

FINANCIAL STATEMENTS OF A COMPANY**Questions:**

(1) Under which head and sub-head of Equity and Liabilities are following items shown in a company's Balance Sheet as per Schedule VI?

(i) Debentures

(i) Public Deposits

(ii) Securities Premium reserve

(iii) Capital Reserve

(iv) Forfeited Shares Account

(v) Interest Accrued and due on Debentures

(2) Under which main heads and sub-heads of Equity and Liabilities are the following items shown in the Balance Sheet of a company as per schedule VI:

(i) Unclaimed Dividend

(ii) Calls-in-arrear

(iii) Calls-in-advance

(iv) Interest Accrued but not due on debentures

(v) Arrears of fixed cumulative preference dividends

(vi) Sundry creditors

(3) Under which head following revenue items of a non-financial companies will be shown:

(i) Interest Earned

(ii) Dividend

(iii) Profit on sale of Asset

(iv) Refund of Income Tax

Solution:

Revenue from Operations: Interest Earned and Dividend

Other Income: Profit on Sale of Asset and Refund of Income Tax.

(4) Under which head following revenue items of a non-financial companies will be shown:

(i) Sales

(ii) Sale of Scrap

(iii) Interest Earned

(iv) Dividend

Solution:

Revenue from Operations: Sales and Sale of Scrap

Other Income: Interest Earned and Dividend

(5) Calculate Revenue from Operations, other Income and Total Revenue for a non-financial company from the following information:

Sales Rs. 52,00,000; Sales Return Rs. 2,00,000; Sale of Scrap Rs. 25,000; Interest on Fixed Deposits Rs. 30,000; Dividend Earned Rs. 10,000.

Solution:

Particulars	Rs.	Rs.
I Revenue from operations		

Sales	52,00,000	
Less: Sales Return	2,00,000	50,00,000
Sale of Scrap		25,000
		50,25,000
II Other Income		
Interest on Fixed Deposits	30,000	
Dividend	10,000	40,000
		50,65,000
Total Revenue (I+II)		

(6) Under which main heads and sub-heads of Equity and Liabilities re the following itmes shown in the Balance Sheet of a company as per schedule VI:

- (i) Mortgage Loan
- (ii) Investments
- (iii) Bills receivable
- (iv) Patents
- (v) General reserve
- (vi) 10% Debentures

(7) Under which main heads and sub-heads of Equity and Liabilities re the following itmes shown in the Balance Sheet of a company as per schedule VI:

- (i) Bills receivable
- (ii) Long-term investments
- (iii) Pre-paid insurance
- (iv) Buildings
- (v) Sundry debtors
- (vi) Share of reliance ltd. Deposit with custom authorities.

(8) Under which main heads and sub-heads of balance sheet of a company.

- I. Calls in Arrears
- II. Debentures
- III. Commission receive in advance
- IV. Stores and spare parts
- V. Land and Building
- VI. Forfeited Share account

CHAPTER-2

Questions 1 Mark

FINANCIAL STATEMENT ANALYSIS

1. What is meant by Analysis of Financial Statement?
2. What is Horizontal Analysis?
3. What is Vertical Analysis?
4. Why are creditors interested in analyzing financial statement?
5. How is the financial statement analysis useful to finance manger?
6. State any one objective of financial statement analysis?
7. State any one limitation of financial statement analysis
8. Name two parties interested in Financial statement Analysis

CHAPTER -3**TOOLS OF FINANCIAL STATEMENT ANALYSIS -****COMPARATIVE STATEMENT AND COMMON SIZE STATEMENT**

Question: from the following Balance Sheets of Y ltd. As at 31st March, 2014 and 2013 prepare a Comparative Balance Sheet:

Particulars	Note No.	Previous Year A	Current Year B
I EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		9,00,000	6,00,000
2. Non-Current Liabilities			
i. Long-Term Borrowings		3,00,000	3,00,000
3. Current Liabilities			
i. Trade Payables		3,00,000	1,50,000
Total		15,00,000	10,50,000
II. ASSETS			
2. Non-Current Assets			
(a) Fixed Assets			
(i)Tangible Assets			
3. Current Assets			
i. Trade Receivables		9,00,000	7,50,000

Total	ii.	Cash and Cash	5,00,000	2,50,000
	Equivalents		1,00,000	50,000
			15,00,000	10,50,000

SOLUTION:

Exe Ltd.**COMPARATIVE BALANCE SHEET**As at 31st march 2013 and 2014

Particulars	Note No.	31 st march 2013 (A)	31 st march 2014 (B)	Absolute Change (C= B-A)	%ge Change (D = C/AX100)
I EQUITY AND LIABILITIES					
1. Shareholders' funds					
Share Capital:		6,00,000	9,00,000	3,00,000	50%
Equity Share Capital					
2. Non-current liabilities					
Long-term borrowings		3,00,000	3,00,000	-	-
Secured loan- 8% debentures					
3. Current Liabilities					
Trade Payables		1,50,000	3,00,000	1,50,000	100%
Total		10,50,000	15,00,000	4,50,000	42.86%
II ASSETS					
1. Non-Current Assets					
Fixed Assets (Tangible)		7,50,000	9,00,000	1,50,000	20%
2. Current Assets					
(a) Trade Receivables		2,50,000	5,00,000	2,50,000	100%
(b) Cash and Cash Equivalents		50,000	1,00,000	50,000	100%
Total		10,50,000	15,00,000	4,50,000	42.86%

Question: Prepare Comparative Statement of Profit and loss from the following:

Particulars	31 st March 2012	31 st March 2011
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Revenue from Operations	15,00,000	10,00,000
Expenses	10,50,000	6,00,000
Other Income	1,80,000	2,00,000

COMPARATIVE STATEMENT OF PROFIT AND LOSS

For the years ended 31st march, 2013 and 2014

Particulars	Note No.	31 st March 2013	31 st March 2014	Absolute Change	%ge Change
I. Revenue from Operations		10,00,000	15,00,000	5,00,000	50%
II. Other Income		2,00,000	1,80,000	(20,000)	(10)
III. Total Revenue (I+II)		12,00,000	16,80,000	4,80,000	40%
IV. Expenses		6,00,000	10,50,000	4,50,000	75%
V. Profit before Tax (III-IV)		6,00,000	6,30,000	30,000	5%

Question: from the following details of Star Ltd. For the years ended 31st March 2012 and 2011, prepare a common-size statement of Profit and loss:

Particulars	31 st March 2014	31 st March 2013
Revenue from operations	10,00,000	8,00,000
Employees benefit expenses	5,00,000	4,00,000
Other expenses	50,000	1,00,000

Solution:

Particulars	Note No.	31 st March 2013	31 st March 2014	2013%	2014%
I. Revenue from Operation		8,00,000	10,00,000	100%	100%
Employees benefit expenses		4,00,000	5,00,000	50%	50%
		1,00,000	50,000	12.5	5

Other expenses					
Total Expenses		5,00,000	5,50,000	62.5	55
Profit before Tax (III-IV)		3,00,000	4,50,000	37.5	45

Question: from the following Balance Sheets of XYZ Ltd. As at 31st march, 2014 and 2013 prepare a Common-size Balance Sheet.

BALANCE SHEETS

As at 31st march 2014 and 2013

Particulars	Note No.	31 st march 2013 (A)	31 st march 2014 (B)
I EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital:		5,00,000	2,50,000
(b) Reserves and Surplus		1,00,000	1,50,000
2. Non-current liabilities			
(a) Long-term borrowings		4,00,000	2,50,000
3. Current Liabilities			
(a) Trade payables		2,00,000	1,00,000
Total		12,00,000	7,50,000
II ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			

(i) Tangible Assets		7,50,000	5,00,000
2. Current Assets			
(a) Cash and Cash Equivalents		4,50,000	2,50,000
Total		12,00,000	7,50,000

Particulars	Note No.	31 st march 2013 (A)	31 st march 2014 (B)	2013%	2014%
I EQUITY AND LIABILITIES					
1. Shareholders' funds					
(a) Share Capital:		2,50,000	5,00,000	33.33%	41.67
(b) Reserves and Surplus		1,50,000	1,00,000	20	8.33
2. Non-current liabilities					
(a) Long-term borrowings		2,50,000	4,00,000	33.34	33.33
3. Current Liabilities					
(a) Trade payables		1,00,000	2,00,000	13.33	16.67
Total		12,00,000	7,50,000	100	100
II ASSETS					
1. Non-Current Assets					
(a) Fixed Assets					
(i) Tangible Assets		5,00,000	7,50,000	66.67	62.5
2. Current Assets					
(a) Cash and Cash Equivalents		2,50,000	4,50,000	33.33	37.5
Total		12,00,000	7,50,000	100	100

SOLUTION:**BALANCE SHEETS**As at 31st march 2014 and 2013

4 MARKS QUESTIONS

1. Prepare comparative statement of Profit and Loss from the following:

Particulars	2013	2014
Revenue from operations	1,00,000	1,50,000
Expenses	60,000	1,05,000
Other Income	20,000	18,000
Income tax	50%	50%

2. From the following statement of Profit and Loss Star Ltd. For the year 2013-14.. Prepare comparative statement of Profit and Loss from the following:

Particulars	2013	2014
Revenue from operations	1,60,000	2,00,000
Expenses	80,000	1,00,000
Other Income	20,000	10,000
Income tax	50%	50%

3. Prepare comparative statement of Profit and Loss from the following:

Particulars	2013	2014
Revenue from operations	10,00,000	12,50,000
Employee benefit expenses	5,00,000	6,50,000
Other Expenses	50,000	60,000
Interest on investment	30,000	30,000
Income tax	50%	50%

4. Prepare comparative statement of Profit and Loss from the following:

Particulars	2013	2014
Revenue from operations	30,00,000	20,00,000
Other Income(% of revenue from operations)	15%	20%
Expenses(% of revenue from operations)	60%	50%

5. From the following Balance sheet prepare Comparative Balance Sheet :

Particulars	2014	2013
EQUITY AND LIABILITIES		

1. Shareholders' funds		
Share Capital	7,00,000	6,00,000
2. Non-current liabilities		
Long-term borrowings	2,00,000	4,00,000
3. Current liabilities		
Trade payables	3,00,000	2,00,000
Total	12,00,000	12,00,000
II ASSETS		
1. Non-current Assets		
Fixed Assets(Tangible)	8,00,000	6,00,000
2. Current Assets		
Trade Receivables	4,00,000	6,00,000
Total	12,00,000	12,00,000

6. From the following statement of Profit & Loss of Star Ltd. For the year ended 2014, prepare a common-size Profit & Loss Statement.

Particulars	2014
Revenue from operations	10,00,000
Employee benefit expenses	5,00,000
Other Expenses	50,000

7. From the following balance sheet of Sun Ltd. As on 31st March, 2014, Prepare a common size balance sheet. Sun Ltd.

Particulars	Note No.	2014
1. Equity & liabilities		
• Share holder's fund		30,00,000
a. Share Capital		4,00,000
b. Reserve & Surplus		10,00,000

2. Non current liabilities		
• Long term borrowing		6,00,000
3. Current liabilities		
Trade payable		50,00,000
Total		
2. Assets		
a. Non Current Assets		
Fixed Assets		30,00,000
i. Tangible Assets		6,00,000
ii. Intangible Assets		
• Current Assets		10,00,00
i. Inventories		4,00,000
ii. Cash and cash equivalents		
Total		50,00,000