

CBSE Test Paper 04
Ch-9 Financial Statements and Analysis

1. Which of the following is fictitious Asset?
 - a. Preliminary Expense
 - b. Goodwill
 - c. Income Tax
 - d. Loose Tools
2. Assets are divide in to
 - a. 2
 - b. 8
 - c. 10
 - d. 1
3. If Statement of profit and loss shows a negative balance, it will be shown under
 - a. Reserves and Surplus
 - b. Short term borrowings
 - c. Current Assets
 - d. Other Current Liabilities
4. Items such as Trade payables on account of purchase of Fixed Assets and interest accrued there on, will come under the head
 - a. Other Long Term Liabilities
 - b. Long Term provisions
 - c. Long Terms borrowings
 - d. Deferred Tax Liabilities
5. Loose Tools are shown under the _____
 - a. Liquid Assets
 - b. Short term provisions
 - c. Inventories
 - d. Investment
6. Which Statement is prepared to determine the income of a company?
7. Name any two items shown under the heading current Liabilities.

8. Name two components of the total revenue of the company.
9. List the items that are included under Inventories.
10. Why common size statement is considered to be 100% statement?
11. Prepare comparative statement of profit and loss from the following information:

Particulars	31st March, 2015 Amt (Rs.)	31st March, 2014 Amt (Rs.)
Revenue from Operations	12,00,000	8,00,000
Purchase of Stock-in-trade	7,80,000	5,20,000
Change in Inventories of Stock-in-trade	40,000	80,000
Other Expenses	10% of Cost of Revenue from Operations	8% of Cost of Revenue from Operations
Tax Rate	30%	40%

12. From the following information extracted from the books of PQ Ltd., prepare a Balance Sheet of the company as at 31st March, 2012 as per Schedule-III of the Indian Companies Act, 2013:

Particulars	(Rs.)
Long-term Borrowings	500
Trade Payables	30
Share Capital	400
Reserve and Surplus	90
Fixed Assets(tangible)	800
Inventories	20
Trade receivables	80

Cash and Cash Equivalents	120
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13. Prepare a Balance Sheet of Ratna Ltd. as at 31st March 2015, as per provision of Part I, Schedule III, under Section 129 of Companies Act, 2013 from the following information:

Particulars	(Rs.)	Particulars	(Rs.)
Sundry Creditors	1,08,000	Building	50,000
Provision for Taxation	62,000	Loose Tools	30,000
Provision for Provident Fund	50,000	Plant & Machinery	50,000
Reserve Fund	1,15,000	Goodwill	30,000
Cash in Hand	10,000	Preference Share Capital	80,000
Sundry Debtors	2,45,000	Equity Share Capital	1,00,000
Stock - in - trade	2,00,000	Debentures	1,20,000
Furniture	10,000		

14. From the following Balance Sheet of X Ltd. as at 31st March 2013 and 2012, prepare a Common-size Balance Sheet:

Particulars	Note No.	31st March 2013 Amount (Rs)	31st March 2012 Amount (Rs)
I. EQUITY AND LIABILITIES			
1. Shareholder's Funds			
(a) Share Capital		80,00,000	60,00,000
(b) Reserve and Surplus		12,00,000	8,00,000
2. Non - Current Liabilities			
Long - term borrowings		24,00,000	20,00,000

3. Current Liabilities			
Trade Payables		4,00,000	12,00,000
		1,20,00,000	1,00,00,000
II. ASSETS			
1. Non - Current Assets			
Fixed Assets:			
(a) Tangible		80,00,000	60,00,000
(b) Intangible		4,00,000	12,00,000
2. Current Assets			
(a) Inventories		24,00,000	20,00,000
(b) Cash and Cash Equivalents		12,00,000	8,00,000
		1,20,00,000	1,00,00,000

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Answer

1. a. Preliminary Expense, **Explanation:** Preliminary expenses are those expenses which are incurred during the formation of the company. Benefits of such expenses extends for more than one year, therefore, such expenses are not fully debited to statement of profit and loss in any single year but a part of it is written off each year.
2. a. 2, **Explanation:** 2
3. a. Reserves and Surplus, **Explanation:** Negative balance of statement of profit and loss indicates current year loss or accumulated losses. The head under which statement of profit and loss placed is reserves and surplus with amount in bracket which indicates a negative balance.
4. a. Other Long Term Liabilities, **Explanation:** Normally these liabilities are repayable after one year. Amount of such liabilities are normally high and company may pay to such creditors in instalments, in such case, the repayment time is more than one year.
5. c. Inventories, **Explanation:** Loose tools are spare parts of machines, etc. They are shown under the head inventories along with stock of raw materials, work in progress and finished goods.
6. The Statement is prepared to determine the income of a company is the **statement of Profit and Loss**.
7.
 - i. Short-term Borrowings,
 - ii. Short-term Provisions.
8.
 - i. Revenue from operations (Net Sales or Services),
 - ii. Other income.
9. **Items included Under Sub-head "Inventories" :-**
 - Raw Materials
 - Work-in-progress
 - Finished Goods
 - Stock-in-trade

- Stores
- Spare parts
- Live Stock
- Loose tools

10. Since in this statement all items are expressed as a percentage of base item.

11. **Comparative Statement of Profit and Loss**
for the year ended 31st March, 2015

Particulars	2014	2015	Absolute Change (Increase or Decrease) (Rs.)	Percentage Change (Increase or Decrease) (Rs.)
(I) Revenue from Operations	8,00,000	12,00,000	4,00,000	50.00
(II) Total Income	8,00,000	12,00,000	4,00,000	50.00
(III) Expenses				
a) Purchases of Stock-in-trade	5,20,000	7,80,000	2,60,000	50.00
b) Changes in Inventories of Stock-in-trade	80,000	40,000;	(40,000)	(50.00)
c) Other Expenses	48,000	82,000	34,000	70.83
(IV) Total Expenses (a+b+c)	6,48,000	9,02,000	2,54,000	39.20
(V) Profit before Tax (II - IV)	1,52,000	2,98,000	1,46,000	96.05
(VI) Tax	(60,800)	(89,400)	(28,600)	(47.04)
(IV) Profit after Tax (V-VI)	91,200	2,08,600	1,17,400	128.73

Working Note

	2014	2015
Purchases of stock-in-trade	5,20,000	7,80,000
Changes in investors of stock-in-trade	80,000	40,000
Cost of revenue from operations	6,00,000	8,20,000
Other expenses	48,000	82,000
	(8% of cost of revenue)	(10% of cost of revenue from operations)

12.

**Balance Sheet of PQ Ltd.
as at 31st March 2012 (Extract)**

	Particulars	Note No.	31st March 2012 Amount (Rs.)	31st March 2011 Amount (Rs.)
I.	EQUITY AND LIABILITIES			
	(1) Shareholders' Funds			
	(a) Share Capital		400	
	(b) Reserves and Surpluses		90	
	(2) Non-Current Liabilities			
	(a) Long Term Borrowings		500	
	(3) Current Liabilities			
	(a) Trade Payables		30	
			1,020	
II.	ASSETS			
	(1) Non-current Assets			

	(a) Fixed Assets			
	Tangible Assets		800	
	(2) Current Assets			
	(a) Inventories		20	
	(b) Trade Receivables		80	
	(c) Cash and Cash Equivalents		120	
			1,020	

There is a legal requirement as per Companies Act 2013 that every company should prepare Profit and Loss account and Balance Sheet as per the format given in Schedule 3. This requirement is only for companies and not for Partnership or Proprietorship.

13. **Balance Sheet**

Particulars	Note No.	Rs.
I. EQUITY AND LIABILITIES		
1. Share holders' Funds:		
(a) Share Capital	1	1,80,000
(b) Reserves and Surpluses	2	1,15,000
2. Non-Current Liabilities:		
(a) Long term borrowings	3	1,20,000
(b) Long term provisions	4	50,000
3. Current Liabilities:		
(a) Trade Payables	5	1,08,000
(b) Short term Provisions	6	52,000
		<u>6,25,000</u>
II. ASSETS		

1. Non-current Assets:		
(a) Fixed Assets:		
Tangible Assets	7	1,10,000
Intangible Assets	8	30,000
2. Current Assets:		
(a) Inventories	9	2,30,000
(b) Trade Receivables	10	2,45,000
(c) Cash and Cash Equivalents	11	10,000
		<u>6,25,000</u>

Notes to Accounts:

	Particulars	Rs.
1.	Share Capital:	
	Equity Share Capital	1,00,000
	Preference Share Capital	<u>80,000</u>
		<u>1,80,000</u>
2.	Reserves and Surplus:	
	Reserve Fund	<u>1,15,000</u>
3.	Long term Borrowings:	
	Debentures	<u>1,20,000</u>
4.	Long term Provisions:	
	Provision for Provident Fund	<u>50,000</u>
5.	Trade Payables:	
	Sundry Creditors	<u>1,08,000</u>
6.	Short Term Provisions:	

	Provisions for Taxation	<u>52,000</u>
7.	Tangible Assets:	
	Furniture	10,000
	Building	50,000
	Plant and Machinery	<u>50,000</u>
		<u>1,10,000</u>
8	Intangible Assets:	
	Goodwill	<u>30,000</u>
9.	Inventories:	
	Stock - in - trade	2,00,000
	Loose Tools	<u>30,000</u>
		<u>2,30,000</u>
10	Trade Receivables:	
	Sundry Debtors	<u>2,45,000</u>
11	Cash and Cash Equivalents:	
	Cash in hand	<u>10,000</u>

14. **Common-Size Balance Sheet of X Ltd.**
as at 31st March 2012 and 2013

Particulars	Absolute Amounts		Percentage of Balance Sheet Total	
	31st March, 2013 Amount (Rs.)	31st March, 2012 Amount (Rs.)	31st March, 2012 Percentage (%)	31st March, 2013 Percentage (%)
EQUITY AND				

I. EQUITY AND LIABILITIES				
1. Shareholder's Funds				
(a) Share Capital	80,00,000	60,00,000	60.00	66.67
(b) Reserve and Surplus	12,00,000	8,00,000	8.00	10.00
2. Non - Current Liabilities				
Long - term borrowings	24,00,000	20,00,000	20.00	20.00
3. Current Liabilities				
Trade Payables	4,00,000	12,00,000	12.00	3.33
	1,20,00,000	1,00,00,000	100.00	3.33
II. ASSETS				
1. Non - Current Assets				
Fixed Assets:				
(a) Tangible	80,00,000	60,00,000	60.00	66.70
(b) Intangible	4,00,000	12,00,000	12.00	3.30
2. Current Assets				
(a) Inventories	24,00,000	20,00,000	20.00	20.00
(b) Cash and Cash Equivalents	12,00,000	8,00,000	8.00	10.00
	1,20,00,000	1,00,00,000	100.00	100.00

Common size financial statement analysis which is also called a vertical analysis, is just one technique that financial managers use to analyze their financial statements. It is not another type of income statement but is a tool used to analyze the income statement.