

BOOK-2
CHAPTER-3
FINANCIAL STATEMENTS OF A COMPANY

Section A: One Mark Questions

I. Fill in the blanks:-

1. _____ statements are the basic and formal annual report.
2. Financial statements include _____ and Balance sheet.
3. Income statement and _____ are the financial statements.
4. The object of preparation of balance sheet is to ascertain the _____.
5. Income statement is prepared to ascertain _____.
6. Share capital appears under the head _____.
7. Capital reserve is shown under _____ head.
8. Debit balance of statement of profit and loss shall be shown as _____ figure under surplus head.
9. Loans which are repayable within _____ months are called as short term borrowings.
10. Fixed assets are classified as tangible and _____ assets.

II. Multiple Choice Questions:-

1. Financial statements generally include:
 - a) Comparative statement
 - b) Fund flow statement
 - c) Income statement and balance Sheet.
 - d) None of the above
2. The prescribed form of Balance Sheet for the companies has been given in the schedule _____.
 - a) VI part I
 - b) VI part II
 - c) VI part IV
 - d) III schedule.
3. Which of the following is shown under the head "fixed assets".
 - a) Goodwill
 - b) Patents
 - c) Trademark
 - d) All of the above
4. Current Assets does not include:
 - a) Short term investments
 - b) Buildings
 - c) Inventories
 - d) Cash and cash equivalents

5. Current liabilities are to be paid within_____ month
 - a) 3 months.
 - b) 6 months.
 - c) 9 months.
 - d) 12 months.
6. External users of financial statements does not include:
 - a) Banks
 - b) Shareholders
 - c) Creditors
 - d) Government
7. Share capital is shown as_____
 - a) Authorised capital
 - b) Issued capital
 - c) Subscribed capital
 - d) All the above
8. Financial statements are prepared based on:
 - a) Accounting postulate
 - b) Accounting conventions
 - c) Recorded facts
 - d) All the above
9. Non-current assets are:
 - a) Expected to use in the business for long period
 - b) Involved in entities operating cycle
 - c) Primarily held for trading
 - d) Cash and cash equivalents

III. True or False:-

1. The original cost is the basis of recording transactions.
2. Going concern postulates assumes that the enterprise exists for a longer period of time.
3. The financial statements do not show current financial condition of a business.
4. The stationery is valued at cost.
5. Provisions are maintained for known liabilities.
6. While preparing financial statements, inventories valued at market price or cost price whichever is less.
7. Cash and cash equivalents are to be disclosed in accordance to IAS-3.
8. Rounding off of figures in financial statements is not mandatory.
9. In the Balance Sheet of a Company, goodwill is shown under the heading of 'Fixed Assets'.
10. Proposed dividend is shown under the head, 'Provisions'.

IV. Very Short Answer Questions:-

1. Name any one type of financial statements.
2. State any one feature of financial statements.
3. Name any one internal user of financial statements.
4. Write any one objective of financial statements.

5. State any one type of reserve.
6. Give an example for non-current asset.
7. Where do you record the money received against share warrants?
8. How do you treat Credit balance of income statement under the head surplus?
9. Write any one feature of current asset.
10. How do you treat preliminary expenses?

Section - B

Two Marks Questions:

1. Give the meaning of financial statements.
2. Mention two types of financial statements.
3. State any two features of financial statements.
4. Write any two objectives of financial statements.
5. State any two benefits of financial statements.
6. Give any two limitations of financial statements.
7. State any 2 postulates.
8. How will you disclose the following items in the Balance Sheet of a Company?
A) Loose Tools B) Proposed dividends.
9. State any two differences between current liabilities and non-current liabilities.
10. Mention any two items which are shown under the head 'Reserves and Surplus'.

Section - C: 6 Marks Problems:

Problems on preparation of Statement of Profit and Loss.

1. From the following information prepare statement of profit and loss for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Revenue from operations	5,00,000
Purchase of goods	3,00,000
Salaries to employees	40,000
Leave encashment	10,000
Rent and taxes	30,000
Repairs to machinery	20,000
Tax	30%

(Answer: ₹70,000)

2. From the following details you are required to prepare Statement of Profit and Loss for the year ended 31-03-2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Plant and Machinery	40,000
Furniture	20,000
Share Capital	4,00,000
Sales	3,00,000
Purchases	1,80,000
Trade Payables	30,000
Depreciation on plant and machinery	4,000
Amortisation of goodwill	6,000
Interest on debentures	30,000
Interest on borrowings	20,000
Tax	30%

(Answer: ₹42, 000)

3. From the following trial balance, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No	Accounts Head	Debit(₹)	Credit(₹)
1.	Sales		10,00,000
2.	Salaries	90,000	2,00,000
3.	Wages	1,10,000	1,00,000
4.	Stock	1,50,000	2,00,000
5.	Purchases	4,00,000	1,00,000
6.	Bank Overdraft	1,60,000	
7.	12% Debentures	16,000	
8.	(Issued on 01/04/2017)	6,74,000	
9.	Plant and Machinery		
10.	Depreciation on plant and machinery		
11.	Equity Share Capital		
12.	(Shares of ₹10/-each)		
	7%Preference Share Capital		
	Land		
	Total	16,00,000	16,00,000

Note: Tax rate 30%

(Answer : ₹1,55,400)

4. From the following balance, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Cash sales	2,00,000
Credit sales	3,00,000
Sales returns	20,000
Cost of materials consumed	3,00,000
Buildings	2,00,000
Machinery	1,50,000
Bad debts	5,000
Tax	30%

Note: Depreciation on buildings and machinery at 10% each.

(Answer: ₹98,000)

5. From the following balances, prepare Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Sales	10,00,000
Cash purchases	2,00,000
Credit purchases	4,00,000
Purchases returns	20,000
Power and fuel	30,000
Consumption of stores	50,000
Interest on bank loan	30,000
Tax	30%

(Answer: ₹2,17,000)

6. From the following trial balance and other information, Statement of Profit and Loss for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No.	Particulars	Debit(₹)	Credit(₹)
	Land and buildings	4,00,000	-
1.	Trade receivables	1,00,000	-
2.	Trade payables	-	2,00,000
3.	10% Debentures(01/04/2017)	-	3,00,000
4.	Sales	-	15,00,000
5.	Net purchases	10,00,000	-
6.	Wages and salaries	50,000	-
7.	Contribution to provident fund	10,000	-
8.	Plant and machinery	2,00,000	-
9.	Goodwill	2,40,000	-
	Total	20,00,000	20,00,000

Adjustments:

1. Tax rate 30%
2. Depreciation on plant and machinery at 10% and amortisation of goodwill by ₹24,000.

(Answer: ₹2,50,200)

7. Form the following information, prepare Balance Sheet of Jindal Company Ltd as at 31/03/2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Share Capital	10,00,000
Reserves and Surplus	5,00,000
10% Debentures	5,00,000
Creditors	2,00,000
Bills payable	3,00,000
Fixed Assets	15,00,000
Trade receivables	5,00,000
Short term investments	2,00,000
Cash and cash equivalents	3,00,000

(Answer: ₹25, 00,000)**Problems On Preparation of Balance Sheet**

8. From the following trial balance, prepare Balance Sheet of Star ltd., for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Sl. No.	Particulars	Debit(₹)	Credit(₹)
1.	Equity Share Capital	-	2,00,000
2.	Preference Share Capital	-	3,00,000
3.	Reserves and Surplus	-	3,00,000
4.	Sales	-	5,00,000
5.	Other non-current liabilities	-	2,00,000
6.	Tangible Assets	4,00,000	-
7.	Intangible Assets	2,50,000	-
8.	Salaries	90,000	-
9.	Printing and stationery	30,000	-
10.	Rent	80,000	-
11.	Purchases	3,00,000	-
12.	Trade Receivables	3,50,000	-
	Total	15,00,000	15,00,000

(Answer: ₹10,00,000)

9. From the following information, prepare Balance Sheet for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Inventories	7,00,000
Equity Share Capital	16,00,000
Plant and Machinery	8,00,000
Preference Share Capital	6,00,000
General Reserve	6,00,000
Creditors	3,50,000
Provision for taxation	2,50,000
Land and Building	26,00,000
Cash at Bank	5,00,000
12% Debentures	12,00,000

(Answer: ₹46,00,000)

10. From the following information, prepare Balance Sheet Surya Ltd., for the year ending 31st March 2018 as per Schedule III of Companies Act, 2013.

Particulars	₹
Equity Share Capital	20,00,000
Inventories	14,00,000
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 Buildings	20,00,000
Current Investments	8,00,000
Cash equivalents	10,00,000
Short term loan from Z Ltd.,	4,00,000
Public Deposit	12,00,000

(Answer: ₹62,00,000)

11. Prepare a Balance Sheet of White Ltd., as on 31st March 2018 as per Schedule III of Companies Act, 2013 from the following information:

Particulars	₹
General Reserve	3,00,000
10% Debentures	3,00,000
Balance in Statement of Profit and Loss	1,20,000
Depreciation on fixed assets	70,000
Gross Block	9,00,000
Current Liabilities	2,50,000
Preliminary Expenses	30,000
6% Preference Share Capital	5,00,000
Cash and Cash equivalents	6,10,000

(Answer: ₹14,70,000)

- 12.** You are required to prepare a Balance Sheet from the following information as per the provisions of the Companies Act, 2013 in Schedule III.

Particulars	₹
Equity Share Capital	9,56,000
Preliminary expenses	2,40,000
Discount on issue of share	20,000
Goodwill	30,000
10% Debentures	2,00,000
Stock-in-trade	1,40,000
Loose tools	12,000
Bills receivables	1,20,000
Cash at Bank	1,35,000
Motor vehicles	4,75,000
Provision for taxation	16,000

(Answer: ₹11,72,000)

Key Answers:

I. Fill in the blanks:-

- | | |
|------------------------------|---------------------------------------|
| 1) Financial | 2) Statement of Profit and Loss |
| 3) Position statement | 4) Financial status of the enterprise |
| 5) Surplus of the enterprise | 6) Shareholders' fund |
| 7) Reserves and Surplus | 8) Surplus |
| 9) 12 | 10) Intangible assets. |

II. Multiple Choice Questions:-

- | | | | |
|------|------|------|------|
| 1) d | 2) d | 3) d | 4) b |
| 5) d | 6) b | 7) d | 8) d |
| 9) a | | | |

III. True/ False:

- | | | | |
|----------|----------|-----------|----------|
| 1) True, | 2) True, | 3) False, | 4) True, |
| 5) True, | 6) True, | 7) True, | 8) False |
| 9) True, | 10) True | | |
