

PRACTICE QUESTIONS

MCQ

1. Which of the following points out the nature of financial statements?
- (i) Financial statements are prepared on the basis of recorded facts.
 - (ii) Certain accounting conventions are followed while preparing financial statements.
 - (iii) Financial statements are prepared on certain basic assumptions.

Options:

- (a) Only (i)
 - (b) (i) and (ii)
 - (c) (i), (ii) and (iii)
 - (d) (ii) and (iii)
2. Which of the following is not included under the head shareholders' fund?
- (a) Share capital
 - (b) Reserves and surplus
 - (c) Money received against share warrants
 - (d) Long-term provisions

3. Under which of the following head/ sub-head is 'forfeited shares' presented in the balance sheet of a company?
- (a) Reserves and surplus
 - (b) Share capital
 - (c) Other long-term liabilities
 - (d) Other current liabilities
4. Staff Welfare Expenses are included in:
- (a) Cost of materials consumed
 - (b) Revenue from operation
 - (c) Employee Benefit Expenses
 - (d) Other Current Liabilities
5. A Company issued capital. A shareholder paid all money on allotment while first call is not called by company. So you are required to show this advance in balance sheet of company as
- (a) current liability
 - (b) long-term liability
 - (c) current assets
 - (d) None of these
6. Public deposits appear under which of the following head in a company's balance sheet?
- (a) Current liabilities
 - (b) Non-current liabilities

- (c) Reserves and surplus (d) Shareholders' funds
7. A company issued shares calling application, allotment and first and final call. A holder of shares not paid allotment and first call. His shares are forfeited but not re-issued. As on balance sheet date, you are required to show these forfeited shares in the balance sheet of company under the head
(a) current liability (b) shareholders' fund
(c) current assets (d) None of these
8. 11% Debentures are included in:
(a) Current Liability (b) Fixed Assets
(c) Current Assets (d) None of these
9. From following information, calculate other incomes.
Sales of product = ₹54,000; Sale of services = ₹60,000;
Commission received = ₹1,20,000; Excise duty paid = ₹3,00,000; Dividend from investment = ₹20,000
(a) ₹1,40,000 (b) ₹2,54,000
(c) ₹(46,000) loss (d) None of these
10. From the following information, you are required to compute profit after tax.
I. Revenue from operation = ₹80,00,000
II. Cost of material consumed = ₹10,00,000
III. Purchase of stock-in-trade = ₹30,00,000
IV. Employees salary = ₹4,00,000
V. Tax rate = 50%
(a) ₹20,00,000 (b) ₹24,00,000
(c) ₹15,00,000 (d) ₹18,00,000
11. A company purchased a business of a firm. When accountant was tallying all assets and liabilities, he found that the company has paid more amount than the worth of its assets. You are required to find what this difference be called and where it will be shown?
(a) Capital reserve, reserve and surplus
(b) Goodwill, intangible assets
(c) Accountants totalling is wrong, assets and liabilities always tally without adjustment
(d) None of the above
12. Livestock is a item of assets under sub-head fixed assets and the major head non-current assets.
(a) intangible (b) inventories
(c) trade receivables (d) tangible
13. Which of the following is not an item of sub-head other current liabilities in balance sheet?
(a) Creditors (b) Outstanding expenses
(c) Advance income (d) Both (b) and (c)
14. In balance sheet, 'Trade receivables' is the shown under the head
(a) non-current assets (b) current assets
(c) non-current liabilities (d) current liabilities
15. External users of financial statements are:
(a) Banks (b) Suppliers
(c) Both (a) and (b) (d) Director of company
16. Compute cost of materials consumed from the following information. Opening inventory of materials ₹5,00,000, materials purchased ₹40,00,000 and closing inventory of materials ₹6,00,000.
(a) ₹40,00,000 (b) ₹51,00,000
(c) ₹27,00,000 (d) ₹39,00,000
17. What is the total under equity and liabilities side of the balance sheet when the following information is given?
Shareholders' Funds = ₹10,00,000; Non-current Liabilities = ₹5,00,000; Current Liabilities = ₹3,00,000
(a) ₹10,00,000 (b) ₹15,00,000
(c) ₹18,00,000 (d) ₹13,00,000
18. What will be the amount shown under the head current assets when the following data is given Inventories = ₹2,30,000; Trade Receivables = ₹70,000; Cash and Cash Equivalents = ₹50,000, Current Investments = ₹50,000
(a) ₹3,00,000 (b) ₹3,50,000
(c) ₹2,80,000 (d) ₹4,00,000
19. What will be the amount shown under the head current liabilities when the following data is given? Short-term borrowings = ₹3,00,000; Trade Payables = ₹2,00,000; Other Current Liabilities = ₹1,00,000; Short-term Provisions = ₹1,00,000
(a) ₹5,00,000 (b) ₹6,00,000
(c) ₹4,00,000 (d) ₹7,00,000
20. What is the total under assets side of the balance Sheet when the following information is given?
Non-current Assets = ₹5,00,000; Current Assets = ₹2,00,000; Current Liabilities = ₹3,00,000
(a) ₹7,00,000 (b) ₹10,00,000
(c) ₹5,00,000 (d) None of these

SUBJECTIVE QUESTIONS

1. Multiple Paper Solutions Ltd. received applications for 5,00,000 preference shares against an issue of 4,00,000 preference shares of ₹10 each. Allotment has not been made against the applications yet. How will you show the amount in the Balance Sheet of company?
2. Under which major heads and sub-heads will the following items be presented in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013?
- (i) Bank Overdraft
(ii) Revaluation Reserve
(iii) Capital Redemption Reserve
(iv) Mining Rights
(v) Patents
(vi) Debit balance in Statement of Profit and Loss
(vii) Debenture Redemption Reserve
(viii) Provision for Taxation

3. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013:
 - (i) Sinking Fund
 - (ii) Capital redemption reserve
 - (iii) Bonds
 - (iv) Loans repayable on demand
 - (v) Unpaid dividend
 - (vi) Buildings
 - (vii) Trademarks
 - (viii) Raw materials.
4. Under which major headings and sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013:
 - (i) Balance of the Statement of Profit and Loss
 - (ii) Loan of ₹1,00,000 payable after three years
 - (iii) Investment in Mutual Funds
 - (iv) Loose tools
 - (v) Trademark
 - (vi) Land
 - (vii) Cash at bank
 - (viii) Trade payables
5. Name the major heads under which the following items will be presented in the Balance Sheet of a company as per Schedule III of Companies Act, 2013:
 - (i) Provision for Employee Benefit
 - (ii) Unpaid Dividend
 - (iii) Interest on Calls-in-Advance
 - (iv) Patents
 - (v) Short-term Loans
 - (vi) Trade payables
 - (vii) Stores and Spare Parts
 - (viii) Goodwill
6. Under which major sub-headings, the following items will be placed in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013:
 - (i) Accrued Income
 - (ii) Loose Tools
 - (iii) Provision for Employees benefits
 - (iv) Unpaid dividend
 - (v) Short-term loans
 - (vi) Long-term loans
7. Under which sub-headings, will the following items be placed in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013:
 - (i) Capital Reserve
 - (ii) Bonds
 - (iii) Loans repayable on demand
 - (iv) Vehicles
 - (v) Goodwill
 - (vi) Drafts on Hand
8. State under which major headings the following items will be presented in the Statement of Profit and Loss of a company as per the Companies Act, 2013: Bonus, Internet Expenses, Materials Purchased, Goodwill Amortized
9. Under which heads of the Statement of Profit and Loss of a Financial Company will be shown
 - (i) Interest Paid on Debentures
 - (ii) Prior Period Expenses
 - (iii) Interest Earned
 - (iv) Profit on Sale of Investments
10. State the major headings under which the following items will be put as per Schedule III, Part I of the Companies Act, 2013:
 - (i) Long-term investments; (ii) Bills of Exchange; (iii) Motor Car; (iv) Loss on Issue of Debentures; (v) Unpaid matured debentures and interest accrued thereon and (vi) Unclaimed Dividend; (vii) Security Deposits for Electricity.

HOMEWORK

MCQ

1. Under which heading the item 'Bills discounted but not yet matured' will be shown in the Balance Sheet of a company?
 - (a) Current liability
 - (b) Current Assets
 - (c) Contingent Liabilities
 - (d) Unamortized Expenditure
2. While preparing the Balance Sheet of a company, 6% debentures is shown under which head?
 - (a) Share capital
 - (b) Long term borrowings
 - (c) Short term borrowings
 - (d) None of these
3. Which of the following items is shown under the head 'Non-Current Assets', while preparing the Balance sheet of a company?
 - (a) Underwriting Commission
 - (b) Current Investment
 - (c) Inventory
 - (d) Patents
4. 'Interest accrued but not due on loans, is shown in the companies balance sheet under the sub-head_____
 - (a) Reserves and Surplus
 - (b) Other Current Liabilities
 - (c) Contingent Liabilities
 - (d) Shareholders Funds
5. Claim against the company not acknowledged as debts are shown under:
 - (a) Current Liabilities
 - (b) Contingent Liabilities
 - (c) Non-current Liabilities
 - (d) Capital commitments
6. Which of the following is not a subhead of Current Liabilities?
 - (a) Short Term Provisions
 - (b) Trade Payables
 - (c) Deferred Tax Liabilities

- (d) Other Current Liabilities
7. As per Schedule III, Part I of the companies Act, 2013 'Unpaid Dividend' will be presented under which of the following head/sub-head, in the Balance Sheet of a company?
 - (a) Reserves and Surplus
 - (b) Current Liabilities
 - (c) Contingent Liabilities
 - (d) Shareholder's Funds
 8. Interest accrued but not due on investment will be shown under which head of current assets?
 - (a) Short term loans and advances
 - (b) Current investments
 - (c) Other current assets
 - (d) Cash and cash equivalents
 9. Money received against share Warrants is shown as
 - (a) Shareholder's funds
 - (b) Other Long Term Liabilities
 - (c) Long term provisions
 - (d) Other current liabilities
 10. Which of the following is not a component of other income?
 - (a) Dividend Income
 - (b) Interest Income
 - (c) Proceeds from the sale of scrap
 - (d) Gain on sale of investment
 11. Calls in Advance and interest payable thereon is shown as
 - (a) Shareholders funds
 - (b) Other non-current liabilities
 - (c) Other current liabilities
 - (d) Trade Payables
 12. Purchase of goods for resale is shown in Statement of Profit and Loss as:
 - (a) Revenue from Operations
 - (b) Cost of Material consumed
 - (c) Purchase of Stock in trade
 - (d) Change in inventories
 13. Interest and dividend earned by a financial company is shown in Statement of Profit and Loss under the sub-head:
 - (a) Revenue from Operations
 - (b) Other income
 - (c) either a) or b)
 - (d) neither a) nor b)
 14. Loose Tools appear in the company's Balance Sheet under the head/sub-head.
 - (a) Inventory
 - (b) Non-current assets
 - (c) Other current assets
 - (d) stores and spare parts
 15. In a company's Balance Sheet, computer software is shown under the main head.
 - (a) Non-current Liabilities
 - (b) Current Liabilities
 - (c) Non-current Assets
 - (d) Current Assets
 16. Carriage inwards is shown in statement of profit and loss under ____ .
 - (a) Cost of materials consumed
 - (b) Other expenses
 - (c) Employee benefit expenses
 - (d) None of the above
 17. Under which head will 'Leave Encashment Expenses' be shown in Statement of Profit and Loss ?
 - (a) Other expenses
 - (b) Finance costs
 - (c) Depreciation and Amortization expenses
 - (d) Employee benefit expenses
 18. Which of the following is not included in 'Revenue from operations' in Statement of Profit and Loss?
 - (a) Sale of products
 - (b) Sale of Services
 - (c) Other operating revenues
 - (d) Interest Income
 19. Which of the following is/are a component of Cash and Cash equivalents ?
 - (a) Balances with Banks
 - (b) Cash in hand
 - (c) Cheques/Drafts in hand
 - (d) All of the above
 20. Which of the following is not a part of finance cost (in the Statement of Profit and Loss) ?
 - (a) Bank charges
 - (b) Interest paid on debentures
 - (c) Interest paid on public deposits
 - (d) Loss on issue of Debentures
 21. Preliminary expenses of are treated as 'short term borrowings' in the balance sheet of the company?
 - (a) True
 - (b) False
 - (c) Partially true
 - (d) Can't say
 22. ____ reserve can be used freely for any purpose .
 - (a) Capital
 - (b) General
 - (c) Securities premium
 - (d) Capital redemption
 23. Which of the following is not a subhead under the current assets ?
 - (a) Cash and Cash equivalents
 - (b) Trademarks
 - (c) Short term loans and advances
 - (d) Inventories
 24. Premium payable on redemption of debentures is shown under the head ' Non Current Liabilities' and sub-head 'Other Non Current Liabilities' in the balance sheet of the company.
 - (a) True
 - (b) False
 - (c) Partially true
 - (d) Can't say
 25. Livestock is an item of ____ under sub-head fixed asset and the major head non-current assets.
 - (a) Tangible
 - (b) Inventories
 - (c) Trade Receivables
 - (d) Inventories
 26. Under which head will 'Commission paid for deposit mobilisation' be shown in Statement of Profit and Loss ?
 - (a) Other Expenses
 - (b) Finance costs
 - (c) Cost of materials consumed

- (d) None of these
27. Under which head will 'Business promotion expenses' be shown in Statement of Profit and Loss ?
- Other expenses
 - Finance costs
 - Cost of materials consumed
 - Employee benefit expenses

Directions (Q. Nos. 28 to 30) There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below.

- Both Assertion (A) and Reason (R) are true and Reason(R) is the correct explanation of Assertion (A)
- Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- Assertion (A) is false, but Reason (R) is true
- Assertion (A) is true, but Reason (R) is false

28. Assertion (A): Certain accounting conventions like consistency, conservatism, full disclosure, etc. are followed while preparing financial statements.

Reason (R): Use of accounting conventions makes the financial statements comparable, simple and realistic.

29. Assertion (A): The bank charges charged by the bank are included in finance cost.

Reason (R): Bank charges is an expense not incurred in connection with raising finance but for availing the services of the bank.

30. Assertion (A): Bills receivable are shown as trade receivables in the balance sheet of the company.

Reason (R): Debtors and bills receivable forms the part of trade receivables.

SUBJECTIVE QUESTIONS

- Under what headings and sub-headings of the Balance Sheet of a company, following will be presented:
 - Proposed Dividend
 - Calls-in-Arrears
 - Patents and Trade Marks
 - Prepaid insurance
 - Outstanding Salary
 - Shares in R.M.L. Limited
- Under which headings and sub-headings, would you disclose the following items in the Balance Sheet of a limited company?
 - Forfeited share Account
 - Capital Advances
 - Factory Building under construction
 - Premium on Redemption of Debentures
 - Shares in Wipro Ltd.
 - Interest Accrued and due on Unsecured Loan
 - Interest Accrued and due on Secured Loan
 - Interest Accrued but not due on Loan.
- Show the following items in the Balance Sheet of ABC Ltd. as at 31st March, 2019 as per the requirements of Schedule III of the Companies Act, 2013:
- Calculate Cost of Material Consumed from the following information:

	₹
Opening Inventory: Material	2,75,000
Finished Goods	1,25,000
Material purchased	11,25,000
Closing Inventory : Material	2,25,000
Finished Goods	75,000

General Reserve (31st March, 2018) ₹4,00,000, Surplus *i.e.*, Balance in Statement of Profit and Loss (Debit Balance) for 2018-19 ₹7,50,000.

- Calculate total revenue from operations for the year ended 31st March, 2019 of MNO Finance Ltd. (a financing company) from the following information:
Commission Received ₹10,000, Interest on Loans ₹60,00,000, Dividend Received ₹2,00,000, Profit on sale of Land ₹ 30,00,000.
- From the following information of Ratna Ltd., prepare a Statement of Profit and Loss for the year ended 31st March, 2017:
Revenue from operations ₹1,15,000, Commission Received ₹35,000, Cost of Material Consumed ₹12,500, Purchases of stock-in-trade ₹5,000, Changes in Inventories ₹22,500, Employees Benefit Expenses ₹10,000, Finance Cost ₹6,000, Depreciation ₹2,500, Advertising Expenses ₹8,500.

7. Calculate the amount of change in inventories of finished goods, work-in-progress and stock-in-trade, that will be shown in the Notes to Accounts from the following information:

Opening Inventories (₹)	Closing Inventories (₹)	
Finished Goods	2,50,000	2,75,000
Work-in-progress (WIP)	2,25,000	2,12,500
Stock-in-Trade	3,25,000	3,00,000

8. The following balances were extracted from the books of Perfect Sports Ltd. as on 31st March, 2017:
Plant and Machinery ₹2,00,000, Shares in RXL Ltd. ₹1,00,000, Stock-in-Trade ₹80,000, Bills Receivable ₹10,000, Prepaid Expenses ₹10,000, Share capital ₹2,00,000, Capital Redemption Reserve ₹1,20,000, 10% Debentures ₹60,000, Short-term loan from Bank ₹10,000 and provision for taxation ₹10,000. Prepare Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.
9. X Ltd. has an authorised capital of ₹15,00,000 divided into 1,00,000 Equity shares of ₹10 each and 50,000, 9% preference shares of ₹10 each.
The whole of preference shares were subscribed, called and paid. However the company issued only 90,000 equity shares. 85,000 equity shares were subscribed for. During the first year ₹8 per share were called. Ram holding 1,000 shares did not pay first call of ₹2. Also Shyam holding 2,000 shares did not pay first call of ₹2. Only Shyam's shares were forfeited after the first call and later on 1,500 of the forfeited shares were reissued at ₹6 per share, ₹8 called up.
(a) Show capital in Balance Sheet as per Schedule III of Companies Act, 2013 as at 31st March, 2017.
(b) Prepare relevant 'Notes to Accounts'.
10. Midas Shoes Ltd. had the following opening balances in the Reserves and Surplus:

	(₹)
Debenture Redemption Reserve	50,000
Securities Premium Reserve	1,00,000
Surplus, i.e., Balance in Statement of Profit and Loss	4,50,000
Profit after tax during the year 2018-19 amounted to ₹2,50,000.	
The following appropriations to the profit earned were proposed:	
	(₹)
Transfer to Debenture Redemption Reserve	2,00,000
Transfer to General Reserve	2,00,000
Transfer to Securities Premium Reserve	1,50,000
Determine how the above items shall be shown in the Notes to Accounts on Reserves and Surplus.	

SOLUTION FOR PRACTICE QUESTIONS

SOLUTION FOR MCQ QUESTIONS

- (c)
- (d)
- (b): Forfeited shares are shown by adding it to subscribed capital.
- (c)
- (a): Calls-in-advance is always treated as current liability because it is reversed when call money is called-up by company.
- (b)
- (b): Amount received before forfeiture is kept by the company and therefore, it is a gain for the company. However, forfeiture reduces the share capital by amount of forfeited shares. Hence, it is shown on the liabilities side of balance sheet under 'shareholders' fund' head.
- (d)
- (a):

Other Incomes	Amt (₹)
(i) Commission Received	= 1,20,000
(ii) Dividend from Investment Received	= 20,000
	= 1,40,000

Sale of products and services are revenue from operation and excise duty is revenue from operation in negative nature.
- (d):

Particulars	Amt (₹)
Revenue from Operations	80,00,000
(--) Expenses	
Cost of Material Consumed	10,00,000

Purchase of Stock-in-trade	30,00,000	
Employees Benefit Expense	<u>4,00,000</u>	[44,00,000]
Profit before Tax		36,00,000
(-) Tax @ 50%		(18,00,000)
Profit after Tax		18,00,000

11. (b): When net assets are less and payment for business purchase is more, then it is called goodwill and it is shown under intangible assets.

12. (d) **13. (a)** **14. (b)**

15. (c)

16. (d): Cost of materials consumed
= Opening Inventory of Materials + Purchases
– Closing Inventory of Materials
= 5,00,000 + 40,00,000 – 6,00,000
= ₹39,00,000

17. (c): Total under equity and liabilities side
= Shareholders Funds + Non-current Liabilities +

Current Liabilities
= 10,00,000 + 5,00,000 + 3,00,000
= ₹18,00,000

18. (d): Current Assets = Inventories + Trade Receivables
+ Cash and Cash Equivalents
+ Current investments
Current Assets = 50,000 + 70,000 + 50,000
+ 2,30,000 = ₹4,00,000

19. (d): Current Liabilities = Short-term borrowings
+ Trade Payables
+ Other current Liabilities
+ Short-term Provisions
Current Liabilities = 3,00,000 + 2,00,000 + 1,00,000
+ 1,00,000 = ₹7,00,000

20. (a): Total under Assets Side = Non-current Assets
+ Current Assets
= 5,00,000 + 2,00,000
= ₹7,00,000

SOLUTIONS FOR SUBJECTIVE QUESTIONS

1. ₹40,00,000 (4,00,000 × ₹10) will be shown against 'Share Application Money Pending Allotment' and ₹10,00,000 (1,00,000 × ₹10) will be shown as 'Other Current Liabilities' under the head 'Current Liabilities'.

2.

S.No.	Items	Headings	Sub-Headings
(i)	Bank Overdraft	Current Liabilities	Short Term Borrowings
(ii)	Revaluation Reserve	Shareholder's Funds	Reserves and Surplus
(iii)	Capital Redemption Reserve	Shareholder's Funds	Reserves and Surplus
(iv)	Mining Rights	Non-Current Assets	Fixed Assets -Intangible
(v)	Patents	Non-Current Assets	Fixed Assets -Intangible
(vi)	Debit balance in Statement of P and L	Shareholder's Funds	Reserves and Surplus (as negative amount)
(vii)	Debenture Redemption Reserve	Shareholder's Funds	Reserves and Surplus
(viii)	Provision for Taxation	Current Liabilities	Short-term Provisions

3.

S.No.	Items	Headings	Sub-Headings
(i)	Sinking Fund	Shareholder's Funds	Reserves and Surplus
(ii)	Capital Redemption Reserve	Shareholder's Funds	Reserves and Surplus
(iii)	Bonds	Non-Current Liabilities	Long Term Borrowings
(iv)	Loans repayable on demand	Current Liabilities	Short-term Borrowings
(v)	Unpaid dividend	Current Liabilities	Other Current Liabilities
(vi)	Buildings	Non-Current Assets	Fixed Assets -Tangible
(vii)	Trademarks	Non-Current Assets	Fixed Assets – Intangible
(viii)	Raw Materials	Current Assets	Inventories

4.

S.No.	Items	Headings	Sub-Headings
(i)	Balance of Statement of Profit and Loss	Shareholder's Funds	Reserves and Surplus
(ii)	Loan of ₹1,00,000 payable after 3 years	Non-Current Liabilities	Long Term Borrowings
(iii)	Investment in Mutual Funds	Current Assets	Current Investments
(iv)	Loose Tools	Current Assets	Inventories
(v)	Trademarks	Non-Current Assets	Fixed Assets – Intangible
(vi)	Land	Non-Current Assets	Fixed Assets – Tangible

(vii)	Cash at Bank	Current Assets	Cash and Cash Equivalents
(viii)	Trade Payables	Current Liabilities	Trade Payables

5.

S.No.	Items	Headings
(i)	Provision for Employee Benefits	Non-Current Liabilities
(ii)	Unpaid Dividend	Current Liabilities
(iii)	Interest on Calls in Advance	Current Liabilities
(iv)	Patents	Non-Current Assets
(v)	Short Term Loans	Current Liabilities
(vi)	Trade Payables	Current Liabilities
(vii)	Stores and Spare Parts	Current Assets
(viii)	Goodwill	Non-Current Assets

6.

S.No.	Items	Sub-Headings
(i)	Accrued Income	Other Current Assets
(ii)	Loose Tools	Inventories
(iii)	Provision for Employee Benefits	Long-term Provisions
(iv)	Unpaid Dividend	Other Current Liabilities
(v)	Short-term Loans	Short-term Borrowings
(vi)	Long-term Loans	Long-term Borrowings

7.

S.No.	Items	Sub-Headings
(i)	Capital Reserve	Reserves and Surplus
(ii)	Bonds	Long-term Borrowings
(iii)	Loans Repayable on demand	Short-term Borrowings
(iv)	Vehicles	Fixed Assets- Tangible
(v)	Goodwill	Fixed Assets- Intangible
(vi)	Drafts on Hand	Cash and Cash Equivalents

8.

S.No.	Items	Headings
(i)	Bonus	Employee Benefit Expenses
(ii)	Internet Expenses	Other Expenses
(iii)	Materials Purchased	Cost of Materials Purchased
(iv)	Goodwill Amortized	Depreciation and Amortization Expenses

9.

S.No.	Items	Headings
(i)	Interest Paid on Debentures	Finance Costs
(ii)	Prior Period Expenses	Other Expenses
(iii)	Interest Earned	Revenue from Operations
(iv)	Profit on Sale of Investments	Revenue from Operations

10.

Items	Major Headings
(i) Long-term Investments	Non- Current Assets
(ii) Bills of Exchange	Current Assets
(iii) Motor Car	Non-Current Assets

(iv) Unpaid matured debentures and interest accrued thereon	Current Liabilities
(v) Securities Premium Reserve	Shareholder's Funds
(vi) Unclaimed Dividend	Current Liabilities
(vii) Security Deposits for Electricity	Non-Current Assets

SOLUTION FOR HOMEWORK QUESTIONS

SOLUTION FOR MCQ QUESTIONS

1. (c)	4. (b)	7. (b)	10. (c)	13. (a)	16. (b)	19. (d)	22. (b)	25. (a)	28. (a)
2. (b)	5. (b)	8. (c)	11. (c)	14. (a)	17. (d)	20. (a)	23. (b)	26. (b)	29. (c)
3. (d)	6. (c)	9. (a)	12. (c)	15. (c)	18. (d)	21. (b)	24. (a)	27. (a)	30. (a)

SOLUTION FOR SUBJECTIVE QUESTIONS

1.

S.No.	Items	Headings	Sub-Headings
(i)	Proposed Dividend	-	To be shown as Contingent Liability in Notes to Accounts
(ii)	Calls in Arrears	Deducted from Subscribed but not fully paid up capital in shareholder's funds	
(iii)	Patents and Trade Marks	Non Current Assets	Fixed Assets – Intangible
(iv)	Prepaid Insurance	Current Assets	Other Current Assets
(v)	Outstanding Salary	Current Liabilities	Other Current Liabilities
(vi)	Shares in R.M.L Limited	Non-Current Assets	Non-Current Investments

2.

S.No.	Items	Headings	Sub-Headings
(i)	Forfeited Shares Account	Shareholder's Funds	Share Capital (Shown by way of adding it to subscribed capital)
(ii)	Capital Advances	Non-Current Assets	Long term loans and Advances
(iii)	Factory Building Under Construction	Non Current Assets	Fixed Assets – Capital Work in progress
(iv)	Premium on Redemption of Debentures	Non-Current Liabilities	Other Long-Term Liabilities
(v)	Shares in Wipro Ltd.	Non-Current Assets	Non-Current Investments
(vi)	Interest Accrued and due on Secured Loan	Current Liabilities	Other Current Liabilities
(vii)	Interest Accrued and due on Secured Loan	Current Liabilities	Other Current Liabilities
(viii)	Interest Accrued but not due on loan	Current Liabilities	Other Current Liabilities

3.

Balance Sheet of ABC Ltd.
as at 31st March, 2019

Particulars	Note No.	Current Year 31st March, 2019 (₹)	Previous Year 31st March, 2018 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
Reserves and Surplus	1	(3,50,000)	

Notes to Accounts:

Particulars		(₹)
1. Reserves and Surplus:		
General Reserve	4,00,000	
Surplus, i.e., Balance in Statement of Profit and Loss (Dr. Balance)	(7,50,000)	(3,50,000)

4. **Statement of Profit and Loss of MNO Finance Ltd.**
for the year ended 31st March, 2019

Particulars	Note No.	31st March, 2019 (₹)
I. Revenue from Operations	1	62,10,000
II. Other Income	2	30,00,000
III. Total Revenue from Operations (I + II)		<u>92,10,000</u>

Notes to Accounts:

Particulars	(₹)	(₹)
1. Revenue from Operations		
Commission received	10,000	
Interest on loans	60,00,000	
Dividend received	<u>2,00,000</u>	<u>62,10,000</u>
2. Other Income		
Profit on sale of land		<u>30,00,000</u>

5. **Statement of Profit and Loss**
for the year ended 31st March, 2017

Particulars	Note No.	31 st March, 2017 (₹)
I. Revenue from Operations	1	1,15,000
II. Other Income		35,000
III. Total Revenue (I + II)		<u>1,50,000</u>
IV. Expenses:	2	
Cost of Materials Consumed		12,500
Purchases of Stock-in-Trade		5,000
Changes in Inventories		22,500
Employees Benefit Expenses		10,000
Finance Cost		6,000
Depreciation		2,500
Other Expenses		<u>8,500</u>
		<u>67,000</u>
V. Profit before tax (III - IV)		<u>83,000</u>

Notes to Accounts:

Particulars	(₹)
1. Other Income	
Commission Received	35,000
2. Other Expenses	

Advertising expenses	8,500
----------------------	-------

6. Cost of Material Consumed = Opening inventory of material + Purchase of material – Closing inventory of material
= 2,75,000 + 11,25,000 – 2,25,000
= ₹11,75,000

7.

Notes to Accounts

Particulars	(₹)	(₹)
Change in Inventories of Finished Goods, WIP and Stock-in-Trade		
(a) Finished Goods		
Opening inventories	2,50,000	
Less: Closing Inventories	2,75,000	(25,000)
(b) Work-in-Progress		
Opening Inventories	2,25,000	
Less: Closing Inventories	2,12,500	12,500
(c) Stock-in-Trade		
Opening Inventories	3,25,000	
Less: Closing Inventories	3,00,000	25,000
Net change to be shown in Statement of Profit and Loss (a + b + c)		12,500

8.

Balance Sheet of Perfect Sports Ltd.

as at 31st March, 2017

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2016 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital	1	2,00,000	
(b) Reserves and Surplus	2	1,20,000	
2. Non-current Liabilities			
(a) Long-term Borrowings	3	60,000	
3. Current Liabilities			
(a) Short-term Borrowings	4	10,000	
(b) Short-term Provisions	5	10,000	
Total		40,000	
II. ASSETS			
1. Non-current Assets			
(a) Fixed Assets (Tangible)	6	2,00,000	
(b) Non-Current Investments	7	1,00,000	
2. Current Assets			
(a) Inventories	8	80,000	
(b) Trade Receivables	9	10,000	
(c) Other Current Assets	10	10,000	
Total		4,00,000	

Notes to Accounts:

Particulars	(₹)
1. Share Capital:	
Subscribed and Paid-up Share Capital	2,00,000
2. Reserves and Surplus:	
Capital Redemption Reserve	1,20,000
3. Long-term Borrowings:	
10% Debentures	60,000
4. Short-term Borrowings:	
Short-term Loan from Bank	10,000
5. Short-term Provisions:	

Provision for Taxation	10,000
6. Fixed Assets (Tangible):	
Plant and Machinery	2,00,000
7. Non-current Investments:	
Shares in RXL Ltd.	1,00,000
8. Inventories:	
Stock-in-Trade	80,000
9. Trade Receivables:	
Bills Receivable	10,000
10. Other Current Assets:	
Prepaid Expenses	10,000

9. (a)

Balance Sheet of X Ltd.
as at 31st March, 2017 (Extract)

Particulars	Note No.	31st March, 2017 (₹)	31st March, 2016 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds:			
(a) Share Capital	1	11,77,000	
(b) Reserves and Surplus	2	6,000	
Total		11,83,000	

(b) Notes to Accounts:

Particulars	(₹)
1. Share Capital:	
<i>Authorised Capital:</i>	
1,00,000 equity shares of ₹10 each	10,00,000
50,000, 9% preference shares of ₹10 each	5,00,000
	15,00,000
<i>Issued Capital:</i>	
90,000 equity shares of ₹10 each	9,00,000
50,000, 9% preference shares of ₹10 each	5,00,000
	14,00,000
<i>Subscribed Capital:</i>	
<i>Subscribed and fully paid up:</i>	
50,000, 9% preference shares of ₹10 each	5,00,000
<i>Subscribed but not fully paid:</i>	
84,500 equity shares of ₹10 each, ₹8 called-up	6,76,000
Less: Calls-in-arrears (1,000 × 2)	(2,000)
Add: Share Forfeited A/c (500 × 6)	3,000
	11,77,000
2. Reserves and Surplus:	
Capital Reserve	6,000

10. Notes to Accounts

Particulars	(₹)
1. Reserves and Surplus	
(a) Debenture Redemption Reserve	
Opening Balance	50,000
Add: Transfer from Statement of Profit and Loss	<u>2,00,000</u>
	2,50,000
(b) General Reserve	
Opening Balance	--
Add: Transfer from Statement of Profit and Loss	2,00,000
	2,00,000
(c) Securities Premium Reserve	
Opening Balance	1,00,000
Add: Transfer from Statement of Profit and Loss	1,50,000
	2,50,000
(d) Surplus, i.e., Balance in Statement of Profit and Loss	
Opening Balance	4,50,000

<i>Add:</i> Profit for the year	<u>2,50,000</u>	7,00,000	
<i>Less:</i> Appropriations			
Transfer to Debenture Redemption Reserve	2,00,000		
Transfer to General Reserve	2,00,000		
Transfer to Securities Premium Reserve	1,50,000		
		<u>(5,50,000)</u>	1,50,000
Balance of Reserves and Surplus [as shown in Balance Sheet: (a) + (b) + (d)]			<u>8,50,000</u>