Financial Statements – I

Standard difficulty · 20 questions · 40 marks · Time: 44 minutes

Name: _____ Date: _____ Score: ____ / 40

Show your working for Sections B and C. Answers are on the last page — try every question first!

Section A — Choose the correct answer — 8 × 1 = 8 marks

1. Gross profit is found in the:
   (a) balance sheet **(b)** cash book
   (c) profit and loss account **(d)** trading account

2. In the final accounts, where is “office salaries” shown?
   (a) cash book **(b)** balance sheet
   (c) profit and loss account **(d)** trading account

3. A loan taken from a bank is a:
   (a) deferred revenue expenditure **(b)** revenue expenditure
   (c) capital expenditure **(d)** capital receipt

4. Opening stock ₹53,000; purchases ₹2,05,000; purchases returns ₹6,000; wages ₹15,000; carriage inwards ₹2,500; closing stock ₹32,000. What is the cost of goods sold?
   (a) ₹2,26,000 **(b)** ₹3,01,500 **(c)** ₹2,49,500 **(d)** ₹2,37,500

5. Sales ₹2,96,000; sales returns ₹1,000; cost of goods sold ₹1,99,000. What is the gross profit?
   (a) ₹94,000 **(b)** ₹97,000 **(c)** ₹96,000 **(d)** ₹98,000

6. A firm’s net profit is ₹1,32,500 after charging interest on a loan of ₹4,500 and including interest received of ₹1,000. What is its operating profit?
   (a) ₹1,36,000 **(b)** ₹1,32,500 **(c)** ₹1,38,000 **(d)** ₹1,29,000

7. Opening capital ₹1,52,500; net profit ₹71,000; drawings ₹14,000. What capital is shown in the balance sheet?
   (a) ₹2,23,500 **(b)** ₹2,37,500 **(c)** ₹2,09,500 **(d)** ₹95,500

8. A balance sheet shows assets: Cash ₹10,500, Bank ₹5,500, Debtors ₹12,000, Stock ₹29,000, Furniture ₹48,000, Machinery ₹2,00,000. What is the balance sheet total?
   (a) ₹3,44,000 **(b)** ₹1,05,000 **(c)** ₹3,05,000 **(d)** ₹1,96,000

Section B — Short answer — 8 × 2 = 16 marks

9. What are financial statements?

10. Trading account, profit and loss account, or balance sheet? (a) debtors (b) advertisement

11. Capital or revenue, expenditure or receipt? (a) commission earned (b) insurance premium for the year

12. Find the gross profit: opening stock ₹37,000, purchases ₹2,95,000, purchases returns ₹6,500, wages ₹20,000, carriage inwards ₹1,500, sales ₹4,81,000, sales returns ₹5,000, closing stock ₹41,000.

13. Gross profit is ₹1,53,000. Other items: salaries ₹24,000, rent ₹20,000, advertisement ₹11,000, carriage outwards ₹2,000, interest on loan ₹5,500, commission received ₹9,000, interest received ₹2,500. Find (a) the net profit (b) the operating profit.

14. Find the closing capital: assets Cash ₹4,500, Bank ₹31,500, Debtors ₹52,500, Stock ₹30,000, Furniture ₹18,000, Machinery ₹1,75,000; liabilities Creditors ₹60,000, Bank Loan ₹80,000.

15. Closing capital is ₹2,46,500, net profit for the year ₹59,000 and drawings ₹4,000. Find the opening capital.

16. Is each a direct or an indirect expense? (a) wages (b) bad debts

Section C — Word problems — 4 × 4 = 16 marks

17. Explain the trading account and the items shown in it.

18. Prepare the trading and profit and loss account for the year ending 31 March from: opening stock ₹32,000, purchases ₹2,77,000, purchases returns ₹1,000, wages ₹5,500, carriage inwards ₹5,000, sales ₹4,18,000, sales returns ₹6,000, closing stock ₹53,000; salaries ₹29,000, rent ₹19,000, advertisement ₹7,000, carriage outwards ₹1,500, interest on loan ₹4,500, commission received ₹8,000, interest received ₹5,000. Show (a) the cost of goods sold (b) the gross profit (c) the net profit (d) the operating profit.

19. Prepare a balance sheet on 31 March: Cash ₹7,000, Bank ₹14,500, Debtors ₹47,500, Stock ₹76,000, Furniture ₹23,000, Machinery ₹1,15,000, Creditors ₹49,500, Bank Loan ₹35,000; opening capital ₹1,39,500, net profit ₹68,000, drawings ₹9,000.

20. Pass the opening entry on 1 April from these balances: Cash ₹4,000, Bank ₹40,000, Debtors ₹35,500, Stock ₹14,000, Furniture ₹22,000, Machinery ₹1,50,000, Creditors ₹21,000, Bank Loan ₹10,000. Find the capital.

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Answer key

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Q	Answer	Working
1	**(d) trading account**	—
2	**(c) profit and loss account**	—
3	**(d) capital receipt**	—
4	**(d) ₹2,37,500**	₹53,000 + ₹2,05,000 − ₹6,000 + ₹15,000 + ₹2,500 − ₹32,000
5	**(c) ₹96,000**	₹2,96,000 − ₹1,000 − ₹1,99,000
6	**(a) ₹1,36,000**	Operating profit = net profit + non-operating expenses − non-operating incomes = ₹1,32,500 + ₹4,500 − ₹1,000
7	**(c) ₹2,09,500**	₹1,52,500 + ₹71,000 − ₹14,000
8	**(c) ₹3,05,000**	₹10,500 + ₹5,500 + ₹12,000 + ₹29,000 + ₹48,000 + ₹2,00,000
9	**The trading and profit and loss account (income statement) and the balance sheet, prepared at the end of a period.**	—
10	**(a) balance sheet (b) profit and loss account**	—
11	**(a) revenue receipt (b) revenue expenditure**	—
12	**₹1,70,000**	Net sales ₹4,76,000 − cost of goods sold (₹37,000 + ₹2,88,500 + ₹20,000 + ₹1,500 − ₹41,000 = ₹3,06,000) = ₹1,70,000
13	**(a) ₹1,02,000; (b) ₹1,05,000**	₹1,53,000 + ₹11,500 − ₹62,500; operating: + ₹5,500 − ₹2,500
14	**₹1,71,500**	₹3,11,500 − ₹1,40,000
15	**₹1,91,500**	₹2,46,500 − ₹59,000 + ₹4,000
16	**(a) direct (b) indirect**	—
17	**It finds the gross profit: debit side opening stock, purchases less returns, direct expenses; credit side sales less returns and closing stock.**	—
18	**(a) ₹2,65,500; (b) ₹1,46,500; (c) ₹98,500; (d) ₹98,000**	Net sales ₹4,12,000 − cost of goods sold (₹32,000 + ₹2,76,000 + ₹5,500 + ₹5,000 − ₹53,000 = ₹2,65,500) = ₹1,46,500; net profit = ₹1,46,500 + ₹8,000 + ₹5,000 − ₹29,000 − ₹19,000 − ₹7,000 − ₹1,500 − ₹4,500; operating = ₹98,500 + ₹4,500 − ₹5,000

Q	Answer	Working
19	**Liabilities side: capital ₹1,39,500 + ₹68,000 − ₹9,000 = ₹1,98,500; Creditors ₹49,500, Bank Loan ₹35,000; total ₹2,83,000** **Assets side: Machinery ₹1,15,000, Furniture ₹23,000, Stock ₹76,000, Debtors ₹47,500, Bank ₹14,500, Cash ₹7,000; total ₹2,83,000**	Both sides total the same
20	**Cash A/c Dr. ₹4,000** **Bank A/c Dr. ₹40,000** **Debtors A/c Dr. ₹35,500** **Stock A/c Dr. ₹14,000** **Furniture A/c Dr. ₹22,000** **Machinery A/c Dr. ₹1,50,000** **To Creditors A/c ₹21,000** **To Bank Loan A/c ₹10,000** **To Capital A/c ₹2,34,500** **(Being balances brought forward from last year)**	Capital = ₹2,65,500 − ₹31,000 = ₹2,34,500

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