

CBSE Test Paper 05
Ch-9 Financial Statements and Analysis

1. Nature of financial statement
 - a. postulates
 - b. All of these
 - c. recorded facts
 - d. accounting convention
2. Where operating cycle cannot be identified it is assumed to be a period of
 - a. 6 months
 - b. 3 months
 - c. 12 months
 - d. 9 months
3. Cash and Cash Equivalents includes.....
 - a. Balances with banks
 - b. Cheques, drafts on hand
 - c. Both Balances with banks and Cheques, drafts on hand, marketable securities
 - d. Inventories
4. In a company's balance sheet Assets are shown in the order of
 - a. None of these
 - b. Permanence
 - c. Liquidity
 - d. Market Value
5. Following Items that can be shown as contingent Liabilities in a company's Balance sheet except
 - a. Arrears of Dividend on Cumulative preference shares
 - b. Claims against the Company not acknowledged as debts.
 - c. Advance to Subsidiaries
 - d. Uncalled Liability on partly paid shares.
6. What is meant by Common-Size Balance Sheet?
7. ABC Finance Ltd., a financial company, had invested its surplus funds of Rs. 10,00,000 in 10% Deposit with Tata Housing Ltd. Is the interest received on the deposit Revenue from Operations or Other Income? Give reasons.

8. Name any two reserves shown under Reserves and Surplus.
9. Why are bank charges charged by the bank not included in finance costs?
10. How will you show a debit balance (loss) of Surplus, i.e., Balance in Statement of Profit and Loss?
11. Under which major headings the following items will be presented in the Balance Sheet of a Company as per Schedule III Part I of the Companies Act, 2013?
 - i. Loans provided repayable on Demand ;
 - ii. Goodwill ;
 - iii. Copyrights ;
 - iv. Loose Tools ;
 - v. Cheque ;
 - vi. General Reserve ;
 - vii. Stock of Finished Goods ;
 - viii. 9% Debentures repayable after three year .
12. From the following 'statement of profit and loss' of Moon track Ltd., for the years ended 31st March 2011 and 2012, prepare a 'comparative statement of profit and loss.'

Particulars	Note No.	2011-12 Amt (Rs.)	2010-11 Amt (Rs.)
Revenue from Operations		40,00,000	24,00,000
Other Income		24,00,000	18,00,000
Expenses		16,00,00	14,00,000

13. From the following information provided, prepare a comparative statement for the period 2008 and 2009.

Particulars	2008 Amt (Rs.)	2009 Amt (Rs.)
Revenue from Operations	6,00,000	8,00,000
Gross Profit	40% on Revenue from Operations	50% on Revenue from Operations
Administrative Expenses	20% of Gross Profit	15% of Gross Profit
Income Tax	50%	50%

14. Prepare a 'Common Size Balance Sheet' on the basis of the information given in the Balance Sheet of Z Ltd. As at 31st March 2015.

Particulars	Note No.	31-3-2015 Rs.
1. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital		6,00,000
(b) Reserves and surplus		1,00,000
(2) Non-current Liabilities		
(a) Long-term borrowings		2,50,000
(3) Current liabilities		50,000
(a) Trade payables		
Total		10,00,000
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		6,50,000
(i) Tangible Assets		
(b) Non-current investments		1,50,000
(2) Current Assets		
(a) Inventories		70,000
(b) Trade receivables		50,000
(c) Cash and cash equivalents		80,000
Total		10,00,000

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Answer

1. b. All of these, **Explanation:** All of these
2. c. 12 months, **Explanation:** Operating cycle is the number of days a company takes in realizing its inventories in cash. It equals the time taken in selling inventories plus the time taken in recovering cash from trade receivables. It is called operating cycle because this process of producing/purchasing inventories, selling them, recovering cash from customers, using that cash to purchase/produce inventories and so on is repeated as long as the company is in operations.
3. c. Both Balances with banks and Cheques, drafts on hand, marketable securities
Explanation: Cash and Cash Equivalents include balance with banks and cheques and drafts on hand, marketable securities. Items which can be converted in cash in a very short period of time.
4. b. Permanence, **Explanation:** All assets are shown in the order of permanence i.e. Fixed Assets will come first, then investments, then-current assets and liquid assets.
5. c. Advance to Subsidiaries, **Explanation:** Following Items that can be shown as contingent Liabilities in a company's Balance sheet except Advance to Subsidiaries.
 - i. Claims against the Company not acknowledged as debts
 - ii. Uncalled Liability on partly paid shares.
 - iii. Arrears of Dividend on Cumulative preference sharesContingent liabilities are those which may or may not arise as they are dependent on happening in future.
6. It shows the percentage relation of each asset/liability to the total of balance sheet.
7. It is Revenue from Operations because the business of ABC Finance Ltd. is financing, i.e., giving and taking loans. Revenue from operations can be defined as the income generated by an entity from its daily core business operations.
8.
 - i. General Reserve,
 - ii. Capital Reserve.
9. They are an expense not incurred on borrowings but for availing the services of the bank

such as charges for getting a craft made.

10. Debit balance of Surplus (loss) shown as a ***negative amount*** under the head ***Reserves and Surplus***.

11.

S.No.	Items	Major Headings
(i)	Loans Provided Repayable on Demand	Current Assets
(ii)	Goodwill	Non-current Assets
(iii)	Copyrights	Non-current Assets
(iv)	Loose Tools	Current Assets
(v)	Cheques	Current Assets
(vi)	General Reserve	Shareholders' Funds
(vii)	Stock of Finished Goods	Current Assets
(viii)	9% Debentures Repayable after Three Years	Non-current Liabilities

Notes :

- General reserve means amount set aside out of profits and other surpluses which are not earmarked in any way to meet any particular liability.
- Assets which are realised after 12 months of the date of Balance Sheet are termed as Non Current Assets.
- Assets which are realised on demand or within the date of Balance Sheet are termed as Current Assets.

12.

Comparative Income Statement

Particular	2010-11	2011-12	Absolute Change	Absolute % Change
	(A)	(B)	(C= B-A)	(D= C/A *100)
	Rs.	Rs.	Rs.	%
Revenue From				

Operations	2400000	4000000	1600000	66.66
Other Income	1800000	2400000	600000	33.33
Total Revenue (I)	4200000	6400000	2200000	52.38
Expenses (II)	1400000	1600000	200000	14.28
Profit Before Tax (I – II)	2800000	4800000	2000000	71.43

13. **Comparative Statement of Profit and Loss**
for the year ended 31st March, 2009

Particulars	31st March, 2008 (Rs.)	31st March, 2009 (Rs.)	Absolute Change (Increase or Decrease) (Rs.)	Percentage Change (Increase or Decrease) (%)
I. Revenue from Operations (Sales)	6 ,00,000	8,00,000	2,00,000	33.33
II.Total Revenue	6,00,000	8,00,000	2,00,000	33.33
III. Expenses:				
(a) Cost of Revenue from Operations	3,60,000	4,00,000	40,000	11.11
(b) Administrative Expenses	48,000	60,000	12,000	25.00
IV. Total Expenses (a+b)	4,08,000	4,60,000	52,000	12.74
V. Profit before Tax (I I - IV)	1,92,000	3,40,000	1,48,000	77.08
VI. Income Tax @ 50%	(96,000)	(1,70,000)	(74,000)	(77.08)
VII. Profit after Tax (V-	96,000	1,70,000	74,000	77.08

VI)	50,000	1,70,000	14,000	17.00
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Working Note

	2008	2009
Revenue from operations	6,00,000	8,00,000
(-) Gross profit	(2,40,000)	(4,00,000)
Cost of revenue from operations	3,60,000	4,00,000
Administrative expenses	20% on Gross profit i e 48,000	15% on Gross profit i e. 60,000

Comparative statement of P&L A/c is prepared as per Schedule 3, Part 1 of the Companies Act, 2013. 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.

14. Common Size Balance Sheet of Z Ltd.

As at 31st March, 2015

Particulars	Note No.	Absolute Amount Rs.	Percentage of Balance Sheet Total
1. EQUITY AND LIABILITIES	
(1) Shareholders' funds	
(a) Share capital		6,00,000	60%
(b) Reserves and surplus		1,00,000	10%
(2) Non-current Liabilities	

(a) Long-term borrowings		2,50,000	25%
(3) Current liabilities		...	...
(a) Trade payable		50,000	5%
Total		10,00,000	100%
II. ASSETS		...	...
(1) Non-current assets		...	...
(a) Fixed assets		6,50,000	65%
(i) Tangible Assets		...	...
(b) Non-current investments		1,50,000	15%
(2) Current Assets		...	...
(a) Inventories		70,000	7%
(b) Trade receivables		50,000	5%
(c) Cash and cash equivalents		80,000	8%
Total		10,00,000	100%

Working Note :

- Percentage is calculated on the basis of total of Equity and Liabilities/ Total Assets.
So, Common size Statement is also known as 100% Statement.
- % of Share Capital = $(6,00,000/10,00,000)*100 = 60\%$
- In the same manner, other percentage may be calculated.