

GOVERNMENT ARTS COLLEGE (AUTONOMOUS) COIMBATORE – 18

STUDY MATERIALS

CLASS : III B.Com  
SEMESTER VI  
SUBJECT : MANAGEMENT ACCOUNTING  
SUBJECT CODE : 18BCO61C  
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## 18BCO61C -UNIT-I

Management Accounting-Meaning, Objectives, Scope, Limitations, Difference between management accounting and Financial accounting-Financial Statement analysis- Comparative Financial Statements-Common size financial statements- Trend Analysis.

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### **Meaning of Management Accounting:**

The term management accounting refers to accounting for the management. Management accounting provides necessary information to assist the management in creation of policy and in the day – to- day operations. It enables the management to discharge all its functions i.e. planning, organization, staffing, direction and control efficiently with the help of accounting information.

### **Definition:**

“Management accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operations of an undertaking” – Anglo American Council of Productivity.

### **Objectives:**

The objectives of management accounting are:

1. to assist the management in promoting efficiency, Efficiency includes best possible services to the customers, investors and employees.
2. to prepare budgets covering all functions of a business (i.e. production, sales, research, and finance)
3. to analyse monetary and non – monetary transactions.
4. to compare the actual performance with plan for identifying deviations and their causes.
5. to interpret financial statements to enable the management to formulate future policies.
6. to submit to the management at frequent intervals operating statements and short- term financial statements.
7. to arrange for the systematic allocation of responsibilities.
8. to provide a suitable organization for discharging the responsibilities.

## SCOPE AND FUNCTIONS OF MANAGEMENT ACCOUNTING

The scope of management accounting is very wide. It includes within its fold all aspects of business operations. The following areas indicate the scope of management accounting.

- 1. Financial Accounting:** Financial accounting provides historical information. It forms the basis for future planning and financial forecasting. A properly designed financial accounting system is a must for securing full control and co-ordination of business operations.
- 2. Cost Accounting:** Cost accounting provides various techniques of costing like marginal costing, standard costing, operation costing etc. These techniques play an important role in assisting the management in the formulation of policy and the operations of the undertaking.
- 3. Budgetary Control:** This includes framing of budgets, comparison of actual performance with budgeted performance, computation of variances, finding out their causes and suggesting remedial measures.
- 4 Inventory Control:** It is concerned with control over inventory from the time it is received till its disposal.
- 5. Reporting:** Reporting includes the preparation of monthly, quarterly, half yearly income statements and other related reports such as cash flow and funds flow statements. These reports are submitted to the management for evaluation of performance and decision – making.
- 6. Statistical Methods:** Statistical tools like graphs, charts, index numbers etc., are used for presentation of information to various departments.
- 7. Taxation:** It includes preparation of income statement, assessing the effect of tax on capital expenditure proposals and pricing.
- 8. Methods and procedures:** They deal with organizational methods for cost reduction, procedures for improving the efficiency of accounting and office operations.
- 9. Internal Audit:** This refers to the establishment of a suitable internal audit system for internal control.
- 10. Office Services:** They cover a wide range of activities like data processing, filing, copying, printing, communication etc.

## FUNCTIONS OF MANAGEMENT ACCOUNTING

- 1. Forecasting:** Making short - term and long term forecasts and planning the future operations of the business.
- 2. Organising:** Organising the human and physical resources of the business. This is done by assigning specific responsibilities to different people.
- 3. Co – ordinating:** Providing different tools of co-ordination. Ex. Of such tools are budgeting, financial reporting, financial analysis, interpretation etc.

**4. Controlling:** Controlling performance by using standard costing, variance analysis and budgetary control.

**5. Analysis and interpretation:** Analysing and interpreting financial data in a simple and purposeful manner.

**6. Communicating:** Communicating the results of business activities through prompt and accurate reporting system.

**7. Economic Appraisal:** Appraising of social and economic forces and government policies and interpreting their effect on business.

## **ADVANTAGES AND DISADVANTAGES OF MANAGEMENT ACCOUNTING**

**1. Helps in Decision Making** Management accounting helps in decision making such as pricing, make or buy, acceptance of additional orders, selection of suitable product mix etc. These important decisions are taken with the help of marginal costing technique.

**2. Helps in Planning:** Planning includes profit planning, preparation of budgets, programmes of capital investment and financing. Management accounting assists in planning through budgetary control, capital budgeting and cost -volume- profit analysis.

**3. Helps in Organising:** Management accounting uses various tools and techniques like budgeting, responsibility accounting and standard costing. A sound organizational structure is developed to facilitate the use of these techniques.

**4. Facilitates Communication:** Management is provided with up- to – date information through periodical reports. Those reports assist the management in the evaluation performances and control.

**5. Helps in Co- ordinating:** The functional budgets (purchase budget, sales budget, overhead budget etc.,) are integrated into one known as master budget. This facilitates clear definition of departmental goals and co- ordination of their activities.

**6. Evaluations and Control of Performance:** Management Accounting is a convenient tool for evaluation of performance. With the help of ratios and variance analysis, the efficiency of departments can be measured. Management accounting assists the management in the location of weak spots and in taking corrective actions.

**7. Interpretation of financial Information:** Management accounting presents information in a simple and purposeful manner. This facilitates quick decision-making.

**8. Economic Appraisal:** Management accounting includes appraisal of social and economic forces and government policies. This appraisal helps the management in assessing their impact on the business.

## **Limitations of Management Accounting**

- 1. Based on Accounting Information:** Management accounting derives information from past financial accounting and cost accounting records. If the past records are not reliable, it will affect the effectiveness of management accounting.
- 2. Wide scope:** Management accounting has a very wide scope incorporating many disciplines. This results in inaccuracy and other practical difficulties.
- 3. Costly:** The installation of management accounting system requires a large organization. Hence, it is very costly and only big concerns can afford to adopt it.
- 4. Evolutive Stage:** Management accounting is still in its initial stages. Tools and techniques are not fully developed. This creates doubts about the utility of management accounting.
- 5. Opposition to Change:** Introduction of management accounting system requires a number of changes in the organization structure, rules and regulations. The people involved do not generally like this rearrangement.
- 6. Intuitive Decisions:** Management accounting helps in scientific decision-making. Yet, because of simplicity and personal factors the management has a tendency to arrive at decisions by intuition.
- 7. Not an Alternative to Management:** Management Accounting will not replace the management and administration. It is a tool of the management. Decisions are of the management and not of the management accountant.

## **DIFFERENCE BETWEEN THE MANAGEMENT ACCOUNTING AND FINANCIAL ACCOUNTING**

- 1. Objectives:** The main objective of financial accounting is to supply information in the form of profit and loss account and balance sheet to outside parties like shareholders, creditors, government etc. But the objective of management accounting is to provide information for the internal use of management.
- 2. Performance Analysis:** Financial accounting is concerned with the overall performance of the business. On the other hand management accounting is concerned with the department or divisions. It reports about the performance and profitability of each of them.
- 3. Data Used:** Financial accounting is mainly concerned with the recording of past events whereas management accounting is concerned with future plans and policies.
- 4. Nature:** Financial Accounting is based on measurement while management accounting is based on judgment. Because of this, financial accounting is more objective and management accounting is more subjective.

**5. Accuracy:** Accuracy is an important factor in financial accounting. But approximations are widely used in management accounting. This is because most of the information is related to the future and intended for internal use.

**6. Legal Compulsion:** Financial Accounting is compulsory for all joint stock companies but management accounting is only optional.

**7. Monetary Transactions:** Financial Accounting records only those transactions, which can be expressed in terms of money. On the other hand, management accounting records not only monetary transactions but also non – monetary events, namely technical changes, government policies etc.,

**8. Control:** Financial accounting will not reveal whether plans are properly implemented. Management accounting will reveal the deviations of actual performance from plans. It will also indicate the causes for such deviations.

### **DIFFERENCE BETWEEN COST ACCOUNTING AND MANAGEMENT ACCOUNTING**

**1. Objective:** The objective of cost accounting is the ascertainment and control of costs of products or services. But the objective of management accounting is to help the management in decision-making, planning, control etc. This objective is achieved by furnishing relevant accounting information to the management.

**2. Scope:** Cost accounting deals primarily with cost data. But management accounting deals with both cost and revenue. It includes financial accounting, cost accounting, budgeting, reporting to management and interpretation of financial data. Thus, scope of management accounting is wider than that of cost accounting.

**3. Data Used:** In cost accounting, only those transactions which can be expressed in figures are taken. Only quantitative aspect is recorded in cost accounting. But management accounting uses both quantitative and qualitative information.

**4. Nature:** Cost accounting uses both past and present figures. But management accounting is concerned with the projection of figures for future. The policies and plans are prepared for providing future guidelines.

### **FUNCTIONS OF A MANAGEMENT ACCOUNTANT**

**1. Planning for Control:** Management accountant establishes, coordinates, and maintains an integrated plan for control of operations. Such a plan includes profit planning, sales forecast, expense budgets, cost standards etc.

**2. Evaluation of performance:** He should evaluate various policies and programmes. The effectiveness of planning and procedure to attain the objective of the organization depends upon the caliber of the management accountant.

**3. Reporting:** He has to compare the actual performance with plans and standards. The results of the operations are to be interpreted and reported to all levels of management. This is done through compilation accounting records, statistical records and reports.

**4. Tax Administration:** He supervises all matters relating to tax accounting. The management accountant advises the management regarding the effect of taxation on capital expenditure proposals and tax planning.

**5. Protection of Assets:** The protection of business assets is another function of a management accountant. This function is performed through the maintenance of internal control, auditing and proper insurance coverage to assets.

**6. Appraisal of External Effects:** He is to assess the effect of various economic and fiscal policies of the government. He has to interpret their effects on business to the management.

## **FINANCIAL STATEMENTS**

Financial statements refer to a package of statements such as balance sheet, income statement of retained earnings. The balance sheet and income statement are traditional financial statements. Other statements are prepared to supplement them.

### **Objectives:**

The following are the main objectives of financial statement analysis.

1. to estimate the earning capacity of the concern.
2. to judge the financial position and financial performance of the concern.
3. to determine the debt capacity of the concern.
4. to decide about the future prospects of the concern.

### **Nature of financial statements**

**1. Recorded facts:** The term recorded facts refers to the data taken out from accounting records. Facts which have not been recorded in financial books are not depicted in financial statements, however important they might be. For ex. Fixed assets are shown at cost irrespective of their market or replacement price since only cost price is recorded in the books.

**2. Accounting Principles:** Certain accounting principles, concepts and conventions are followed in the preparation of financial statements. For ex. The convention of valuing stock at cost or market price, whichever is less is followed. The principle of valuing assets at cost less depreciation is followed for balance sheet purpose.

**3. Personal judgment** Personal judgment has an important bearing on the financial statements. For ex. The selection of a method for stock valuation depends on the personal judgment of the accountant.

## USE AND IMPORTANCE OF FINANCIAL STATEMENTS

1. **Management :** The financial statements are useful for assessing the efficiency for different cost centers. The management is able to exercise cost control through these statements. The efficient and inefficient spots are brought to the notice of the management. The management is able to decide the course of action to be adopted in future.
2. **Creditors:** The creditors are to be paid in a short period. This liability is met out of current assets. The creditors will be interested in current solvency of the concern. The calculation of current ratio will enable the creditors to assess the current financial position of the concern in relation to their debts.
3. **Bankers:** The banker is interested to see that the loan amount is secure and the customer is also able to pay the interest regularly.  
The banker will analyse the balance sheet to determine financial strength of the concern and profit and loss account will also be studied to find out the earning position. A banker has a large number of customers and it is not possible to supervise their business activities. It is through the financial statements that a banker can keep a watch on the business plans and performances of its customers.
4. **Investors:** The investors include both short – term and long-term investors. They are interested in the security of the principal amount of loan and regular interest payments by the concern. The investors will study the long-term solvency of the concern with the help of financial statement. The investors will not only analyse the present financial position but will also study future prospects and expansion plans of the concern is also taken into consideration.
5. **Government:** The financial statements are used to assess tax liability of business enterprises. The government studies the economic situation of the country from these statements. These statements enable the government to find out whether business is following various rules and regulations or not. These statements also become a base for framing amending various laws for the regulation of business.

### Analysis and interpretation of financial statements

Analysis and interpretation of financial statements is the most important step in accounting. Analysis refers to the methodical classification of the data given in the financial statements.

For ex. The amount of capital employed is not directly available in the balance sheet. The figures have to be re arranged to calculate the amount of capital employed.

The term interpretation refers to explaining the meaning and significance of the data so arranged. It is the study of the relationship between various financial factors. The relationship between profit and capital employed, current assets and current liabilities, sales and gross profit have to be made. Comparison of relationships between various financial factors of the same company over a period of time can be made.

Similarly, comparisons can be made between two or more companies. This is popularly known as inter firm comparison.

### Objectives or Uses of Financial Analysis

1. To determine the earning capacity of the business.

2. To judge the operational efficiency of the business.
3. To know the solvency of the business.
4. To compare the performance with the standards or the results of one firm with another or that of one department with another.
5. To help in making estimates for the future.

### **Types of financial Analysis**

The types of financial analysis depend upon the materials used or the procedure adopted for analysis.

#### **1. According to the materials used for analysis:**

- i) **External analysis:** It is done by persons who do not have access to the books of accounts and other information related to the business. These persons mostly depend upon the published statements for the purpose of analysis. This type of analysis is normally made by investors, credit agencies, Government agencies and research scholars.
- ii) **Internal analysis:** It is done by persons who have access to the books of accounts of the business. In other words, it is an analysis made by the executives and employees of the organisation or by the persons appointed by the Government of the court having jurisdiction over the business. It gives more reliable results than external analysis since it is done by persons connected with the business.

#### **2. According to the procedure of analysis**

- i) **Horizontal Analysis:** It is an analysis of financial statements for a number of years. It is also known as 'Dynamic Analysis' or 'Trend Analysis' since it is based on the data from year to year rather than on a particular date.
- ii) **Vertical Analysis:** It is an analysis of various items appearing in the financial statement on a particular date. It is also known as 'Static Analysis' or 'Structural Analysis'. This type of analysis is not much useful since it depends on the data on one date or one period.

### **Tools for analysis and interpretation:**

1. Common size statements
2. Comparative statements
3. Trend analysis
4. Fund flow analysis
5. Ratio analysis

**1. Comparative financial statements:** The statements prepared to facilitate interfirm or interperiod comparisons are known as comparative financial statements. Interfirm comparison is the comparison of financial statements of two or more firms. Similarly, interperiod comparison is the comparison of financial statements of the same firm over a period of years. These comparative financial statements are prepared to show.

- i) the data in terms of money value called absolute data,
- ii) increases or decreases in absolute data in terms of money,
- iii) increases or decreases, in absolute data in percentages.
- iv) comparisons in the form of ratios.

v) Percentage of totals.

**2. Common-size statements:** Common-size statement is a statement in which figures are reported as percentages to some common base. In profit and loss account, all figures may be expressed as percentage on sales. Similarly in balance sheet, all figures may be expressed as percentage of its total. It is also known as 'Vertical Analysis'. It is a study of relationship existing on a particular date.

**3. Trend analysis** These percentages show the relative changes in the financial data between specific periods. The trend percentages are calculated only for some important items having logical relationship with each other. While calculating the trend percentages, any year may be taken as the base year. But it is normally the earliest year. The statement of all other years are studied with reference to the statement of the base year. Each item of the base year is taken as hundred and on that basis the percentages for each of the corresponding items of each of the other years are calculated. Such calculation is made as follows:

$$\text{Trend Percentages} = \frac{\text{Amount of each item of other years}}{\text{Amount of the corresponding item in the base year}} \times 100$$

**4. Funds Flow Analysis** Funds flow analysis has become an important tool in the analytical kit of financial analysts, credit granting institutions and financial managers. This is because the Balance sheet of a business reveals its financial status at a particular point of time. It does not sharply focus those major financial transactions which have been behind the balance sheet changes.

For ex. If a loan of Rs. 2,00,000 was raised and paid during the accounting year, the balance sheet will not depict this transaction. However, a financial analyst must know the purpose for which the loan was utilized and the source from which it was obtained. This will help him in making a better estimate about the company's financial position and policies.

Funds flow analysis reveals the changes in working capital position. It tells about the sources from which the working capital was obtained and the purposes for which it was used.

**5. Ratio Analysis** This is the most important tool available to financial analysts for their work. An accounting ratio shows the relationship in mathematical terms between two interrelated accounting figures. The figures have to be interrelated because no useful purpose will be served if ratios are calculated between two figures which are not at all related to each other eg., sales and discount on issue of debentures.

## **ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS**

### **Meaning of Analysis and Interpretation of Financial Statements**

Analysis and interpretation of financial statements is a study of financial data to know the profitability and financial position of the business. According to myres, "Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements".

The analysis and interpretation are closely related with each other. The term analysis means the classification, grouping and presentation of data in a simplified form. It is

necessary since it is difficult to draw conclusions from the figures shown by the financial statements. On the other hand, the term interpretation means explaining the meaning and significance of the data so analysed. Hence, it is clear that interpretation is not possible without analysis and without interpretation analysis is of no use.

### **Objectives or Uses of Financial Analysis**

6. To determine the earning capacity of the business.
7. To judge the operational efficiency of the business.
8. To know the solvency of the business.
9. To compare the performance with the standards or the results of one firm with another or that of one department with another.
10. To help in making estimates for the future.

### **Types of financial Analysis**

The types of financial analysis depend upon the materials used or the procedure adopted for analysis.

#### **3. According to the materials used for analysis:**

iii) **External analysis:** It is done by persons who do not have access to the books of *accounts and other information related to the business. These persons mostly depend upon the published statements for the purpose of analysis. This type of analysis is normally made by investors, credit agencies, Government agencies and research scholars.*

iv) **Internal analysis:** It is done by persons who have access to the books of accounts

of the business. In other words, it is an analysis made by the executives and employees of the organisation or by the persons appointed by the Government of the court having jurisdiction over the business. It gives more reliable results than external analysis since it is done by persons connected with the business.

#### **4. According to the procedure of analysis**

i) **Horizontal Analysis:** It is an analysis of financial statements for a number of years. It is also known as 'Dynamic Analysis' or 'Trend Analysis' since it is based on the data from year to year rather than on a particular date.

ii) **Vertical Analysis:** It is an analysis of various items appearing in the financial statement on a particular date. It is also known as 'Static Analysis' or 'Structural Analysis'. This type of analysis is not much useful since it depends on the data on one date or one period.

### **Methods or Tools of Financial Analysis**

The methods or tools used in the analysis and interpretation of financial statement are as follows:

1. *Comparative financial statements: The statements prepared to facilitate interfirm or interperiod comparisons are known as comparative financial statements. Interfirm comparison is the comparison of financial statements of two or more firms. Similarly, interperiod comparison is the comparison of financial statements of the same firm over a period of years. These comparative financial statements are prepared to show.*

- vi) the data in terms of money value called absolute data,
- vii) increases or decreases in absolute data in terms of money,

- viii) increases or decreases, in absolute data in percentages.
- ix) comparisons in the form of ratios.
- x) Percentage of totals.

2 **Common-size statements:** Common-size statement is a statement in which figures are reported as percentages to some common base. In profit and loss account, all figures may be expressed as percentage on sales. Similarly in balance sheet, all figures may be expressed as percentage of its total. It is also known as 'Vertical Analysis'. It is a study of relationship existing on a particular date.

3 *Trend analysis or trend the same item in the same year. These percentages show the relative changes in the financial data between specific periods. The trend percentages are calculated only for some important items having logical relationship with each other. While calculating the trend percentages, any year may be taken as the base year. But it is normally the earliest year. The statement of all other years are studied with reference to the statement of the base year. Each item of the base year is taken as hundred and on that basis the percentages for each of the corresponding items of each of the other years are calculated. Such calculation is made as follows:*

$$\text{Trend Percentages} = \frac{\text{Amount of each items of other years}}{\text{Amount of the corresponding item in the base year}} \times 100$$

4 **Accounting ratios or ratio analysis:** It is explained below in detail.

## PROBLEMS

1. From the following profit and loss account and balance sheet of Swadeshi Polytex limited for the year ended 31<sup>st</sup> December 1977 and 1978, you are required to prepare a comparative income statement and a comparative balance sheet.

Profit and Loss account (in lakhs of Rs.)

Particulars	1977	1978	Particulars	1977	1978
To cost of goods sold	600	750	By net sales	800	1000
To Operating expenses:					
Administrative expenses	20	20			
Selling expenses	30	40			
To net profit	150	190			
	800	1000		800	1000

Balance sheet as on 31<sup>st</sup> December (in lakhs of Rs.)

Liabilities	1977	1978	Assets	1977	1978

Bills payable	50	75	Cash	100	140
Sundry creditors	150	200	Debtors	200	300
Tax payable	100	150	Stock	200	300
6% Debentures	100	150	Land	100	100
6% preference capital	300	300	Building	300	270
Equity capital	400	400	Plant	300	270
Reserves	200	245	Furniture	100	140
	1300	1520		1300	1520

2. The income statement of a concern are given for the years ending 31<sup>st</sup> December 1988 and 1989. Rearrange the figures in a comparative form and study the profitability position of the concern.

	Rs.in '000	Rs. in '000
	1988	1989
Net sales	785	900
Cost of goods sold	450	500
Operating expenses:		
General and administrative expenses	70	72
Selling expenses	80	90
Non-operating expenses:		
Interest paid	25	30
Income tax	70	80

3. The following are the balance sheet of a concern for the year 1981 and 1982.

Prepare a comparative balance sheet and study the financial position of the concern.

Balance sheet as on 31<sup>st</sup> December

Liabilities	1981	1982	Assets	1981	1982
Equity share capital	6,00,00 0	8,00,00 0	Land and building	3,70,000	2,70,00 0
Reserves and surplus	3,30,00 0	2,22,00 0	Plant and machinery	4,00,000	6,00,00 0
Debentures	2,00,00 0	3,00,00 0	Furniture and fixtures	20,000	25,000
Long term loans on mortgage			Other fixed assets	25,000	25,000
Bills payable	1,50,00 0	2,00,00 0	Cash in hand and at bank	20,000	30,000
Sundry creditors			Bills receivable	1,50,000	80,000
Other current liabilities	50,000 1,00,00 0	45,000 1,20,00 0	Bills receivable	2,00,000	90,000
			Sundry debtors	2,50,000	2,50,00 0
			Stock	-	3,50,00 0
			Prepaid expenses		2,000
	5,000	10,000			
	14,35,0 00	16,97,0 00		14,35,0 0	16,97,0 00

4. The income statements of Sanyasi Limited are given for the years 1988 and 1989. Convert them into common size income statement and interpret the changes.

Income statements for the years ending 1988 and 1989

	1988 Rs.	1989 Rs.
Gross sales	7,25,000	8,15,000
Less: Sales returns	25,000	15,000
Net Sales	7,00,000	8,00,000
Cost of sales	5,95,000	6,15,000

	1,05,000	1,85,000
Gross profit		
Operating expenses:	23,000	24,000
Selling and distribution expenses	12,700	12,500
Administrative expenses	35,700	36,500
Total expenses		
	69,300	1,48,500
	1,200	8,050
Operating income		
Other incomes	70,500	1,56,550
	1,750	1,940
Non-operating expenses	68,750	1,54,610
Net profit during the year		

5. From the following balance sheet prepare a common-size statement.

Assets	1993 Rs.	1994 Rs.
Cash	27,000	31,500
Debtors	2,20,000	2,11,000
Stock	1,00,000	1,26,000
Prepaid expenses	11,000	21,000
Bills receivable	10,000	10,500
Fixed assets	<u>6,35,000</u>	<u>6,50,000</u>
Total	<u>10,03,000</u>	<u>10,50,000</u>
Liabilities and capital:		
Share capital	6,58,000	7,00,000
Long term debt	2,25,000	2,00,000
Sundry creditors	42,000	50,000

Other liabilities	78,000	1,00,000
Total	<u>10,03,000</u>	<u>10,50,000</u>

6. The summary of balance sheet data in respect of A ltd and B ltd is as under:

	A ltd	B ltd
	Rs.	Rs.
Buildings	1,00,000	4,50,000
Machinery	3,00,000	7,50,000
Share capital	4,50,000	14,50,000
Retained earnings	50,000	33,000
Debtors	1,15,000	1,60,000
Stocks	60,000	2,17,000
Cash	10,000	5,000
Prepaid expenses	5,000	3,000
Creditors	91,000	1,00,000
Liability for expenses	9,000	17,000
Preliminary expenses	10,000	15,000

Prepare common-size balance sheets.

7. Calculate the trend percentages from the following figures of X ltd, taking 1979 as the base and interpret them. (Rs. in lakhs)

Year	Sales	Stock	Profit before tax
1979	1881	709	321
1980	2340	781	435
1981	2055	816	458
1982	3021	944	527
1983	3768	1154	672

8. From the following data relating to the assets side of the balance sheet of Kamadenu Ltd., for the period 31<sup>st</sup> December 1975 to 1978, you are required to calculate the trend percentages taking 1975 as the base year.

(Rs. in '000)

Assets	As on 31 <sup>st</sup> December			
	1975	1976	1977	1978
Cash	100	120	80	140
Debtors	200	250	325	400
Stock in trade	300	400	350	500
Other current assets	50	75	125	150
Land	400	500	500	500
Building	800	1000	1200	1500
Plant	1000	1000	1200	1500
	2,850	3,345	3,780	4,690