

Proficiency Exercise for Extended Learning

Very Short Answer Questions

A. Multiple Choice Questions

(1 mark)

- The prescribed form of Balance Sheet for the companies has been given in the Schedule:
(a) III, Part I (b) VI, Part I (c) VI, Part II (d) None of these
- The maximum amount of capital mentioned in the Memorandum of Association is known as:
(a) Subscribed Capital (b) Authorised Capital (c) Called-up Capital (d) Paid-up Capital
- The shares on which the company has made final call but not received final call will be shown in Notes to Accounts as:
(a) Subscribed Capital and fully paid (b) Subscribed but not fully paid
(c) Paid-up Capital (d) None of the above
- 15,000, 6% Debentures issued on 1st April, 2016 and redeemable on 31st March, 2022 will be shown under:
(a) Long-term Borrowings (b) Other Long-term Liabilities
(c) Current Liabilities (d) Other Current Liabilities
- Profit earned during the year by the company is shown under:
(a) Share Capital (b) Reserves and Surplus (c) Current Liabilities (d) Current Assets
- 'Trade Payables' include
(a) Creditors (b) Bills Payable (c) All of the above (d) None of the above
- Which of the following is not included in Short-term Borrowings?
(a) Loans repayable on demand (b) Bank Overdraft
(c) Retirement benefits to employees (d) Cash Credit from Banks
- Which of the following is added to 'Subscribed Share Capital'?
(a) Calls-in-Advance (b) Calls-in-Arrears
(c) Forfeited Share Account (d) All of the above
- In the Balance Sheet 'Unclaimed dividend' is shown as:
(a) Share Capital (b) Other Current Liability
(c) Short term Provisions (d) Short-term Borrowings
- Which of the following is not classified as 'Non-current Assets'?
(a) Vehicles (b) Trade Receivables
(c) Investments in Property (d) Patents
- Provision for Provident Fund is shown in the Balance Sheet of a company under the head:
(a) Reserves and Surplus (b) Non-current Liabilities
(c) Short-term Provisions (d) Contingent Liabilities
- Proposed Dividend of a current year is a:
(a) Contingent Liability (b) Surplus
(c) Non-current Liability (d) Long-term Loan
- Goodwill is shown under the head:
(a) Fixed Assets (b) Investments (c) Current Assets (d) Reserves and Surplus
- Calls-in-Arrears are deducted from:
(a) Authorised capital (b) Issued capital (c) Subscribed capital (d) All of the above
- Stores and Spares are classified in Balance Sheet under:
(a) Intangible Assets (b) Current Investments
(c) Inventories (d) Cash and cash equivalents
- Cash and Cash equivalents do not include:
(a) Cheques, draft on hand (b) Bank Deposits
(c) Bank Overdraft (d) None of the above

17. Revenue earned from the sale of 'Stock-in-trade' is shown in the Statement of Profit and Loss as:
 (a) Revenue from Operations (b) Other Incomes
 (c) Any of the above (d) None of the above
18. Interest earned on bank deposits by a company engaged in manufacturing electrical appliances is shown in the Statement of Profit and Loss as:
 (a) Revenue from operations (b) Other Incomes
 (c) All of the above (d) None of the above
19. Interest received on investments by a financing company will be classified in Statement of Profit and Loss as:
 (a) Revenue from operations (b) Other Income
 (c) All of the above (d) None of the above
20. Electricity and Telephone Expenses paid by the company are shown in Statement of Profit and Loss as:
 (a) Cost of Materials Consumed (b) Employees Benefit Expenses
 (c) Other Expenses (d) Finance Cost
- [Ans. 1. (a), 2. (b), 3. (b), 4. (a), 5. (b), 6. (c), 7. (c), 8. (c), 9. (b), 10. (b), 11. (b), 12. (a), 13. (a), 14. (c), 15. (c), 16. (c), 17. (a), 18. (b), 19. (a), 20. (c)]

B. Answer the following questions briefly:

1. What are the basic financial statements of a company?
2. Give two objectives of financial statements.
3. Under which sub-head and head, 'Calls in Advance' are shown in the Balance sheet?
4. How will you show the share capital of a company having Reserves Capital in Notes to Accounts?
5. List the two differences between Reserves and Provisions.
6. Name any four items that are shown under heading 'Other Current Liabilities'.
7. List four items that are classified as 'Other Non-current Assets'.
8. 'Prabhat Ltd.' is the manufacturer of shoes. It has invested ₹6,00,000 in term deposits with State Bank of India. How will the interest on term deposits be shown in Statement of Profit and Loss?
9. List four items that are classified as 'Other Incomes' in case of manufacturing company?
10. Name three items that are shown as Employees Benefit Expenses.

Short Answer Questions

(3, 4 marks)

1. What do you understand by financial statements of a company?
2. Explain the nature of financial statements.
3. What do you understand by the terms 'Non-current Assets' and 'Non-current Liabilities'.
4. Name any two items that are shown under the head 'Other Current Liabilities' and any two items that are shown under the head 'Other Current Assets' in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013. [CBSE Delhi 2016]
5. List any four items of 'reserves' that are shown under the heading 'Reserve and Surplus' in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013. [CBSE (AI) 2016]
6. (a) Give the meaning of 'Long-term Provisions'.
 (b) List any four items other than 'stock-in-trade' that are presented under the sub-head 'inventories' as per Schedule III of the Companies Act, 2013. [CBSE (AI) 2016]
7. Under which major heads, the following items will be placed in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013?

(i) Securities Premium Reserve	(ii) Balances with banks
(iii) Term loans from bank	(iv) Goods-in-transit
(v) Loans repayable on demand	(vi) Computer software
(vii) Unpaid dividends, and	(viii) Vehicles

[CBSE Delhi 2015]

[Ans. (i) Shareholders' Funds, (ii) Current assets, (iii) Non-current liabilities, (iv) Current assets, (v) Current liabilities, (vi) Non-current assets, (vii) Current Liabilities, (viii) Non-Current assets.]

8. Under which heads, the following items will be placed in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013?

- (i) Cash in hand
- (ii) Mining Rights
- (iii) Short-term deposits
- (iv) Debenture Redemption Reserve
- (v) Income received in advance
- (vi) Balance of the Statement of Profit and Loss
- (vii) Office Equipments, and
- (viii) Work-in-progress.

[CBSE Delhi 2015]

[Ans. (i) Current assets (ii) Non-current assets (iii) Current assets (iv) Shareholders' funds (v) Current liabilities (vi) Shareholders' funds (vii) Non-current assets (viii) Current assets]

9. Name the Major heads under which the following items will be shown in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013:

- (i) Work-in-Progress
- (ii) Calls-in-Advance
- (iii) Mining Rights
- (iv) Trade Receivables
- (v) Provision for Tax
- (vi) Goodwill
- (vii) Loose Tools
- (viii) Accrued Income

[CBSE Delhi 2016 (C)]

[Ans. (i) Current Assets, (ii) Current Liabilities, (iii) Non-current Assets (iv) Current Assets, (v) Current Liabilities, (vi) Non-current Assets (vii) Current Assets, (viii) Current Assets]

10. Under which sub-headings will the following items be shown in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013:

- (i) Long-term Loans
- (ii) Capital Redemption Reserve
- (iii) Short-term Provisions
- (iv) Goodwill
- (v) Provisions for Warranties
- (vi) Brand/Trademarks

[CBSE (F) 2014]

[Ans. (i) Long-term Borrowings, (ii) Reserves and Surplus, (iii) Short-term Provisions, (iv) Fixed Assets (Intangible Assets), (v) Long-term Provisions (vi) Fixed Assets (Intangible Assets)]

11. Under what heads and sub-heads the following items will appear in the Balance Sheet of a company as per Schedule III, Part I of the Companies Act, 2013:

- (i) Mining Rights
- (ii) Encashment of employees earned leave payable on retirement
- (iii) Vehicles

[CBSE Delhi 2013]

[Ans. (i) Non-Current Assets, Fixed Assets, (ii) Non-Current Liabilities, Long-term Provisions, (iii) Non-Current Assets, Fixed Assets]

12. Under which heads and sub-heads, will the following items appear in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, 2013:

- (i) Subsidy Reserve;
- (ii) Mining Rights;
- (iii) Provision for doubtful debts.

[CBSE (AI) 2013]

[Ans. (i) Shareholders' Funds under Reserves and Surplus (ii) Non-current Assets under Fixed Assets (Intangible) (iii) As a deduction from Trade Receivables under Current Assets.

13. Give the major headings under which the following items will be shown in a company's Balance Sheet as per Schedule III, Part I of the Companies Act, 2013:

- (i) Sundry Creditors; (ii) Provision for Tax; (iii) Preliminary Expenses; (iv) Loose Tools; (v) Interest accrued on investments and (vi) Goodwill.

[CBSE (AI) 2011]

[Ans. (i) Current Liabilities (ii) Current Liabilities (iii) Not shown in Balance Sheet (iv) Current Assets (v) Current Assets (vi) Non-current Assets]

14. Give the major headings under which the following items will be shown in a Company's Balance Sheet as per Schedule III, Part I of the Companies Act, 2013:

- (i) Loose Tools; (ii) Bills Receivable; (iii) Patents; (iv) Discount on issue of shares; (v) General Reserve and (vi) Debentures.
- [Ans. (i) Current Assets, (ii) Current Assets, (iii) Non-current Assets, (iv) Non-current Assets/Current Assets, (v) Shareholders' Funds (vi) Non-current Liabilities] [CBSE (AI) 2011]

15. Give the format of the Balance Sheet of a company as per the requirements of Schedule III, Part I of the Companies Act, 2013.

16. Under what heads and sub-headings the following items in the Balance Sheet of a company will be presented?

- (i) Provision for Taxation (ii) Securities Premium Reserve
(iii) Share Forfeited Account (iv) Unclaimed Dividend
(v) Sundry Creditors

[Ans. (i) Current Liabilities under Short-term Provisions, (ii) Shareholders' Funds under Reserves and Surplus, (iii) Shareholders' Funds under share capital as an addition to Subscribed but not fully paid up Share Capital, (iv) Current Liabilities under Other Current Liabilities, (v) Current Liabilities under Trade Payables]

17. Show the following items under proper sub-headings as disclosed in the format of a Balance Sheet of a limited company:

- (i) Capital Reserve (ii) Outstanding Expenses (iii) Revaluation Reserve (iv) Vehicles (v) Debentures

[Ans. (i) Reserves and Surplus, (ii) Other Current Liabilities, (iii) Reserves and Surplus, (iv) Fixed Assets—Tangible (v) Long-term Borrowings under Non-current Liabilities]

18. Under what heads and sub-heads the following items are recorded in a company's Balance Sheet?

- (i) Office Equipments (ii) Debentures issued by the company (iii) Prepaid Expenses
(iv) Government Securities (v) Outstanding Salaries (vi) Work-in-progress.

[Ans. (i) Non-current Assets under Fixed Tangible Assets, (ii) Non-current Liabilities under Long-term Borrowings, (iii) Current Assets under Other Current Assets, (iv) Non-current Assets under Non-current Investments, (v) Current Liabilities under Other Current Liabilities, (vi) Current Assets under Inventories]

19. Amarpali Paperworks Ltd. has an authorised capital of ₹ 15,00,000 divided into equity shares of ₹ 10 each. The company invited applications for 75,000 shares. Applications for 67,500 shares were received. All calls were made and duly received except the final call of ₹ 2 per share on 1,500 shares. 600 of the shares on which the final call was not received were forfeited. Show how share capital will appear in the Balance Sheet of the company. Also prepare Notes to Accounts.

[Ans. Subscribed Capital ₹ 6,72,000]

20. Under which major heads of the Statement of Profit and Loss of a manufacturing company will the following be shown?

- (i) Sales (ii) Loss on sale of Building
(iii) Depreciation on Building (iv) Salaries and wages
(v) Interest paid to Banks (vi) Carriage outwards

[Ans. (i) Revenue from Operations, (ii) Other Expenses, (iii) Depreciation and Amortisation Expenses, (iv) Employees Benefit Expenses, (v) Finance Cost, (vi) Other Expenses]

21. Under which major heads of the Statement of Profit and Loss of a Financial Company will the following be shown?

- (i) Depreciation on vehicles (ii) Dividend Received
(iii) Goodwill written off (iv) Profit on sale of vehicles
(v) Telephone and Internet charges (vi) Gratuity Paid

[Ans. (i) Depreciation and Amortisation Expenses, (ii) Revenue from Operations, (iii) Depreciation and Amortisation Expenses, (iv) Other Incomes, (v) Other Expenses, (vi) Employees Benefit Expenses]