Financial Statements of a Company

Standard difficulty · 20 questions · 40 marks · Time: 41 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. The format of a company's balance sheet is given in:
   (a) Table F **(b)** the Partnership Act
   (c) the Income Tax Act **(d)** Schedule III of the Companies Act, 2013

2. In a company's balance sheet (Schedule III), "bank overdraft" is shown under:
   (a) Current liabilities — Short-term borrowings
   (b) Non-current assets — Non-current investments
   (c) Current assets — Other current assets
   (d) Non-current assets — Intangible assets

3. In a company's Statement of Profit and Loss, "rent paid" is shown under:
   (a) Depreciation and amortisation expense **(b)** Other income
   (c) Employee benefits expense **(d)** Other expenses

4. Which of these is shown under "Shareholders' funds" in a company's balance sheet?
   (a) capital reserve **(b)** bank overdraft
   (c) loose tools **(d)** debentures

5. Greenleaf Ltd: revenue from operations ₹22,00,000, other income ₹21,000 and total expenses ₹18,91,000. What is the profit before tax?
   (a) ₹2,64,000 **(b)** ₹3,09,000 **(c)** ₹3,30,000 **(d)** ₹3,72,000

6. Silverline Ltd has a profit before tax of ₹2,90,000, and tax is 25%. What is the profit for the period (after tax)?
   (a) ₹2,03,000 **(b)** ₹2,90,000 **(c)** ₹72,500 **(d)** ₹2,17,500

7. Bluebell Ltd: share capital ₹9,00,000, general reserve ₹84,000, surplus (balance in Statement of Profit and Loss) ₹72,000 and debentures ₹4,00,000. What are the total shareholders' funds?
   (a) ₹14,56,000 **(b)** ₹9,84,000 **(c)** ₹9,00,000 **(d)** ₹10,56,000

8. Northstar Ltd: trade payables ₹1,21,000, short-term provisions ₹49,000, bank overdraft ₹12,000 and debentures ₹1,00,000. What are the total current liabilities?
   (a) ₹1,82,000 **(b)** ₹1,70,000 **(c)** ₹2,82,000 **(d)** ₹1,33,000

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

9. What are financial statements?

10. Explain each term: (a) operating cycle (b) recorded facts

11. Under which main head and sub-head is each shown in a company's balance sheet? (a) stock of finished goods (b) provision for tax

12. Maple Ltd has property, plant and equipment ₹11,98,000, intangible assets ₹47,000, non-current investments ₹57,000, inventories ₹55,000, trade receivables ₹64,000 and cash and cash equivalents ₹11,000. Find (a) the non-current assets (b) the current assets (c) the balance sheet total.

13. Sunrise Ltd sold goods worth ₹9,00,000, received returns of ₹46,000 and sold scrap for ₹10,000 (scrap sales are other operating revenue). Find the revenue from operations.

14. Brightway Ltd has securities premium ₹76,000, general reserve ₹82,000 and a credit balance of ₹28,000 in the Statement of Profit and Loss (surplus). Find the total of "Reserves and surplus".

15. Silverline Ltd has a profit before tax of ₹2,90,000, and tax is 25%. Find (a) the tax expense (b) the profit for the period.

16. Brightway Ltd has share capital ₹4,00,000, reserves and surplus ₹1,51,000, long-term borrowings ₹3,00,000, trade payables ₹87,000 and short-term provisions ₹21,000. Find (a) the shareholders' funds (b) the current liabilities (c) the balance sheet total.

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

17. Explain the nature of financial statements.

18. Prepare the balance sheet of Brightway Ltd (Schedule III, main heads and sub-heads) from: equity share capital ₹8,00,000, general reserve ₹32,000, surplus ₹34,000, 10% debentures ₹4,00,000, creditors ₹48,000, provision for tax ₹38,000, machinery ₹11,15,000, goodwill ₹78,000, long-term investments ₹31,000, stock ₹31,000, debtors ₹30,000 and cash at bank ₹67,000.

19. Prepare the Statement of Profit and Loss of Seabreeze Ltd from: revenue from operations ₹27,00,000, other income ₹10,000, cost of materials consumed ₹18,03,000, employee benefits expense ₹3,00,000, finance costs ₹12,000, depreciation ₹25,000, other expenses ₹2,20,000; tax at 25%.

20. Match each with its main head in the balance sheet: (a) cash at bank (b) calls in advance (c) debentures. Choose from: Non-current liabilities; Current assets; Current liabilities.

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Answer key

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Q	Answer	Working
1	**(d) Schedule III of the Companies Act, 2013**	—
2	**(a) Current liabilities — Short-term borrowings**	—
3	**(d) Other expenses**	—
4	**(a) capital reserve**	—
5	**(c) ₹3,30,000**	₹22,00,000 + ₹21,000 − ₹18,91,000
6	**(d) ₹2,17,500**	₹2,90,000 − ₹72,500
7	**(d) ₹10,56,000**	₹9,00,000 + ₹84,000 + ₹72,000
8	**(a) ₹1,82,000**	₹1,21,000 + ₹49,000 + ₹12,000
9	**The end products of accounting: the balance sheet, statement of profit and loss, notes to accounts and cash flow statement of an enterprise.**	—
10	**(a) the time between buying materials and realising cash from selling the products (b) figures taken from the accounting records at cost**	—
11	**(a) Current assets — Inventories (b) Current liabilities — Short-term provisions**	—
12	**(a) ₹13,02,000; (b) ₹1,30,000; (c) ₹14,32,000**	(a) ₹11,98,000 + ₹47,000 + ₹57,000 (b) ₹55,000 + ₹64,000 + ₹11,000
13	**₹8,64,000**	₹9,00,000 − ₹46,000 + ₹10,000
14	**₹1,86,000**	₹76,000 + ₹82,000 + ₹28,000 (a debit balance is shown as a negative item under reserves and surplus)
15	**(a) ₹72,500; (b) ₹2,17,500**	(a) ₹2,90,000 × 25/100 (b) ₹2,90,000 − ₹72,500
16	**(a) ₹5,51,000; (b) ₹1,08,000; (c) ₹9,59,000**	(c) ₹5,51,000 + ₹3,00,000 + ₹1,08,000
17	**They are made from recorded facts, follow accounting conventions and postulates, and include personal judgements, such as on depreciation and inventory valuation.**	—
18	**I. Equity and Liabilities: 1. Shareholders' funds — (a) Share capital ₹8,00,000 (b) Reserves and surplus ₹66,000; 2. Non-current**	reserves and surplus ₹32,000 + ₹34,000; both sides total ₹13,52,000

Q	Answer	Working
	liabilities — Long-term borrowings ₹4,00,000; 3. Current liabilities — (a) Trade payables ₹48,000 (b) Short-term provisions ₹38,000; total ₹13,52,000 II. Assets: 1. Non-current assets — (a) Property, plant and equipment ₹11,15,000, Intangible assets ₹78,000 (b) Non-current investments ₹31,000; 2. Current assets — (a) Inventories ₹31,000 (b) Trade receivables ₹30,000 (c) Cash and cash equivalents ₹67,000; total ₹13,52,000	
19	**I. Revenue from operations ₹27,00,000; II. Other income ₹10,000; III. Total income ₹27,10,000 IV. Expenses: materials ₹18,03,000, employee benefits ₹3,00,000, finance costs ₹12,000, depreciation ₹25,000, other expenses ₹2,20,000; total ₹23,60,000 V. Profit before tax ₹3,50,000; tax ₹87,500; profit for the period ₹2,62,500**	₹27,10,000 − ₹23,60,000 = ₹3,50,000; × 75/100
20	**(a) Current assets (b) Current liabilities (c) Non-current liabilities**	—

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