8. Financial statements of a company

Q.1 Debenture redeemable after 12 years of the issue are shown as

(a) Long term borrowings

(b) Short term borrowings

(c) Other short−term liabilities

(d) Other long−term liabilities

Ans. Long term borrowings

Q.2 As per companies act, the Balance sheet is required to be presented

(a) Vertical Form

(b) Horizontal Form

(c) Either Vertical Form or Horizontal Form

(d) Any of the above

Ans. Vertical Form

Q.3Sales is termed as

(a) Employee benefit expenses

(b) Revenue from operation

(c) Cost of material Consumed

(d) None of the above

Ans. Revenue from operation

Q.4Income statement is termed as −

(a) Statement of profit and loss

(b) Trading Account

(c) Balance sheet

(d) Profit and loss

Ans. Statement of profit and loss

Q.5 Provision for tax appears in a company's Balance sheet under the sub head –

(a) Long term provision

(b) Short term provision

(c) Other current liability

(d) None of the above

(e) Ans. Short term provision

Q.6 Revenue from sales of goods is shown in the statement of profit and loss as–

(a) Other Income

(b) Revenue from operation

(c) Any of the above

(d) None of the above

Ans. Revenue from operation

Q.7 The prescribed form of balance sheet for the companies has been given in the schedule:

(a) III, Part I

(b) VI, Part I

(c) VI, Part II

(d) None of these

Ans. III, Part I

Q.8 Maximum amount of capital mentioned in the memorandum of association is known as

(a) Subscribed capital

(b) Authorised capital

(c) Called up capital

(d) Paid up Capital

Ans. Authorised capital

Q.9 Which statement is not included in final accounts of a company?

(a) Balance sheet

(b) Statement of profit and loss

(c) Both (a) & (b)

(d) None of the above

Ans. None of the above

Q.10 List the items Shown under the head 'Long term borrowings.

Ans.

1. Debentures
2. Bonds
3. Long term loans from Bank

   Public deposits

Q.11 List any three items that can be shown under the heading 'Reserves and surplus' in a company's balance sheet

Ans.

1. Security premium reserve
2. General Reserve

   Debenture redemption reserve

Q.12 List the sub heading which are shown under the headings 'Current Liabilities 'as per Schedule III part−1 of the companies Act.2013

Ans. (a) Short term borrowings

(b) Trade payables

(c) Other current liability

(d) Short term provision

Q.13 Prepare balance Sheet of XYZ Ltd. As at 31st March, 2013 from the details given below

	₹
Reserve and Surplus	4,80,000
Other long−term liabilities	2,00,000
Trade Payables	1,50,000
Long term borrowings	2,40,000
Other current liabilities	1,00,000
Short term provisions	40.000
Long term provisions	60,000

Share Capital	10,00,000
Cash and Cash Equivalents	4,00,000
Other current Assets	4,00,000
Inventories	1,00,000
Trade receivables	2,40,000
Intangible Fixed Assets	2,60,000
Tangible fixed Assets	8,70,000

Solution :

Particulars	Note No.	2012−13 (₹)	2011−12 (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders Fund			
(a) Share Capital		10,00,000	
(b) Reserve and Surplus		4,80,000	
(2) Non−Current Liability			
(a) Long Term Borrowing		2,40,000	
(b) Other long−term Liabilities		2,00,000	
(c) Long term Provisions		60,000	
(3) Current Liabilities			
(a) Short Term Borrowings		----------	
(b) Trade Payables		1,50,000	
(C) Other Current Liabilities		1,00,000	
(d) Short term Provisions		40.000	
Total		22,70,000	
II. ASSETS			
(1) Non−Current Assets			
(a) Fixed Assets			
(i) Tangible		8,70,000	

(ii) Intangible		2,60,000	
(iii) Non−Current Investment		----------	
(iv) Long term Loans and Advances		----------	
(2) Current Assets			
(a) Current Investment			
(b) Inventories			
(c) Trade receivables			
(d) Cash and Cash Equivalents		1,00,000	
(e) Short term Loans and Advances		2,40,000	
(f) Other Currents Assets		4,00,000	

Total		4,00,000	
		22,70,000	

Q. 14 From the following Information, Prepare Balance sheet of Goel Ltd :

Particulars	31 . 03 . 2014
Reserve and Surplus	6,00,000
Equity Share Capital	5,00,000
Trade payables	6,35,000
Building	8,00,000
Machinery	3,15,000
Investment	60,000
Current Assets	7,60,000
Long term Borrowings	2,00,000

Solution :

Balance Sheet of Goel Ltd

Particulars	Note No .	31st March 2014	31st March 2013
I . EQUITY AND LIABILITIES			
I . Share holder' Fund			

(a) Equity Share Capital		5,00,000	
(b) Reserves and Surplus		6,00,000	
2. Noncurrent Liabilities:			
Long term Borrowings		2,00,000	
3. Current Liabilities:			
Trade payables		6,35,000	
Total		19,35,000	
II. ASSETS			
1. Non−Current Assets			
(a) Fixed Assets			
(i) Tangible assets		11,15,000	
(ii) Intangible Assets		-------	
(b) Investment		60,000	
2. Current Assets		7,60,000	
		19,35,000	

Notes to Accounts

Particulars	31.03.2014
1. Tangible Assets	
Building	8,00,000
Machinery	3,15,000

Q. 15 XYZ Ltd. Has the following balances on 1st April 2013:

	₹
Securities Premium	60,000
General Reserve	1,25,000
Statement of Profit and Loss	2,50,000

During the year ending 31st March 2014, it incurred a loss of ₹ 75,000. Show how these items will be shown in the balance sheet the company and Notes to accounts

Solution:

Particulars	Note No	31st March,2014 (₹)	31st March,2013 (₹)
EQUITIES AND LIABILITIES			
Shareholders fund			
Reserve and surplus		3,60,000	

Notes to accounts

Reserves and Surplus	₹
Securities Premium	60,000
General Reserve	1,25,000
Statement of Profit and Loss	2,50,000
Loss incurred during the year	(75,000)
	3,60,000

Q. 16 Compute the change in Inventory of Stock in Trade if

Opening Inventory of stock in Trade ₹80,000

Closing Inventory of Stock in Trade ₹50,000

		₹
Solution:	Opening Inventory of Stock in Trade	80,000
Less:	Closing Inventory of Stock in Trade	50000
	Change in Inventory of stock in Trade	30,000

Q. 17 Under which major heads of the statement of profit and loss of a company following items will be shown –

(i) Material Purchased

(ii) Sales

(iii) Wages and Salaries

Ans. Material Purchased– Cost of Material Consumed

Sales– Revenue from operation

Wages and Salaries – Employee benefit expenses

Q. 18 Out of the following, Identify the items that are shown in the Notes to accounts on employee benefit expenses –

(a) Wages (b) Salaries (c) Entertainment expenses (d) Bonus (E) Gratuity Paid (f) Conveyance Expenses

Ans. Wages, Salaries, Bonus and Gratuity Paid

Q. 19 Out of the following, Identify the items that are shown in the Notes to accounts on Finance Cost

(a) Interest paid on term loan （b） Interest paid on overdraft （c） Interest received on fixed deposits （d） Bank Charges （ e） Discount on Issue of debentures written off

Ans. Interest paid on term loan , Interest paid on overdraft, Discount on Issue of debentures written off

Q. 20 Identify which of the following items are to be shown in the notes to accounts on other expenses

(a) Wages and Salaries（b） Internet expenses（c） Rent for Factory （d） Depreciation on furniture （e ） Rent for office （f） Audit Fees（g） Staff welfare Expenses （h） Courier expenses

Ans. Internet expenses, Rent for Factory, Rent for office, Audit Fees, Courier expenses

Q. 21 Under which major head of the statement of profit and loss of a company following items will be shown

(i) Bonus （ii） Material Purchased （iii） Wages （iv） Purchase of stock in trade

（v） Sales （vi） Sale of Scrap （vii） Interest earned （viii） Gratuity Paid

Ans.

Bonus	Employee benefit Expenses
Material Purchased	Cost of material consumed
Wages	Employee benefit Expenses
Purchase of stock in trade	Purchase of stock in trade
Sales	Revenue from operation
Sale of Scrap	Revenue from operation
Interest earned	Other Income
Gratuity Paid	Employee benefit Expenses

Q. 22 Under which major heads of the statement of Profit and Loss of a company following Items will be shown

(i) Interest on public deposits

(ii) Entertainment Expenses

(iii) Discount on issue of debentures written off

(iv) Interest paid on debentures

(v) Profit on sale of Investment

(vi) Contribution of Provident Fund

(vii) Revenue from service rendered

(viii) Goodwill written off

Ans.

(i)	Interest on public deposits	Finance Cost
(ii)	Entertainment Expenses	Other expenses
(iii)	Discount on issue of debentures written off	Finance Cost
(iv)	Interest paid on debentures	Finance Cost
(v)	Profit on sale of Investment	Revenue from operation
(vi)	Contribution of Provident Fund	Employee benefit Expenses
(vii)	Revenue from service rendered	Revenue from operation
(viii)	Goodwill written off	Depreciation and amortisation expenses

Compute cost of material Consumed from the following:

	₹
Inventory of Material on 1st April,2015	2,50,000
Inventory of Material on 31st March,2016	1,20,000
Purchase of Material	14,00,000
Return of Material Purchased	20,000

Solution:

Particulars	₹
Inventory of Material on 1st April,2015 Add: Purchase of Material	2,50,000 14,00,000
	16,50,000
Less: Return of Material Purchased Inventory of Material on 31st March,2016	20,000 1,20,000
	1,40,000
Cost of Material Consumed (16,50,000− 1,40,000)	15,10,000

Q. 23Calculate Revenue from operation, other Income, and total revenue for a non-financial company from the following information

Particulars	₹
Sales	21,00,000
Sales return	90,000
Sales of scrap	30,000
Interest on fixed Deposits	30,000
Dividend received	10,000
Refund of Income tax	15,000
Sale of other items	7,000

Solution:

Particulars		₹
Revenue from operation (sale)		21,00,000
Add: Sale of Scrap		30,000
		21,30,000
Less: Sales return		90,000
Revenue from operation		20,40,000
Other Income		
Dividend received	10,000	
Refund of Income Tax	15,000	
Interest on F. D	30,000	55,000

Q. 24 From the following Information of Aroma Ltd, Prepare Statement of Profit and Loss as on 31st March 2016:

	₹
Sale	35,00,000
Sale of Scrap	15,000
Purchase of Stock in trade	20,00,000
Wages and Salaries	6,00,000
Interest received	25,000
Bonus Paid	70,000
Gratuity paid	50,000
Depreciation on Building	25,000
Opening stock in trade	1,50,000

Closing Stock In trade	2,25,000

Solution :

Particulars	Note No.	31st March 2016	31st March 2015
I. Revenue from Operation	1	35,15,000	
II. Other Income		25,000	
III. Total Revenue (I+II)		35,40,000	
IV. Expenses			
(a) Cost of Materials Consumed		----------	
(b) Purchase of Stock in Trade	2	----- 19,25,000	
(c) Change in Inventories of finished goods, work in progress and stock in trade		----------	
(d) Employees Benefit Expenses		--	
(e) Finance Cost	3		
(f) Depreciation and Amortisation Expenses		7,20,000	
(g) Other Expenses		----------	
Total Expenses		--	
V. Profit Before tax (III-IV)		25,000	
Less : Income tax		----------	
VI. Profit After tax		-	
		26,70,000	
		8,70,000	

Notes to Accounts

1. Revenue From operation	₹
Sale	35,00,000
Sale of Scrap	15,000
	35,15,000
2. Purchase of Stock In trade	
Opening Stock In trade	1,50,000
Purchase of stock in trade	20,00,000
Closing Stock In trade	(2,25,000)
	19,25,000
3. Employee benefit expenses	
Wages and Salaries	6,00,000
Bonus paid	70,000
Gratuity paid	50,000
	7,20,000

Q. 25 From the following information Prepare Notes to accounts on Finance Cost :

(i) Interest paid on Bank Overdraft ₹50,000

(ii) Interest Paid on term loan ₹2,60,000

(iii) Interest received on fixed deposits ₹ 40,000

(iv) Bank Charges ₹ 8,000

(v) Discount of Issue of debenture Written Off ₹ 15,000

(vi) Processing charges for loan ₹ 20,000

Solution : Notes to accounts

Finance Cost	₹
Interest paid on Bank Overdraft	50,000
Interest paid on Bank Loan	2,60,000
Discount of Issue of debenture written off	15,000

Processing charges for loan	20,000
	3,45,000

Q. 26 Prepare Statement of Profit and loss from the following particulars as on 31st March,2013

	₹
Revenue from operation	10,00,000
Expenses	6,00,000
Other Income	1,00,000
Income Tax	50%

Particulars	Note No.	31st March 2013	31stmarch, 2012
I. Revenue from operation		10,00,000	
II. Other Income		1,00,000	
III. Total Revenue from operation		11,00,000	
IV. Expenses		6,00,000	
V. Profit before tax		5,00,000	
VI. Less : Tax		2,50,000	
VII. Profit after tax		2,50,000	