}}{\text{FA}} = 2$$

$$\text{FA} = \frac{12,00,000}{2} = 6,00,000$$

$$\text{Collection Period} = 2 \text{ Months}$$

$$\text{Debtors} = \frac{\text{Sales}}{12} \times 2 = \frac{15,00,000}{12} \times 2 = 2,50,000$$

$$\text{CA} = 5,00,000$$

$$\begin{aligned} \text{Cash} &= 5,00,000 - (2,00,000 + 2,50,000) \\ &= 50,000 \end{aligned}$$

Fixed assets : Net Worth = 0.80

$$\frac{600,000}{\text{NW}} = 0.8 \Rightarrow \text{NW} = 7,50,000$$

Reserves : Capital = 0.5

$$\text{NW} = \text{Capital} + \text{Reserves} = C + 0.5C = 1.5C$$

$$1.5C = 7,50,000$$

$$C = 5,00,000$$

$$\text{Reserves} = 2,50,000$$

Total ~~Assets~~ <sup>Assets</sup> FA + CA = 6,00,000 + 5,00,000 = 11,00,000

Liabilities known:

- Shareholders funds = 7,50,000
- Current liabilities = 2,00,000

Remaining = long term liabilities

Balance sheet

Liabilities	Amount	Assets	Amount
Share Capital	5,00,000	Fixed Assets	6,00,000
Reserve & surplus	2,50,000	Stock	2,00,000
Long-term liabilities	1,50,000	Debtors	2,50,000
Current liabilities	2,00,000	Cash	50,000
	11,00,000		11,00,000

Cost flow statement

Particulars

₹

₹

I Net Profit before tax and extraordinary items

1,63,000

Add: Depreciation  
Amortisation

30,000

25,000

Operating profit before working capital changes

Add: Increase in Creditors

28,000

Less: Decrease in N/P

(40,000)

Increase in Debtors

(40,000)

Increase in Stock

(32,000)

Increase in B/R

(10,000)

Cost generated from operations

1,60,000

Less: Provision for tax (P.T)

(35,000)

Cost flow from operating activities

1,25,000

II Cost flow from investing activities

Add: Inflow from sale of land & Building

10,000

Less: Outflow from purchase of plant

(1,80,000)

Cost used in investing activities

(1,70,000)

III Cost flow from financing activities

Add: Issue of equity share capital

1,00,000

Less: Redemption of 8% preference share capital

(50,000)

Proposed dividend

(42,000)

	Interim dividend	(20,000)	
	Cash used in financing activities		(12,000)
	Net Cash Decrease	(7,000)	
Add:	Opening of cash in hand	15,000	
	Opening of cash at Bank	10,000	
			<u>18,000</u>
=	Closing of cash in hand	10,000	
=	Closing of cash at bank	8,000	
			<u>18,000</u>

Working notes

I

Provision for Tax

Particulars	₹	Particulars	₹
Tax paid	35,000		40,000
Bal b/d	50,000		45,000
	<u>85,000</u>		<u>85,000</u>

II

Land & Building

Particulars	₹	Particulars	₹
Bal b/d	2,00,000	Depreciation	20,000
		Bank (Sale)	10,000
		Bal b/d	1,70,000
	<u>2,00,000</u>		<u>2,00,000</u>

III

Plant A/c

Particulars	₹	Particulars	₹
Bal b/d	80,000	Depreciation	10,000
Bank (P)	1,30,000	Bal c/d	2,00,000
	<u>3,10,000</u>		<u>3,10,000</u>

IV

Net profit before tax and extraordinary items

	Surplus	18,000
Add:	Proposed dividend (P.Y)	50,000
	Interim Dividend	20,000
	Provision for tax (C.Y)	45,000
	Reserves	30,000
	Net profit before tax and extraordinary items	1,63,000

Grand