Answer 1- Illustration 5:

Step 1): Net sales=1,80,000 INR
Total inventory used=75,000 INR
Hence **Gross profit** =1,05,000.00 INR

Step 2): Calculate other expenses:

Expenses (administrative etc.)	Amount(INR)
Telephone expenses	1,200.00
Electricity	15,000.00
Rent paid for store	62,000.00
Interest on Bank Loan	15,000.00
Depreciation of warehouse	8,000.00

Total Expenses= 1, 01,200.00 INR

Step3) : Therefore **Net Profit**= 3,800.00 INR

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Balance Sheet

Assets	Amount (Rs)	Amount (Rs)	Liability and OE	Amount (Rs)	Amount (Rs)
Current Asset:			Owner's Equity		280,000.00
Cash Balance	242,000.00	242,000.00	Revenue Reserve		3,800.00
Closing Stock		25,000.00	**Total Equity**		**283,800.00**
Prepaid rent		62,000.00	**Liabilities**		
Account receivables		54,000.00	Loan from Bank	150,000.00	
Total Current Assets		**383,000.00**	Less :repaid	(30,000.00)	
Fixed Assets					**1,20,000.00**
Warehouse	80,000.00		Telephone bill unpaid		1,200.00
Less: depreciation	(8,000.00)	**72,000.00**	A/c Payable		**50,000.00**
Total Assets		**455,000.00**	**Total Liabilities**		**1,71,200.00**
			Total liabilities and OE		**455,000.00**

Answer 1: Gross profit=1, 05,000 INR, Sales =1, 80,000 INR
Hence Gross Margin= 1, 05,000 /1, 80,000*100=58.33
Hence, **option C**

Answer 2: Net Income =3, 800 INR
Hence **Option B**

Answer 3: The biggest contribution to asset was Cash Balance which is a current asset.
Hence, **option D**

Answer 4: The firm can pay as such any amount of dividend even if the Revenue Reserves aren't that high as it will carry forward as an asset in the next Balance Sheet.

Hence, **option D**

Answer 5: Total A/c Receivables =54,000 INR

A/c Rec-14000=40,000 INR

A/c Payable =51,200 INR

Hence none of the options suits so **Option D.**

profit and loss statement

Particulars		Amount	Amount
Sales		75800	
	less: goods sent for approval	-2200	73600
add: Closing Stock		135000	
	add: cog sent on approval	1800	136800
			210400
Gross sales			210400
	less: purchases		-82500
Gross profit			127900
	less: salary	3200	
	add: salary due	1800	-5000
	less: rent	29000	
	less: deposit	-20000	-9000
	less: insurance	2400	
	less: prepaid for 14 mnths	-1680	-720
EBITDA			113180
	less: depreciation		-1667
Operating profit=EBIT			111513
	less:interest for 9 months		-14400
Net profit			**97113**

Illustration 6:

Balance Sheet

Assets	Amount	Amount	Liabilities	Amount	Amount
Current assets:					
Cash		4000	Add: net profit	97113	119613
Sundry Debtors	143000		Loan from Mrs. Chatterjee		160000
less:goods sent on approval	-2200	140800			
Prepaid insurance premium		1680	Sundry Creditors		27000
Closing Stock		136800	interest on loan due		13200
Security deposit refundable		20000	salary due		1800
			Owners equity		
Fixed Assets					
Furnitures and Fixtures	20000		Mr.Chatterjee's Capital		22500
less:depreciation for 4 months	-1667	18333			
		321613			**321613**

MCQ ANSWERS

1. Closing stock as seen from p/l statement is 1, 36,800
   hence answer is more than 37000. **OPTION A**
2. Mr. Chatterjee's owner's equity is 22500. Hence capital account is 22500. **OPTION B**

3. sundry creditors=27000
   Sundry debtors=143000
   OPTION D

4. *Net fixed assets=184813
   Mrs. Chatterjee loan balance=16000-x
   X depends on the time elapsed since July 1, 2010
   X is positive

Hence, 184813> 16000-x
OPTION B

5. Cash balance has to be less than 4000.
Fixed assets would be greater than 20000
Hence cash balance < fixed assets
OPTION B

***Assumption: the fixed assets talked about in the problem are the only fixed assets with Mr. Chatterjee.**

Answer 2:

A non-cash item is an entry on an income statement or cash flow statement correlating to expenses that are essentially just accounting entries rather than actual movements of cash.

The common examples of non – cash items are

1) Depreciation

2) Amortization

3) Provision of Doubtful Debts

4) Other Provisions

5) Accrued Expenses

In Renuka Sugars Income statement following are Non-Cash items:

S.No.	Description	Reference
1	Depreciation and Amortization Expense worth Rs 1592 lakhs and 1656 lakhs in years 2013 and 2014 respectively	Note 28 on page 68
2	Provision of doubtful debts is there but it is zero for renuka sugars	Note 15 on page 66
3	Net loss on foreign currency transaction	Note 21

One more noticeable thing is that depreciation of tangible asset is significantly higher than intangible asset which proves that the company is more of a manufacturing company.