Accounts

(Part 2) (Chapter – 3) (Financial Statements of a Company)
(Class 12)

Short Answer Questions

Question 1:

State the meaning of financial statement analysis?

Answer 1:

Financial Statements are formal records of the financial activities and position of a business. Relevant information is presented in a structured manner which is easy to interpret for general public. A deep examination of the financial statements to help understand the data contained in it, is known as 'Financial Statement Analysis'. It focuses on financial strengths and weaknesses of a business.

Question 2:

What are limitations of financial statement analysis?

Answer 2:

Limitations of financial statement are as follows:
1. Price level Change

Sometimes the financial analysis is unable to inculcate the change in price level. The figures of reflect nominal values do not take into account the real terms.

2. Misleading or Fraudulent Information

The financial analysis may not reveal the true picture of change in the accounting procedures and practices and can fall prey to window dressing.

3. Interim and Final Picture

The financial analysis presents only the interim report and thereby provides incomplete information. They fail to provide the final and holistic picture.

4. Only Quantitative Aspect and Non-monetary Aspects

The financial analysis reveals only the monetary terms. These analyses fail to disclose managerial efficiency, growth prospects, and other non-operational efficiency of a business.

Question 3:

List any three objectives of analysing financial statement?

Answer 3:

Objectives of Financial Statements:

1. It helps users to make relevant comparisons of financial data. It provides better and easy understanding of the changes in the financial data overtime.
2. It helps structured planning and execution of plans by implementing control and checks over the use of the financial resources.
3. It helps to know the earning capacity and profitability of a business firm. It also measures the efficiency of the business operations.

Question 4:

State the importance of financial statements to:
(i) shareholders (ii) creditors (iii) government (iv) investors

Answer 4:

(i) Shareholders: They are the owners of the business and are interested in assessing the profitability and viability of the capital invested by them in the business. The financial statements consist sufficient information to assess the financial performance and growth of the business.

(ii) Creditors: These are lenders and suppliers to whom a business owes money on account of credit purchases of goods and services. Hence, the creditors require information about the credit worthiness and liquidity position of the business.

(iii) Government: Information is required to determine various macroeconomic variables such as national income, GDP, industrial growth, etc. This further enables government to implement various policies, measures and to rectify economic problems such as unemployment, poverty etc.

(iv) Investors: Those who are already invested with the company or are potential investors want to check growth and current prospects of their investments, they need information about the profitability and liquidity position of the business.

Question 5:

How will you disclose the following items in the Balance Sheet of a company:

(i) Current assets, inventory
(ii) Contigent liabilities in notes to accounts
(iii) Shareholders Funds, Reserve and Surplus
(iv) Fixed Assets, Intangible Assets
(v) Proposed Dividend for the current year
(vi) Non Current Liabilities
(vii) Arrears of Dividend on Commulative Preference Shares.

Answer 5:

The following items will be disclosed in the balance sheet as -

i. Inventories – Sub-head,
Current Assets – Main Head.

ii. Contingent Liability – Main Head in Notes to Accounts.

iii. Shareholders Fund – Main Head,
Reserves and Surplus – Sub head.

iv. Fixed Assets – Sub-head,
Intangible Assets – A part of Sub-head.

v. Proposed Dividend for the current year – Under the head Current Liabilities and Sub-head Short term Provision.

vi. Non-Current Liabilities – Main Head.

vii. Arrears of Dividend on Cumulative Preference Shares – Under the head Current Liabilities and Sub-head Other Current Liabilities.

Long Answer Questions

Question 1:

Explain the nature of the financial statements.

Answer 1:

Financial Statements are formal records of the financial activities and position of a business. Relevant information is presented in a structured manner which is easy to interpret for general public. A deep examination of the financial statements to help understand the data contained in it. The financial statements present a true and fair picture of the company and assist the shareholders, suppliers, lenders, potential investors etc. in decision making process. The nature of the financial statements depends upon the following aspects like recorded facts, conventions, concepts, and personal judgment.

1. **Recorded facts:** Assets and liabilities recorded in the financial statements reflect their historical cost of the asset at which they were acquired. Financial statements fail to reflect actual market value of the items. It is also not able to take into account the inflation effects in monetary or real term.
2. **Accounting Convention:** The preparation of financial statements is based on some accounting conventions like, Prudence Convention, Materiality Convention, Matching Convention, etc. The adherence to such accounting conventions makes financial statements easy to understand, comparable and reflects the true and fair financial position of the company.
3. **Accounting Assumptions:** There are various basic accounting assumptions which form the base for foundation of financial statements like Going Concern Concept, Money Measurement Concept, Realisation Concept, etc. The effect of these is reflected in the nature of the financial statements.
4. **Personal Judgments:** Human judgements play the deciding factor in preparation of the financial statements. Different human beings have different judgment prospects and practices of recording transactions in the financial statements. For example, inventories valuation at FIFO or LIFO method. Similarly, provision on various assets, method of charging depreciation, period related to writing off intangible assets depends on personal judgment. Thus, personal judgments determine the nature of the financial statements to a great extent.

Question 2:

Explain in detail about the significance of the financial statements.

Answer 2:

1. **Information Management:** Financial statements provide information to various accounting users both internal as well as external users. It acts as a basic platform for different accounting users to derive information according to varying needs.

2. **Attracts Investors and Potential Investors:** Current and potential investors always seek performance of the company before investing. Therefore, in order to assess the viability and prospectus of their investment, creditors need information about profitability and solvency of the business.
3. **Management Efficiency:** The financial statements comparison enables management to assessing the longevity and performance of the business. It also helps in designing policies and drafting policies as per industrial standards. This comparison further provides a boost for efficient management and growth of the company.
4. **Information Needs of the Government:** The government needs data in form of information to determine national income, GDP, industrial growth, etc. The accounting information assist the government in the formulation of various policy measures and to address various economic problems like employment, poverty etc.
5. **Disclosure of Accounting Policies:** Financial statements provide information about the various policies, important changes in the methods, practices and process of accounting by the company. The disclosure of the accounting policies makes it easier for the users of financial statements to better understand the performance and profitability of the company.
6. **Annual Cash Flow:** Financial statements provide information about the cash flows of the company. Cash flows are an important aspect for the growth of the company and help the creditors and other investors in determining solvency of company. A company with more cash flow liquidity has less risk of insolvency.

Question 3:

Explain the limitations of financial statements.

Answer 3:

Inter the following are the limitations of financial statements:

1. **Historical Data:** Assets and liabilities recorded in the financial statements reflect their historical cost of the asset at which they were acquired. Financial statements fail to reflect actual market value of the items. It is also not able to take into account the inflation effects in monetary or real term.
2. **Only a Quantitative Measure:** Financial statements only take into account the quantitative aspects that can be recorded in the books of accounts but ignores the qualitative aspects of a transaction. The qualitative aspects like employee's qualities, brand goodwill in the market, and personal relationships are not accounted for in the financial statements.
3. **Human Judgement:** Financial statements are based on the personal judgments regarding the use of methods of recording. For example, the choice of practice in the valuation of inventory, method of depreciation, amount of provisions, etc. are based on the personal value judgments and may differ from person to person. Thus, the financial statements reflect the personal value judgments of the concerned accountants and clerks.
4. **Inter- firm Comparisons:** Human judgements play the deciding factor in preparation of the financial statements. Different human beings have different judgment prospects and practices of recording transactions in the financial statements. For example, inventories valuation at FIFO or LIFO method. Similarly, provision on various assets, method of charging depreciation, period related to writing off intangible assets depends on personal judgment. Thus, personal judgments determine the nature of the financial statements to a great extent.
5. **Window dressing:** Window dressing is an effort made by the management to improve the appearance of a company's financial statements before it is publicly released. It is a manipulation of financial statements to show more suitable results and to attract more investors or to reduce taxable profit of the business It may involve overstating or understating the assets and liabilities.
6. **Difficulty in Forecasting:** Since the financial statements is based on historical data, so they fail to reflect the effect of inflation. Always estimating the correct position is not possible and requires complex analysis by experts.

Question 4:

Prepare the format of statement of Profit and Loss and explain its items. upto the as certainment of profit before tax.

Answer 4:

Profit and Loss Statement As per the Revised Schedule VI

As at 31 March, 20XX

No.	Particulars	Note no.	Amount Current Year	Amount Previous Year
1	Revenue from Operations			
2	Other Income			
3	**Total Revenue**(1+2)			
	Expenses:			
4	Cost of Material Consumed			
	Purchase of Stock-in-Trade			
	Changes in inventories of finished good			
	Work-in-progress and Stock-in-Trade			
	Employee Benefit Expenses			
	Finance Cost			
	Depreciation and Amortisation Expenses			
	Other Expenses			
	Total Expenses			
5	Profit before exceptional and extraordinary items and tax (3 – 4)			
6	Exceptional items			
7	Profit before extraordinary item and tax (5 – 6)			
8	Extraordinary Items			
9	Profit Before Tax (7 – 8)			
10	Tax Expenses (1) Current Tax (2) Deferred Tax			

11	Profit/(Loss) for period from continuing operations (9 – 10)			
12	Profit/ (Loss) from discontinuing operations			
13	Tax expenses of discontinuing operations			
14	Profit/(Loss) from discontinuing operations (after Tax (12 – 13)			
15	Profit (Loss) for the period (XI + XIV)			
16	Earning Per Equity Shares (1) Basic (2) Diluted			

I. Revenue from Operations-

Sale of Products and Services

Other Operating Revenues

For financing companies, revenue includes

Interest

Dividends

II. Other Incomes-

Interest

Dividend

Gain or Loss on Sale of Investments

Other Non-Operating Incomes

III. Expenses-

Cost of Raw Materials Consumed = Opening Stock of Raw Material + Purchase of Raw Material – Closing Stock of Raw Material

Purchase of Stock-in-Trade

Change in Inventories, Work-in-Progress and Stock-in-Trade-

Question 5:

Prepare the format of balance sheet and explain the various elements of balance sheet.

Answer 5:

Balance Sheet of ….

As at 31 March, 20XX

Particulars	**Note no.**	**Amount (₹)**
Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
c. Money received against Share Warrants		
2. Share Application Money Pending Allotment		
3. Non-Current Liabilities		
a. Long Term Borrowings		
b. Deferred Tax Liabilities		
c. Other Long-Term Liabilities		
d. Long-Term Provisions		
3. Current Liabilities		
a. Short Term Provisions		
b. Trade Payable		
c. Other Current Liabilities		
d. Short Term Provision		
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets		
ii. Intangible Assets		
iii. WIP		
b. Non-Current Investments		
c. Deferred tax assets		
d. Long-Term Loans and Advances		
e. Other Non-Current Assets		
2. Current Assets		
a. Inventories		
b. Trade Receivables		
c. Cash and Cash Equivalents		
d. Other current Assets		
e. Short Term Loan and Advances		
f. Current Investment		

Items under the head Equity and Liabilities

1. **Shareholders' Funds**

    a. Share Capital:

    Authorised Capital-

    Issued Share Capital-

    Subscribed Share Capital-

    Called-up Share Capital-

    Paid-up Share Capital-

    Share Forfeiture Amount

    b. Reserves and Surplus:

    Capital Reserve

    Capital Redemption Reserve

    Securities Premium

    Debenture Redemption Reserve

    Revaluation Reserve

    Other Reserves (such as General Reserve, Tax reserve, etc.)

    Proposed Additions to Reserves

    Sinking Fund

    Share Option Outstanding Amount

    Credit balance in Statement of Profit and Loss.

    c. Money received against warrants

2. **Share Application Money Pending Allotment**

Amount received by the company on application of shares issued and the allotment on which is to be received after the date of balance sheet is shown under this head separately.

3. **Non-Current Liabilities**

    a. Long-Term Borrowings-

    Debentures

    Bonds

    Term Loans from bank as well as from other parties

    Deposits

    Other Loans and Advances

    b. Deferred Tax Liabilities (Net)

    Other Long-Term Liabilities

    Long-Term Provisions

4. **Current Liabilities**

    a. Short-term Liabilities-

    Loan repayable

    Deposits

Other Loans and Advances

b. Trade Payables

c. Other Current liabilities

Income received in advance

Interest accrued but not due on borrowings

Interest accrued and due on borrowings

Unpaid Dividends

Calls-in-Advance and interest thereon

Other Payables etc.

d. Short-term Provisions

Provision for Doubtful Debts

Proposed Dividend

Provision for Tax

Provision for Employees Benefits

Items under the head Assets

1. **Non-Current Assets**

a. Fixed Assets-

Tangible Assets (Building, Machinery, Furniture etc.)

Intangible Assets (Goodwill, Trademark)

Capital Work-in-Progress

Intangible Assets under development

b. Non-current Investments-

Deferred Tax Assets

Long-term Loans and Advances

Other Non-Current Assets

2. **Current Assets**

a. Current Investments-

Investment in Equity Shares

Investment in Preference Shares

Investment in Government or Trust Securities

Investment in Debentures or Bonds

Investment in Mutual Funds

Investment in Partnership Firms

Other Classified Investments

b. Inventories-

Raw Materials

Work-in-Progress

Finished Goods

Stock-in-Trade (goods acquired for trading)

Stores and Spares

Loose Tools

c. Trade Receivables

d. Cash and Cash Equivalents- These are classified as follows.

Cash on Hand

Balances with Banks

Cheques, Drafts on Hand

e. Short-term Loans and Advances

f. Other Current Assets (prepaid expenses, advance income taxes, etc.)

Question 6:

Explain how financial statements are useful to the various parties who are interested in the affairs of an undertaking?

Answer 6:

Those parties that are directly or indirectly interested in the financial statements of a company can be put under the following two categories: (a) Internal parties (b) External parties

(a) Internal Parties

The Internal parties are the various internal accounting users who are directly associated to the company.

1. **Owner:** The owner/s is/are interested in the profit ability aspect that will be earned or loss that is sustained during an accounting period. They are interested in evaluating the profitability and feasibility of the capital that has been invested by them in the business.
2. **Management:** The financial statements help the management in enlisting and drafting various policies and procedures, enabling and smoothening the planning and decision- making process. The financial statements also qualify the management to exercise different cost controlling measures and to eliminate inadequacies.
3. **Employees and workers:** They are inclined in the timely payment of wages and salaries of the workers, bonus and appropriate increment in the wages and salaries. These financial statements help them to know the volume of profit earned by the company so they can ask for a rational hike in their wages and salaries.

(b) External Parties

There are certain external users of accounting who need the accounting information to make a decision or for planning an investment and to evaluate the financial situation of the business. The different external users are given below.

1. **Banks and other financial institutions:** Banks are responsible for providing finance as loans and advances to various business institutions. Thus, they need data regarding liquidity, affluence, solvency and profitability to advance loans.
2. **Creditors:** They are those people and organisations to whom a business owes money on account of credit purchases of goods and receiving services; hence, the creditors need statistics about credit worthiness of the business.
3. **Investors and potential investors:** They are the ones who invest or plan to invest in the business. Hence, in order to measure the capability and prospectus of their investment, creditors need data about productivity, profitability and solvency of the business.
4. **Tax authorities:** They need information about the sales, revenues, returns, profit and taxable income so as to determine and charge various types of tax on the business.

5. **Government:** It needs statistics to determine national income, GDP, industrial growth, etc. The accounting information supports the government in devising various policies and measures and to address different economic problems like employment, poverty etc.
6. **Researchers:** Various research institutes like NGOs and other autonomous research institutions like CRISIL, stock exchanges, etc. assume various research projects and the accounting information simplifies their research work.
7. **Consumers:** Every business tries to build up a respect or reputation in the eyes of its consumers, which can be done by the supply of better quality of products and post-sale facilities at rational and reasonable prices. Business that has crystal clear financial records, helps the customers to know the accurate cost of production and consequently measure the degree of reasonability of the price being charged by the business for its products and thus, helps in building a repo too.
8. **Public:** Public is intensely keen to know the percentage of the profit that the business spends on different public welfare schemes; for example, charitable hospitals, funding schools, etc. This information can also be gaineds by the profit and loss account and balance sheet of the business.

Question 7:

Financial statements reflect a combination of recorded facts, accounting conventions and personal judgments discuss.

Answer 7:

Financial Statements are formal records of the financial activities and position of a business. Relevant information is presented in a structured manner which is easy to interpret for general public. A deep examination of the financial statements to help understand the data contained in it. The financial statements present a true and fair picture of the company and assist the shareholders, suppliers, lenders, potential investors etc. in decision making process. The nature of the financial statements depends upon the following aspects like recorded facts, conventions, concepts, and personal judgment.

1. **Recorded facts:** Assets and liabilities recorded in the financial statements reflect their historical cost of the asset at which they were acquired. Financial statements fail to reflect actual market value of the items. It is also not able to take into account the inflation effects in monetary or real term.
2. **Accounting Convention:** The preparation of financial statements is based on some accounting conventions like, Prudence Convention, Materiality Convention, Matching Convention, etc. The adherence to such accounting conventions makes financial statements easy to understand, comparable and reflects the true and fair financial position of the company.
3. **Accounting Assumptions:** There are various basic accounting assumptions which form the base for foundation of financial statements like Going Concern Concept, Money Measurement Concept, Realisation Concept, etc. The effect of these is reflected in the nature of the financial statements.
4. **Personal Judgments:** Human judgements play the deciding factor in preparation of the financial statements. Different human beings have different judgment prospects and practices of recording transactions in the financial statements. For example, inventories valuation at FIFO or LIFO method. Similarly, provision on various assets, method of charging depreciation, period related to writing off intangible assets depends on personal judgment. Thus, personal judgments determine the nature of the financial statements to a great extent.

Question 8:

Explain the process of preparing income statement and balance sheet.

Answer 8:

Revised Schedule VI lays down the process of preparing Statement of Profit and Loss.

1. Prepare a Trial Balance from the opening and closing balances of various accounts in the ledger.
2. Account for Revenue from Operations

3. Add other sources of Incomes to Revenue from Operations such as profit on sale of assets, cash discount received etc.) and determine Total Revenue.

4. Deduct all the expenses incurred from the Total Revenue to calculate Profit before Tax.

5. Find out Profit or loss for the current period by deducting Tax paid by the company from Profit before Tax.

Revised Schedule VI lays down the process of Extract of Balance sheet.

The Balance Sheet is prepared in vertical format and divided into two parts i.e. (i) Equity and Liabilities and (ii) Assets

1. **Equity and Liabilities constitute:** Shareholders' Funds, Share Application Money Pending Allotment, Non-Current Liabilities and Current Liabilities.
2. Assets constitute all the Non-Current Assets and Current Assets
3. At the end, Balance Sheet is tallied by ascertaining the total of two heads is ascertained, which must be equal.

Numerical Questions

Question 1:

Show the following items in the balance sheet as per the provisions of the companies Act, 2013 in Schedule III:

Particulars	Amount (₹)	Particulars	Amount (₹)
Preliminary Expenses	2,40,000	Goodwill	30,000
Discount on issue of shares	20,000	Loose tools	12,000
10% Debentures	2,00,000	Motor Vehicles	4,75,000
Stock in trade	1,40,000	Provision for tax	16,000
Cash at bank	1,35,000		
Bills receivable	1,20,000		

Answer 1:

Extract of Balance Sheet

As at 31 March, 2013

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
2 .Non-Current Liabilities		
a. Long Term Borrowings	1.	2,00,000
3. Other Current Liabilities		
a. Short Term Provisions	2.	16,000
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets ii. Intangible Assets	3	4,75,000

2. Current Assets	4	30,000
a. Inventories	5	1,52,000
b. Trade Receivables	6	1,20,000
c. Cash and Cash Equivalents	7	1,35,000
d. Other current Assets	8	2,60,000

Notes to Accounts

Notes	Particulars		Amount (₹)
	1. Long Term Borrowings		2,00,000
	10% Debentures		
	2. Short Term Provisions		
	Provision for Tax		16,000
	3. Tangible Assets		
	Motor Vehicle		4,75,000
	4. Intangible Assets		
	Goodwill		30,000
	5. Inventory		
	Loose Tools	12,000	
	Stock	1,40,000	
	6. Trade Receivables		1,52,000
	Bill Receivable		
	7. Cash and Cash equivalents		1,20,000
	Cash at Bank		
	8. Other Current Assets		1,35,000
	Preliminary Expenses	2,40,000	
	Discount on Issue of Shares	20,000	
			2,60,000

Question 2:

On 1 April, 2017, Jumbo Ltd., issued 10,000; 12% debentures of ₹100 each a discount of 20%, redeemable after 5 years. The company decided to write-off discount on issue of such debentures over the life time of the Debentures. Show the items in the balance sheet of the company immediately after the issue of these debentures.

Answer 2:

Extract of Balance Sheet

As at 01 April, 2017

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		

b. Reserves and Surplus 2. Non-Current Liabilities a. Long Term Borrowings 3. Current Liabilities **a. Short Term Provision** **b. Other** Current Liabilities	 1	 10,00,000
Total		**10,00,000**
Assets 1. Non-Current Assets a. Other Non-Current Assets 2. Current Assets a. Cash and Cash Equivalent **b. Other current Assets**	 2 3 4	 1,60,000 40,000 8,00,000
Total		**10,00,000**

Notes to Accounts

Notes	Particulars	Amount (₹)
	1. Long Term Borrowings 12% Debentures	10,00,000
	2. Other Non-Current Assets Unamortized discount on issue of Debentures	1,60,000
	3. Other Current Assets Unamortized discount on issue of Debentures	40,000
	4. Cash and Cash equivalents Cash at Bank	8,00,000

Question 3:

From the following information prepare the balance sheet of Gitanjali Ltd. Inventories ₹14,00,000; Equity Share Capital ₹20,00,000;Plant and Machinery ₹10,00,000; Preference Share Capital ₹12,00,000; Debenture Redemption Reserve ₹. 6,00,000;Outstanding Expenses ₹3,00,000; Proposed Dividend ₹5,00,000;Land and Building ₹20,00,000; Current Investments ₹8,00,000;Cash Equivalent ₹10,00,000; Short term loan from Zaveri Ltd. (A Subsidiary Company of Twilight Ltd.) ₹4,00,000; Public Deposits ₹12,00,000.

Answer 3:

Extract of Balance Sheet

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1.Shareholders' Funds		
a. Share Capital	1	32,00,000
b. Reserves and Surplus	2	6,00,000
2. Non-Current Liabilities		
a. Long Term Borrowings	3	12,00,000
3. Current Liabilities		
a. Other Current Liabilities	4	5,00,000
b. Short Term Borrowing	5	3,00,000
c. Short Term Provision	6	4,00,000
Total		**62,00,000**
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	7	30,00,000
ii. Intangible Assets		
b. Non-current Investment		
2. Current Assets		
a. Cash and Cash Equivalent		10,00,000
b. Inventories		14,00,000
c. Current Investment		8,00,000
Total		**62,00,000**

Notes to Accounts

Notes	Particulars		Amount (₹)
	1. Share Capital		
	Equity Share Capital	20,00,000	
	Preference Share Capital	12,00,000	32,00,000
	2. Reserve and Surplus		
	Debenture Redemption Reserve		6,00,000
	3. Long Term Borrowings		
	Public Deposits		12,00,000
	4. Other Current Liabilities		
	Outstanding Expenses		3,00,000

	5. Short Term Borrowing	
	Loan from Zaveri Ltd.	4,00,000
	6. Short Term Provisions	
	Proposed Dividend	5,00,000
	7. Tangible Assets	
	Land and Building 20,00,000	
	Plant and Machinery 10,00,000	
		30,00,000

Question 4:

From the following information prepare the balance sheet of Jam Ltd. Inventories ₹7,00,000; Equity Share Capital ₹16,00,000; Plant and Machinery ₹8,00,000; Preference Share Capital ₹6,00,000; General Reserves ₹6,00,000; Bills payable ₹1,50,000; Provision for taxation ₹2,50,000; Land and Building ₹16,00,000; Non-current Investments ₹10,00,000; Cash at Bank ₹5,00,000; Creditors ₹2,00,000; 12% Debentures ₹12,00,000.

Answer 4:

Balance Sheet

As at 31 March, 2013

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1.Shareholders' Funds		
a. Share Capital	1	22,00,000
b. Reserves and Surplus	2	6,00,000
2. Non-Current Liabilities		
a. Long Term Borrowings	3	12,00,000
3. Current Liabilities		
a. Trade Payable	4	3,50,000
b. Short Term Provision	5	2,50,000
Total		**46,00,000**
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	6	24,00,000
b. Non-current Investment		10,00,000
2. Current Assets		
a. Cash and Cash Equivalent	7	5,00,000
b. Inventories		7,00,000
Total		**46,00,000**

Notes to Accounts

Notes	Particulars		Amount (₹)
	1. Share Capital		
	Equity Share Capital	16,00,000	
	Preference Share Capital	6,00,000	
			22,00,000
	2. Reserve and Surplus		
	General Reserve		6,00,000
	3. Long Term Borrowings		
	12% Debentures		12,00,000
	4. Trade Payable		
	Creditor	2,00,000	
	Bills Payable	1,50,000	
			3,50,000
	6. Short Term Provisions		
	Provision for tax		2,50,000
	7. Tangible Assets		
	Land and Building	16,00,000	
	Plant and Machinery	8,00,000	
			24,00,000
	7. Cash and Cash Equivalents		
	Bank		5,00,000

Question 5:

Prepare the balance sheet of Jyoti Ltd., as at March 31, 2017 from the following information. Building ₹10,00,000; Investments in the shares of Metro Tyers Ltd. ₹3,00,000; Stores & Spares ₹1,00,000; Discount on issue of 10% debentures ₹10,000; Statement of Profit and Loss (Dr.) ₹90,000; 5,00,000 Equity Shares of ₹20 each fully paid-up; Capital Redemption Reserve ₹1,00,000; 10% Debentures ₹3,00,000;Unpaid dividends ₹90,000; Share options outstanding account ₹10,000.

Answer 5:

Balance Sheet

As at 31 March, 2017

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	10,00,000

b. Reserves and Surplus	2	10,000
2. Non-Current Liabilities		
a. Long Term Borrowings	3	3,00,000
3. Current Liabilities		
a. Other Current Liabilities	4	1,00,000
Total		**14,10,000**
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	5	10,00,000
b. Non-current Investment	6	3,00,000
2. Current Assets		
a. **Inventories**		1,00,000
b. Other Current Assets		10,000
Total		**14,10,000**

Notes to Accounts

Notes	**Particulars**		**Amount (₹)**
	1. Share Capital		
	Equity Share Capital		10,00,000
	2. Reserve and Surplus		
	Capital Redemption Reserve	1,00,000	
	Less: Statement of Profit or Loss	90,000	
			10,000
	3. Long Term Borrowings		
	10% Debentures		
			3,00,000
	4. Other Current Liabilities		
	Unpaid Dividend	90,000	
	Share Option Outstanding	10,000	
			1,00,000
	5. Tangible Assets		
	Land and Building		
			10,00,000

	6. Non-Current Investment	
	Investment in Shares	3,00,000
	7. Inventory	
	Stores and Spares	1,00,000
	8. Other Current Assets	
	Discount on Issue of 10% Debentures	10,000

Question 6:

Brinda Ltd., has furnished the following information:(a) 25,000, 10% debentures of ₹100 each; (b) Bank Loan of ₹10,00,000 repayable after 5 years;(c) Interest on debentures is yet to be paid.

Show the above items in the balance sheet of the company as at March 31,2017.

Answer 6:

Balance Sheet Extract

As at 31 March, 2017

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1 .Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
2. Non-Current Liabilities		
a. Long Term Borrowings	1	35,00,000
3. Current Liabilities		
a. Other Current Liabilities	2	2,50,000

Notes to Accounts

Notes	Particulars		Amount (₹)
	1. Long Term Borrowings		
	12% Debentures	25,00,000	
	Bank Loan	10,00,000	
			35,00,000
	2. Other Current Liabilities		
	Debenture Interest		2,50,000

Question 7:

Prepare a balance sheet of Black Swan Ltd., as at March 31, 2017 from the following information:

General Reserve: 3,000
10% Debentures: 3,000
Balance in Statement of: 1,200
Profit and Loss
Depreciation on fixed assets: 700
Gross Block: 9,000
Current Liabilities: 2,500
Preliminary Expenses: 300
6% Preference Share Capital: 5,000
Cash & Cash Equivalents: 6,100

Answer 7:

Balance Sheet

As at 31 March, 2017

Particulars	Note no.	Amount (₹)
Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	5,000
b. Reserves and Surplus	2	4,200
2. Non-Current Liabilities		
a. Long Term Borrowings	3	3,000
3. Current Liabilities		
a. Other Current Liabilities		2,500
Total		**14,700**
Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	4	8,300
2. Current Assets		
a. Cash and Cash Equivalence	5	6,100
b. Other Current Assets	6	300
Total		**14,700**

Notes to Accounts

Notes	Particulars		Amount (₹)
	1. Share Capital		
	Preference Share Capital		5,000
	2. Reserve and Surplus		
	General Reserve	3,000	
	Less: Statement of Profit or Loss	1,200	
			4,200
	3. Long Term Borrowings		
	10% Debenture		3,000
	4. Tangible Assets		
	Fixed Asset (less depreciation)		8,300
	5. Non-Current Investment		
	Investment in Shares		10,00,000
	6. Cash and Cash Equivalence		
	Cash in Hand		6,100
	8. Other Current Assets		
	Preliminary Expenses		300