CBSE Test Paper 03

Ch-9 Financial Statements and Analysis

1. Which of the following items appear in the Statement of Profit and Loss
   a. Creditors
   b. Goodwill
   c. Trade payables
   d. Sales
2. Name the sub head under the head 'Non-Current Liabilities'
   a. Long-term borrowings
   b. long term provisions
   c. short term borrowings
   d. Trade payables
   e. Deferred tax liabilities
   f. short term provisions

   Choose one of the following options
      a. a, b, e
      b. b, c, d, e
      c. a, b, c, d
      d. a, b, c
3. Investments which are not held for purpose of resale are called
   a. Both Non-Current Investments and Current Investments
   b. Current Investments
   c. Non-Current Investments
   d. Cash and Cash Equivalents
4. Rent received, Profit on sale of fixed assets, Compensation for acquisition of land are example of
   a. Non-operating expenses
   b. Non-operating Incomes
   c. operating Incomes
   d. operating expenses
5. Analysis conducted by the Investors and Creditors is known as:
   a. External Analysis

b. Cross Sectional Analysis
c. Time Series Analysis
d. Horizontal Analysis

6. Give the Main Heading and Sub- Heading of Assets of the Balance sheet of a company as per the Revised Schedule VI of the Companies Act.1956.
7. A company has passed a resolution to call Rs. 2 per share in the event of it, being wound up. Balance amount, i.e., Rs. 8 per share has been called and also received. How will it be classified in the Balance Sheet of the company?
8. State the interest of tax authorities in the analysis of financial statements.
9. Name any two tools of analysis of financial statements.
10. What is the difference between analysis and interpretation of financial statements?
11. Under what heads and sub-heads following items will appear in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013:
    i. Debentures
    ii. Loose Tools
    iii. Calls-in-Advance
    iv. Stores and Spares
    v. Proposed Dividend
    vi. Computer Software
12. From the following Statement of Profit and Loss, prepare Common-size Statement of Profit and Loss of Jayant Ltd. for the year ended 31st March 2012:

Statement of Profit And Loss of Jayant Ltd.

for the year ended 31st March 2012

Particulars	**(Rs.)**
Income	
Revenue from Operations	25,28,000
Other Income	38,000
Total Revenue	25,66,000
Expenses	
Cost of Materials Consumed	14,00,000

Other Expenses	5,00,000
Total Expenses	19,00,000
Tax	3,38,000

13. Financial statements are prepared following the consistent accounting concepts, principles, procedures and also the legal environment in which the business organisations operate. These statements are the sources of information on the basis of which conclusions are drawn about the profitability and financial position of a company so that their users can easily understand and use them in their economic decisions in a meaningful way.
    From the above statement identify any two values that a company should observe while preparing its financial statements. Also state under which major headings and sub-headings the following items will be presented in the balance sheet of a company as per Schedule III of the Companies Act, 2013.
    General reserves, short-term loans and advances, capital work-in-progress and design.
14. Prepare a comparative statement of profit and loss from the following information.

Particulars	**31st March, 2009 Amt (Rs.)**	**31st March, 2010 Amt. (Rs.)**
Revenue from Operations	40,000	50,000
Cost of Revenue from Operations	30,000	35,000
Wages Paid	16,000	14,000
Operating Expenses	2,500	3,000
Other incomes	2,000	3,000
Income Tax	4,750	7,500

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Answer

1. d. Sales, **Explanation:** Sales appear in the Statement of Profit and Loss and the following items are shown in the balance sheet:
    - Creditors
    - Goodwill
    - Trade Payables
2. a. a, b, e, **Explanation:** Out of the given options, following is not payable within one year therefore they appears under the head Non-Current Liabilities:
    a. Long-term borrowings
    b. long term provisions
    c. Deferred tax liabilities
    Following liabilities becomes payable within one year therefore, they are shown under the head Current Liabilities:
        a. short term borrowings
        b. Trade payables
        c. short term provisions
3. c. Non-Current Investments, **Explanation:** Company buy such investment for long period, more than one year, therefore, the company can get the economic benefits from these investments in the form of dividend, interest, etc
4. b. Non-operating Incomes, **Explanation:** Rent received, Profit on sale of fixed assets, Compensation for acquisition of land are example of Non-operating incomes.Non-operating income is the portion of an organization's income that is derived from activities not related to its core operations.
5. a. External Analysis, **Explanation:** Analysis conducted by the Investors and Creditors is known as External Analysis because they both are treated as outsiders.
6. **BALANCE (ASSETS SIDE ONLY)**

Particulars	Note No.	Rs.
I. ASSETS		

1. Non Current Assets:		
a. Fixed Assets		
Tangible		
Intangible		
Capital Work in Progress		
Intangible Assets under Development		
b. Non Current Investments		
c. Deferred Tax Assets (Net)		
d. Long term Loans and Advances		
e. Other Non Current Assets		
2. Current Assets:		
a. Current Investments		
b. Inventories		
c. Trade Receivables		
d. Cash and Cash Equivalents		
e. Short-term Loans and Advances		
f.Other Current Assets		

7. It will be classified or shown as 'Subscribed but Not Fully Called up' because the company has Rs. 8 per share against its nominal (face) value of Rs. 10. Reserve capital Rs 2 represents the part of the authorized capital that has not yet called up by the company and is available for drawing, if necessary.
8. Tax payable is based on the profits earned by the company. Hence, tax authorities are interested to analyse the financial statements to know the revenue of business and to ensure proper assessment of liabilities of the business as per the laws in force, from time to time.
9. Two tools of analysis of financial statements are;
    - Comparative financial statements
    - Common size statements

10. Analysis and interpretation of financial statements means looking at the various parts of the financial statements, relating the parts to each other and to the picture as a whole, and determining if any meaningful and useful interpretation can be made. Analysis refers to the process of fact-finding and breaking down a complex set of figures into simple components while interpretation stands for explaining the real significance of those simplified components. Thus, an analysis is a pre-requisite to the interpretation.
11. A balance sheet summarizes the assets, liabilities, and capital of a company. Assets refer to properties owned and controlled by the company. Liabilities are obligations to creditors, lenders, etc. And capital represents the portion left for the owners of the business after all liabilities are paid.

	Items	**Major Head**	**Sub - Head**
(i)	Debentures	Non-Current Liabilities	Long-term Borrowings
(ii)	Loose Tools	Current Assets	Inventories
(iii)	Calls - in - Advance	Current Liabilities	Other Current Liabilities
(iv)	Stores and Spares	Current Assets	Inventories
(v)	Proposed Dividend	Current Liabilities	Short - Term Provision
(vi)	Computer Software	Non - Current Assets	Fixed Assets - Intangible

12. **In the books of Jayand Ltd.**

COMMON-SIZE STATEMENT OF PROFIT AND LOSS

for the year ended 31st March 2012

	Particulars	**Absolute Amount (Rs.)**	**(%) of Revenue from Operations**
I.	Revenue from Operations	25,28,000	100.00
II.	Other Income	38,000	1.50
III.	**Total Revenue**	**25,66,000**	**101.50**
IV.	Expenses		
	(a) Costs of Materials	14,00,000	55.37

	Consumed		
	(b) Other Expenses	5,00,000	19.78
V.	**Total Expenses**	**19,00,000**	**75.16**
VI.	**Net Profit before tax (III-V)**	**6,66,000**	**26.34**
VII.	Less: Tax paid	3,38,000	13.37
VIII.	**Net Profit after tax (VI-VII)**	**3,28,000**	**12.97**

A common size income statement is an income statement in which each account is expressed as a percentage of the value of sales. It is used for vertical analysis, in which each line item in a financial statement is listed as a percentage of a base figure within the statement, to make comparisons easier.

13.

Items	**Major Heads**	**Sub Heads**
General Reserve	Shareholders' Funds	Reserves and Surplus
Short-term Loans and Advances	Current Assets	—
Capital Work-in progress	Non-current Assets	Fixed Assets
Design	Non-current Assets	Intangible Fixed Assets

The values that the company should observe while preparing cash flow statement are :
Note : Capital Work - in - Progress means (fixed) tangible asset under construction. Short Term Loans And Advances are those loans and advances which are expected to be realised within 12 months from the date of balance sheet or within period of Operating Cycle.

i. Following consistent accounting principles and procedures.
ii. Working in the legal environment in which the business operates.

14.

Comparative Statement of Profit and Loss

for the year ended 31st March, 2010

	31st Match,	**31st March,**	**Absolute Change**	**Percentage Change**

Particulars	2009 Amount (Rs.)	2010 Amount (Rs.)	(Increase or Decrease) (Rs.)	(Increase or Decrease) (%)
I. Revenue from Operations (Sales)	40,000	50,000	10,000	25.00
II. Other income	2,000	3,000	1,000	50.00
III. Total Revenue (I + II)	42,000	53,000	11,000	26.19
IV. Expenses				
(a) Cost of Revenue from Operations	30,000	35,000	5,000	16.67
(b) Operating Expenses	2,500	3,000	500	20.00
V. Total Expenses (a+b)	32,500	38,000	5,500	16.92
VI. Profit before Tax (III - V)	9,500	15,000	5,500	57.89
VII. Income Tax	(4,750)	(7,500)	(2,750)	(57.89)
VIII. Profit after Tax (VI-VIII)	4,750	7,500	2,750	57.89

NOTE Wages paid are a part of direct expenses and they are already included in cost of goods sold A comparative statement is a document that compares a particular financial statement with prior period statements or with the same financial report generated by another company. Analysts and business managers use the income statement, balance sheet and cash flow statement for comparative purposes. The process reveals trends in the financials and compares one company's performance with another business.