

SURE SHOT QUESTIONS
ACCOUNTANCY

1 marks questions

1. How would you show the following two items in a company's Balance Sheet as at 31st March, 2015 as per the requirement of Schedule VI:

General Reserve (Since 31st March, 2014) Rs. 3,00,000, Statement of Profit and Loss (Debit Balance) for 2014-15 Rs. 2,00,000.

Ans.

Balance Sheet
As at 31st March, 2015

| Equity and Liabilities | Note No. | Rs. |
|------------------------|----------|----------|
| Shareholders' fund | | |
| Reserve and Surplus | 1 | 1,00,000 |

Notes to Accounts:

Reserve and Surplus

General Reserve (1st April, 2014) 3,00,000

Less: Statement of Profit and Loss (Dr. Balance) 2,00,000
1,00,000

2. Under Which main headings and sub-headings of Equity and Liabilities of the balance sheet as per the Revised Schedule III of a company will you classify the following items:
Proposed dividend.

Fixed Deposit from Public.

| Ans. | Items | Main-Heading | Sub-Heading |
|------|---------------------------|-------------------------|----------------------|
| i) | Proposed dividend | Current-Liabilities | short-term provision |
| ii) | Fixed deposit from Public | non-current liabilities | long term borrowing |

3. State any two items which are shown under the head 'Non Current Investment' in a company balance sheet.

Ans. (i) Government Securities.

(ii) Sinking Fund Investment.

4. How is analysis of Financial statements suffered from the limitation of window dressing ?

Ans. Analysis of financial statements is affected from the limitation of window dressing as companies hide Some vital information or show items at incorrect value to portray better profitability and financial Position of the business, for example the company may overvalue closing stock to show higher profits.

5. What is the interest of Shareholders in the analysis of Financial Statements?

Ans. (i) They want to judge the present and future earning capacity of the business.

(ii) They want to judge the safety of their investment.

6. Name two tools of Financial Analysis?

Ans. (i) Comparative Financial Statements.

(ii) Ratio Analysis etc.

7. What is Horizontal Analysis?

Ans: The analysis which is made to review and compare the financial statements of two or more than two Years is called Horizontal Analysis.

8. Give the example of Horizontal Analysis.

Ans. Comparative Financial Statement.

QUESTIONS 03 MARKS

1. Give the Main Heading and Sub- Heading of Equity and Liabilities of the Balance sheet of a company as per the Revised Schedule III of the companies Act.2013.

Ans.

| |
|--|
| <u>EQUITY AND LIABILITIES</u> |
| Shareholders' Funds |
| Share Capital |
| Reserves and Surplus |
| Money received against share warrants |
| Share Applications Money Pending Allotment |
| Non-Current Liabilities |
| Long-term borrowings |
| Deferred tax liabilities(Net) |
| Other Long-term Liabilities |
| Long-term provisions |
| Current Liabilities |
| Short-term borrowings |
| Trade payables |
| Other current liabilities |
| Short-term provisions |
| TOTAL |

[

2.Give the Main Heading and Sub- Heading of Assets of the Balance sheet of a company as per the Revised Schedule III of the companies Act.2013.

Ans. **ASSETS**

Non-Current Assets

Fixed Assets

Tangible Assets

Intangible assets

Capital work-in progress

Intangible assets under development

Non-current investments

Deferred tax assets (net)

Long-term loans and advances

Other non-current assets

Current Assets

Current investments

Inventories

Trade receivables

Cash and cash equivalents

Short-term loans and advances

Other current assets

3. Rearrange the following items under assets according to Revised or New Schedule III:

Livestock

Loose Tools.

Goodwill

Trademarks

Bills Receivable

Debtors

Land

Leasehold

Stock-in-Trade

Stores and Spare Parts

Vehicles

Cash at Bank

Work in Progress(Machinery)

Interest accrued on Investment

Furniture

Advance to Subsidiaries

Cash in Hand

Plant

Deposits with electricity supply company.

Ans.

Fixed Assets(Tangible): Livestock, Land, Leasehold, furniture, vehicles and plant

Capital Work-in-progress: Work in progress(Machinery)

Fixed Assets(Intangible): Goodwill and Trademarks

Inventories: Loose Tools, Stock-in-Trade, Stores and Spare Parts.

Trade Receivables: Bill Receivables, Debtors

Cash and Cash Equivalents: Cash at Bank, Cash in Hand

Long term Loans and Advances: Advance to Subsidiaries, Deposits with Electricity Supply Company.

Other Current Assets: Interest Accrued on Investments.

4. List any three items that can be shown as contingent Liabilities in a company's Balance sheet.

Ans: (i) Claims against the Company not acknowledged as debts.

(ii) Uncalled Liability on partly paid shares.

(iii) Arrears of Dividend on Cumulative preference shares.

5. Under which head the following items of a financial company will be shown :

Dividend received

Interest earned

Profit on sale of fixed assets

Profit in sales of investment

Ans:

Revenue from operation—dividend received, interest earned and profit on sale of investment

Other incomes—profit on sale of fixed assets.

QUESTIONS 04 MARKS

1. Mention the sub-headings of share capital of a company.

Ans : i) shares capital ,ii) Reserves and surplus,iii) money receives against share warrants.

2. Prepare Comparative and Common Size income statement from the following information for the year's ended march 31, 2008 and 2009.

| Particulars | 2008(Rs.) | 2009(Rs.) |
|----------------------|---------------------|---------------------|
| 1.Net Sales | 8,00,000 | 10,00,000 |
| 2.Cost of Goods Sold | 60% of sales | 60% of sales |
| 3.Indirect Expenses | 10% of Gross profit | 10% of Gross Profit |
| 4.Income Tax rate | 50% | 60% |

Ans..a

Comparative Income statement:

| Particular | 2008 amount | 2009 amount | Change in amount | Change in Percentage |
|-------------------------|----------------|----------------|---------------------|-------------------------|
| Net Sales | 8,00,000 | 10,00,000 | 2,00,000 | 25% |
| Less: C.O.G.S. | 4,80,000 | 6,00,000 | 1,20,000 | 25% |
| Gross Profit | 3,20,000 | 4,00,000 | 80,000 | 25% |
| Less: Indirect Expenses | 32,000 | 40,000 | 8,000 | 25% |
| Operating Profit/ PBT | 2,88,000 | 3,60,000 | 72,000 | 25% |
| Less: tax | 1,44,000 | 2,16,000 | 72,000 | 50% |
| Profit after tax | 1,44,000 | 1,44,000 | ----- | ----- |

Common Size Income statement

| Particular | 2008 amount | 2009 amount | Percentage of Net sales in P.Y. | Percentage of Net sales in C.Y. |
|----------------|----------------|----------------|---------------------------------------|---------------------------------------|
| Net Sales | 8,00,000 | 10,00,000 | 100% | 100% |
| Less: C.O.G.S. | 4,80,000 | 6,00,000 | 60% | 60% |

| | | | | |
|-------------------------|----------|----------|-----|-------|
| Gross Profit | 3,20,000 | 4,00,000 | 40% | 40% |
| Less: Indirect Expenses | 32,000 | 40,000 | 4% | 4% |
| Operating Profit/ PBT | 2,88,000 | 3,60,000 | 36% | 36% |
| Less: tax | 1,44,000 | 2,16,000 | 18% | 21.6% |
| Profit after tax | 1,44,000 | 1,44,000 | 18% | 14.4% |

3. From the following data, prepare a Statement of Profit and Loss in Common Size Form.

| Particulars | Not e no | Year II Rs | Year I Rs |
|----------------------------|-------------|---------------|-----------|
| Revenue from operations | | 1,75,000 | 1,25,000 |
| Cost of materials consumed | | 1,05,000 | 81,250 |
| Depreciation expenses | | 17,500 | 10,000 |
| Other expenses | | 8,750 | 7,500 |

Ans :

| particulars | Not e no | Year I (%) | Year II (%) |
|----------------------------|-------------|---------------|----------------|
| Cost of materials consumed | | 65 | 60 |
| Depreciation expenses | | 8 | 10 |
| Other expenses | | 6 | 5 |
| Profit before Tax | | 21 | 25 |

From the following data, prepare a Comparative statements

| particulars | 2014 | 2015 |
|-------------------------|---------|---------|
| Revenue from operations | 1500000 | 2250000 |
| Expenses | 900000 | 1500000 |
| Other incomes | 200000 | 180000 |
| Income tax | 50% | 50% |

| particulars | 2014 | 2015 | Change in amt | %change |
|-------------------------|---------|---------|---------------|---------|
| Revenue from operations | 1500000 | 2250000 | 750000 | 50 |
| other incomes | 200000 | 180000 | (20000) | 10 |
| TOTAL revenue | 1700000 | 2430000 | 730000 | 42.94 |
| (-) expenses | 900000 | 1500000 | 600000 | 66.67 |
| PBT | 800000 | 930000 | 130000 | 16.25 |
| Income tax | 400000 | 465000 | 65000 | 16.25' |
| PAT | 400000 | 465000 | 65000 | 16.25 |

2 From the following data , prepare a comparative statements

| particulars | Year 1 | Year |
|---------------------------|--------|-------|
| Revenue from oprations | 50000 | 80000 |
| Employee benefit Expenses | 5000 | 8000 |
| Finance cost | 3000 | 3000 |
| Othere incomes | 20000 | 20000 |
| Other expenses | 2000 | 1000 |
| Income tax | 50% | 50% |

| particulars | Year I | Year II | Absolute | % |
|---------------------------|--------|---------|----------|-------|
| Revenue from oprations | 50000 | 80000 | 30000 | 60 |
| Other income | 20000 | 20000 | ----- | |
| Total revenue | 70000 | 100000 | 30000 | 42.86 |
| Employee benefit Expenses | 5000 | 8000 | 3000 | 60 |
| Finance cost | 3000 | 3000 | | |
| Other expenses | 2000 | 1000 | (1000) | (50) |
| Total expenses | 10000 | 12000 | 2000 | 20 |
| PBT | 60000 | 88000 | 28000 | 46.67 |
| Income tax | 30000 | 44000 | 14000 | 46.67 |

3. From the following data , prepare a comparative balance sheet

| particulars | Year I | YearII |
|-----------------------------------|--------|--------|
| I . Equities and liabilities | | |
| Shareholders funds | | |
| (a). share capital | 200000 | 300000 |
| (b).reserves and surplus | 200000 | 200000 |
| 2.non current liabilities | | |
| Long term borrowings | 40000 | 160000 |
| 3.current liabilities | | |
| Trade payables(creditiors) | 60000 | 100000 |
| Total | 500000 | 760000 |
| II. ASSETS | | |
| Non- current assets | | |
| Fixed assets (tangible) | 360000 | 560000 |
| Non-current investment(non-trade) | 40000 | 40000 |
| Current assets | | |
| Trade receivables | | |

| particulars | Year I | YearII | change | % |
|-----------------------------------|--------|--------|--------|-------|
| I . Equities and liabilities | | | | |
| Shareholders funds | | | | |
| (a). share capital | 200000 | 300000 | 100000 | 50 |
| (b).reserves and surplus | 200000 | 200000 | | |
| 2.non current liabilities | | | | |
| Long term borrowings | 40000 | 160000 | 120000 | 300 |
| 3.current liabilities | | | | |
| Trade payables(creditors) | 60000 | 100000 | 40000 | 66.67 |
| Total | 500000 | 760000 | 260000 | 52 |
| II. ASSETS | | | | |
| Non- current assets | | | | |
| Fixed assets (tangible) | 360000 | 560000 | 200000 | 55.55 |
| Non-current investment(non-trade) | 40000 | 40000 | | |
| Current assets | | | | |
| Trade receivables | 100000 | 160000 | 60000 | 60 |
| total | 500000 | 760000 | 260000 | 52 |

| particulars | 2014 | 2015 |
|-----------------------------------|---------|--------|
| I equities and liabilities | | |
| Shareholder funds | | |
| (a). share capital | 548000 | 548000 |
| (b). reserves and surplus | 304000 | 140000 |
| 2. non current liabilities | | |
| Long term borrowing:secured loans | 200000 | 464000 |
| Unsecures loans | 1192000 | 412000 |
| 3.current liabilities | | |
| (a). short – term borrowing | 250000 | 100000 |
| (b). trade payables | 200000 | 40000 |
| ©other current liabilities | 100000 | 6000 |
| (d). short term provision | 46000 | 10000 |

| | | |
|--------------------------------|---------|---------|
| | | |
| total | 2840000 | 1720000 |
| II. ASSETS | | |
| Non current assets | | |
| Fixed assets (tangible)(net) | 1136000 | 860000 |
| Non current investments | 12000 | 8000 |
| Current assets | | |
| (a). inventories | 852000 | 432000 |
| (b). trade payables | 660000 | 280000 |
| (c. cash and cash equivalents) | 180000 | 140000 |
| Total | 2840000 | 1720000 |

Ans :

| particulars | 2014 | % | 2015 | % |
|--------------------------------|---------|-------|---------|-------|
| I equities and liabilities | | | | |
| Shareholder funds | | | | |
| (a). share capital | 548000 | 19.3 | 548000 | 31.9 |
| (b). reserves and surplus | 304000 | 10.7 | 140000 | 8.1 |
| 2. non current liabilities | | | | |
| Long term borrowing:secured | 200000 | 7.0 | 464000 | 27.0 |
| loans | 1192000 | 42.0 | 412000 | 24.0 |
| Unsecured | | | | |
| loans | 250000 | 8.8 | 100000 | 5.8 |
| 3.current liabilities | 200000 | 7.0 | 40000 | 2.3 |
| (a). short – term borrowing | 100000 | 3.5 | 6000 | 0.3 |
| (b). trade payables | 46000 | 1.6 | 10000 | 0.6 |
| ©other current liabilities | | | | |
| (d). short term provision | | | | |
| Total | 2840000 | 100.0 | 1720000 | 100.0 |
| II. ASSETS | | | | |
| Non current assets | | | | |
| Fixed assets (tangible)(net) | 1136000 | 40.0 | 860000 | 50.0 |
| Non current investments | 12000 | 0.4 | 8000 | 0.5 |
| Current assets | | | | |
| (a). inventories | 852000 | 30 | 432000 | 25.1 |
| (b). trade payables | 660000 | 23.2 | 280000 | 16.3 |
| (c. cash and cash equivalents) | 180000 | 6.4 | 140000 | 8.1 |
| Total | 2840000 | 100.0 | 1720000 | 100.0 |

6 marks questions

1.Enumerate the heading which are shown under the heading “non current assets in balance sheet

Ans: balance sheet

| particulars | | |
|------------------------------|--|--|
| II . ASSETS | | |
| Non CA | | |
| Fixed Assets | | |
| (a) Tangible assets | | |
| (b) Intangible assets | | |
| © capital work in progress | | |
| Intangible asset under devt | | |
| Non current invt | | |
| Deferred tax assets(net) | | |
| Long term loans and advances | | |
| Other non current assets | | |

2 .under what major and sub heading will you classify following items ; (i)securities premium reserve,ii)stock of work in progress,iii) provision for tax,iv)mortgage loan,v) patents,vi),investments,vii)general reserve,viii)bills receivables.

| particulars | Main heads | Sub-heading |
|--------------------------------|--------------------|---------------------|
| (i)securities premium Reserve, | Shareholders funds | Res and Surplus |
| ii)stock of work in progress, | CA | Inventories |
| iii) provision for tax, | CL | Sh term provisions |
| iv)mortgage loan, | NON CL | Long term borrowing |
| v)patents | NON CA | Intangible assets |
| vi)investments | NON CA | Non Current invt |
| vii)gen res | Shareholder funds | Res and surplus |
| viii)B/R | CA | Trade receivables |

3.under what major and sub heading will you classify following items ;

i) unclaimed dividend, ii) loans repayable on demand, iii) sinking fund, iv) tax reserve, v) interest on calls in advance, vi) mining rights, vii) vehicles, viii) encashment of employees earned leave payable on retirement.

| particulars | Main heads | Sub – heads |
|---|--------------------|---------------------|
| i) unclaimed dividend, | CL | Other CL |
| ii) loans repayable on demand | CL | Sh term borrowing |
| iii) sinking fund | Shareholders funds | Res and surplus |
| iv) tax reserve, | Shareholders funds | Res and surplus |
| v) interest on calls in advance, | CL | Other CL |
| vi) mining rights, | Non CA | Intangible assets |
| vii) vehicles, | Non CA | Tangible assets |
| viii) encashment of employees earned leave payable on retirement. | Non CL | Long term provision |

4. under what major and sub heading will you classify following items ;

1.) bills payables, 2. debentures, 3) interest accrued on investment, 4) shares of XYZ Ltd., 5) shares options outstanding account, 6) short term loans.

| particulars | Main heads | Sub-heads |
|--|-------------------|---------------------|
| 1.) bills payables, | CL | Trade payables |
| 2. debentures, | NON CL | Long term borrowing |
| 3) interest accrued on investment, | CA | Other CA |
| 4) shares of XYZ Ltd., | NON CA | Non currents invt |
| 5) shares options outstanding account, | Shareholder funds | Res and surplus |
| 6) short term loans. | CL | Sh term borrowings |

5. Mention any four items under the sub heading current assets and any four items under the sub heading current liabilities as per the provisions of schedule III, Part I of Companies Act, 2013

Ans : current assets

Current invts, ii) inventories, iii) trade receivables, iv) cash and cash equivalents

Current liabilities

i) short term borrowings, ii) trade payables, iii) other current liabilities, iv) short term provisions

6. i) goodwill, ii) preliminary expenses, proposed dividend, iv) subsidy reserves, v) provision for doubtful debts, vi) accrued incomes

| particulars | Main heads | Sub-heads |
|--|--|--|
| i) goodwill, ii) preliminary expenses iii) proposed dividend iv) subsidy reserves, v) provision for doubtful debts, vi) accrued incomes | Non CA Shareholders funds CL Shareholders funds CA CA | Intangible assets Deducted from res and surplus Sh term provision Res and surplus Deduction from trade receivables Other CA |

7. From the following data, prepare a COMPARATIVE statement

| particulars | Year I | Year II |
|--|---------------|---------------|
| I. INCOME | | |
| Revenue from operations | 200000 | 250000 |
| Other incomes | 10000 | 15000 |
| Total | 210000 | 265000 |
| II. expenses | | |
| Purchases of stock in trade | 90000 | 155000 |
| Changes in inventories of stock in trade | 10000 | (5000) |
| | 15000 | 40000 |
| Employees benefit expense | 35000 | 45000 |
| Other expenses | | |
| Total | 150000 | 235000 |
| III. PROFIT | 60000 | 30000 |

Additional information:

| particulars | | |
|------------------------|-------|-------|
| Other expenses include | | |
| Provision for tax | 30000 | 35000 |

Ans :

| particulars | Year I | Year II | change | % |
|--|---------------|---------------|--------------|--------------|
| I. INCOME | | | | |
| Revenue from operations | 200000 | 250000 | 50000 | 25 |
| Other incomes | 10000 | 15000 | 5000 | 50 |
| | 210000 | 265000 | 55000 | 26.19 |
| II. expenses | | | | |
| Purchases of stock in trade | 90000 | 155000 | 65000 | 72.22 |
| Changes in inventories of stock in trade | 10000 | (5000) | (15000) | (150) |
| | 15000 | 40000 | 25000 | 166.67 |

| | | | | |
|---------------------------|--------|--------|---------|--------|
| Employees benefit expense | 5000 | 10000 | 5000 | 100 |
| Other expenses | | | | |
| | 120000 | 200000 | 80000 | 66.67 |
| III.PROFIT before tax | 90000 | 65000 | (25000) | (27.78 |
| (-) income tax | 30000 | 35000 | 5000 | 16.67 |
| Profit after Tax | 60000 | 30000 | (30000) | (50) |

Note :other expenses are net of provision for tax.

8.Under which major headings the following items will be presented in the balance sheet of a company as per Schedule VI Part I of the Companies Act, 1956?

- (a) Loans provided repayable on demand
- (b) Goodwill
- (c) Copyrights
- (d) Loose tools
- (e) Cheques
- (f) General Reserve
- (g) Stock of finished goods and
- (h) 9% debentures repayable after three years

Ans.

| Item | Major Head |
|--|---------------------------------|
| (1) Loans provided repayable on demand | Current Assets |
| (2) Goodwill | Fixed Assets/Non-current assets |
| (3) Copy rights | Fixed Assets/Non-current assets |

| | |
|---------------------|---------------------------------------|
| (4) Loose tools | Inventories /Current Assets |
| (5) Cheque | Cash & cash equivalent/Current Assets |
| (6) General reserve | Reserve and surplus |

| | |
|--|--------------------------|
| (7) Stock of finished goods | Inventory/Current Assets |
| (8) 9% debenture repayable after three years | Long term borrowings |

| | | |
|-----|--|---|
| Q.1 | (i.)Quick ratio is 1:8, Current Assets ₹80,000, Current liabilities ₹30,000. Calculate the value of inventory. (ii.) A company had Current assets of ₹4,00,000 and Current liabilities of ₹1,00,000. Afterwards it purchased goods for ₹50,000 on credit. Calculate the Current ratio after the purchase. | 3 |
| A-1 | (i.) ₹76,250 (ii.) 3:1 | |
| Q.2 | Closing inventory ₹2,00,000 Trade Receivables ₹1,08,000 Less: Prov. For DD <u>-₹ 1,800</u> 1,00,000 Cash ₹ 30,000 Marketable securities ₹ 20,000 Income Tax paid in advance ₹ 10,000 Share Issue Expenses ₹ 15,000 Liab. For Current tax ₹ 20,000 Liab. For future tax ₹ 30,000 | 4 |

| | | |
|-----|---|---|
| | <p>Trade Payables ₹ 34,000</p> <p>Outstanding salaries ₹ 5,000</p> <p>Bank Overdraft ₹ 25,000</p> <p>Dividends Payable ₹ 36,000</p> <p>Calculate the liquidity ratios and comment on the short term financial position of the company.</p> | |
| A-2 | <p>Current ratio=3:1</p> <p>Quick ratio=1.25:1</p> <p>Comments: The short term financial position of the company is sound because its current ratio is 3:1, which is more than the ideal ratio of 2:1. Liquid ratio of the company is 1.25:1, which is also more than the ideal ratio of 1:1. Therefore, it can be said that the company is in a position to pay its current liabilities instantly.</p> | |
| Q.3 | <p>The debt equity ratio of a company is 1:2. Will it increase, decrease or not change in the following cases:</p> <p>(i.) Goods purchased on credit.</p> <p>(ii.) Payment of final dividend of ₹20,000, already declared.</p> <p>(iii.) Repayment of long term borrowings of ₹40,000.</p> | 3 |
| A-3 | <p>(i.) Goods purchased on credit will only affect the inventory and the trade payables. Hence, no change in debt-equity ratio.</p> <p>(ii.) Payment of final dividend of ₹20,000, already declared means the payment of a current liability. Hence, no change in debt-equity ratio.</p> <p>(iii.) Repayment of long term borrowings of ₹40,000 will reduce long term loans by ₹40,000. New ratio will be=0.3:1. Hence, reduced.</p> | 4 |
| Q.4 | <p>Calculate the interest coverage ratio from the following and also give the comments.</p> <p>Net profit after interest and tax ₹1,98,000</p> <p>Rate of Income Tax 40%</p> <p>15% Debentures ₹2,00,000</p> | 4 |
| A-4 | <p>PBIT= ₹3,30,000+₹30,000 =₹3,60,000; ICR= 12 times.</p> <p>Comments: It means that the profits of this company are 12 times in comparison to fixed interest charges. This indicates that the firm will be able to pay the interest on long term loans regularly. This ratio also indicates that the long-term solvency position of the company is quite satisfactory.</p> | |
| Q.5 | <p>Calculate inventory turnover ratio from the data given below:</p> <p>Inventory at the beginning of the year ₹20,000</p> <p>Inventory at the end of the year ₹10,000</p> <p>Purchases ₹50,000</p> <p>Carriage Inwards ₹ 5,000</p> <p>Revenue from operations ₹1,00,000</p> | 3 |
| A-5 | ITR=65,000/15,000= 4.33 times. | |
| Q.6 | 2,00,000 is the cost of revenue from operations, inventory turnover | 3 |

| | | |
|-----|---|-----|
| | ratio is 8 times. Inventory at the beginning of the year is 1.5 times more than the inventory at the end. Calculate the values of opening and closing Inventory. | |
| A-6 | Opening inventory = ₹35,714 Closing Inventory = ₹14,286 | |
| Q.7 | Calculate trade receivable turnover ratio from the following: Credit revenue from operations: ₹2,00,000; opening trade receivables: ₹30,000 and closing trade receivables: ₹50,000. State giving reason, which of the following will increase, decrease or not alter the ratio. (i.) Credit purchases ₹50,000. (ii.) Revenue from operations returns ₹4,000. | 4 |
| A-7 | TRTR= $2,00,000/40,000 = ₹5$ times. (i.) Will not alter as neither the credit revenue from operations nor the trade receivables are affected. (ii.) Will increase as Revenue from operations returns will result in equal decrease in credit revenue from operations and closing trade receivables which will result in increase in trade receivables turnover ratio. New TRTR= $1,96,000/38,000 = 5.16$ times. | 2+2 |
| Q.8 | Calculate working capital turnover ratio from the following: <div style="display: flex; justify-content: space-between;"> <div>Cost of Revenue from operations</div> <div>₹18,00,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Inventory</div> <div>₹ 3,60,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Trade Receivables</div> <div>₹1,70,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Marketable securities</div> <div>₹ 50,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Cash and Bank</div> <div>₹ 20,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Trade Payables</div> <div>₹1,40,000</div> </div> <div style="display: flex; justify-content: space-between;"> <div>Provision for tax</div> <div>₹ 10,000</div> </div> | 4 |
| A-8 | Current assets= ₹6,00,000 Current Liabilities= ₹1,50,000 Working Capital= ₹4,50,000 WCTR= 4 times. | |
| Q.9 | Calculate the gross profit ratio from the following: <div style="display: flex; justify-content: space-between;"> <div>Credit revenue from operations</div> <div>₹3,00,000</div> </div> <div>Cash Revenue from operations (being 25% of total revenue from operations)</div> <div style="display: flex; justify-content: space-between;"> <div>Purchases</div> <div>₹3,20,000</div> </div> <div>Excess of Closing inventory over Opening inventory ₹ 40,000</div> | 3 |
| A-9 | Total revenue from operations= ₹4,00,000 Cost of revenue from operations= ₹2,80,000 Gross profit= ₹1,20,000 GPR= 30% | |

| | | |
|----------|--|-----|
| Q.10 | Opening inventory = ₹60,000, Closing inventory = ₹1,00,000. Inventory turnover ratio= 8 times, Selling price is 25% above cost. Calculate gross profit ratio. | 4 |
| A-1 0 | Average inventory=₹80,000; Cost of revenue from operations= ₹6,40,000 Revenue from operations= ₹8,00,000;Gross profit=₹1,60,000, GPR= 20%. | |
| Q.11 | Calculate operating ratio from the following information: Revenue from operations Revenue from operations returns Cost of Revenue from operations Selling expenses Administrative expenses | 3 |
| A-1 1 | Operating Expenses= ₹60,000 Operating ratio= 84% | |
| Q.12 | Calculate ROI: Gross Profit= ₹1,00,000; Office and administrative expenses= ₹10,000; selling and distribution expenses= ₹25,000; Interest on long term debts=₹8,000; tax₹12,000; Non-current assets= ₹3,00,000; Current Assets=₹1,50,000 and Current Liabilities= ₹1,25,000. | 4 |
| A-1 2 | PBIT= ₹65,000; Capital employed= ₹3,25,000; ROI= 20%. | |
| Q.13 | (i.) Capital employed is ₹12,00,000; net fixed assets are of ₹8,00,000; CoGS ₹40,00,000; GP is 20% on cost. Calculate the working capital turnover ratio. (ii.) Revenue from operations ₹8,20,000; Returns ₹10,000; CoGS ₹5,20,000; Operating Expenses ₹ 2,09,000; Interest on Debentures₹40,500; Profit on sale of a fixed asset ₹81,000. Calculate the net profit ratio. | 2+2 |
| A-1 3 | (i.) WCTR= 12 times (ii.) Net profit= 15% | |
| Q.14 | A limited company made credit sales of ₹4,00,000 during the financial year. If the collection period is 36 days and year is assumed to be of 360 days, calculate the: (i.) Debtor's turnover (ii.) Average debtors (iii.) Debtors at the end when debtors at the end are more than that in the beginning by ₹6,000. | 3 |
| A-1 4 | (i.) 10 times (ii.) ₹40,000 (iii.) `Debtors in the beginning -₹37,000, Debtors at the end -₹43,000. | |
| Q.15 | The ratio of current assets to current liabilities is 1.5:1. The accountant of the firm is interested in maintaining the ratio of 2:1 by paying off a | 3 |

| | | |
|----------|---|--|
| | part of the current liabilities. Compute the amount of the current liabilities that should be paid so that the current ratio at the level of 2:1 may be maintained. | |
| A-1 5 | Current liabilities of ₹1,00,000 should be paid to achieve the current ratio of 2:1. | |

| | | | | | |
|-----|--|--------------------------|------------------------|------------------------|---|
| Q.1 | Is it correct that payment of dividend will be classified as financing activity for both non-finance and finance company? Why? | | | | 1 |
| A-1 | Yes because it if to the shareholder's who have financed the companies. | | | | |
| Q.2 | Give an example of a transaction, a part of which is classified as an investing activity and another part is financing activity. | | | | 1 |
| A-2 | Purchase of a good on hire purchase system. | | | | |
| Q.3 | Piyush finance Ltd. Is a company engaged in the business of financing fixed assets. In the CFS, it has depicted interest earned as investing activity. Do you think it is appropriate? Give reasons. | | | | 1 |
| A-3 | No, as the activity is the principal revenue producing activity for the business, it should be classified as an operating activity. | | | | |
| Q.4 | D Ltd. Is engaged in trading of commodities. It had purchased a lottery ticket and won a prize of ₹2,00,000. In the CFS where will you depict it and why? | | | | 1 |
| A-4 | Under operating activity because it is an activity that is neither financing nor investing and hence to be included in operating as an extra ordinary item. | | | | |
| Q.5 | ABC Pvt. Ltd. After complying with the provisions of the Companies Act, bought back equity shares at ₹50 each. In the CFS where will you depict it? Give your reasons. | | | | 2 |
| A-5 | As financing activity as it is changing the size and composition of owner's capital. | | | | |
| Q.6 | Define investing activity. | | | | 1 |
| A-6 | It relates to the acquisition and disposal of the long term assets and other investments, not included in cash equivalents. | | | | |
| Q.7 | Particulars | Not e No. | 31.3.201 2 | 31.3.201 3 | 6 |
| | I. EQUITY AND LIABILITIES: | | • | • | |
| | Shareholder's funds: | | | | |
| | Share Capital | 1 | 8,50,000 | 4,60,000 | |
| | Reserves & Surplus | 2 | 1,70,000 | 2,40,000 | |
| | Non-Current Liabilities: | | | | |
| | Long-term Borrowings | 3 | <u>1,80,000</u> | <u>2,00,000</u> | |
| | TOTAL | | <u>12,00,00</u> | <u>9,00,000</u> | |
| | II. ASSETS: | | 0 | | |
| | Non-Current Assets: | | | | |
| | Fixed Assets | | | | |

| | | | |
|-----|--|------------------------|------------------------|
| | Current Assets: | | 5,00,000 |
| | Inventory | 7,00,000 | |
| | Trade Receivables | | 2,10,000 |
| | Cash & cash equivalents | 2,50,000 | 1,40,000 |
| | TOTAL | 1,90,000 | <u>50,000</u> |
| | | <u>60,000</u> | <u>9,00,000</u> |
| | | <u>12,00,00</u> | |
| | | <u>0</u> | |
| | Notes: 1. Share Capital | 31.03.2012 | |
| | 31.03.2013 | | |
| | Equity share Capital | 7,50,000 | |
| | 4,00,000 | | |
| | 8% Preference Share capital | <u>1,00,000</u> | |
| | <u>60,000</u> | | |
| | | <u>8,50,000</u> | |
| | <u>4,60,000</u> | | |
| | 2. Reserves & Surplus | | |
| | General Reserve | 50,000 | |
| | 70,000 | | |
| | Profit & Loss balance | <u>1,20,000</u> | |
| | <u>1,70,000</u> | | |
| | | <u>1,70,000</u> | |
| | <u>2,40,000</u> | | |
| | 3. Long-term Borrowings | | |
| | 10% Debentures | <u>1,80,000</u> | |
| | <u>2,00,000</u> | | |
| | Additional information: | | |
| | During the year machine costing ₹80,000 was sold for ₹50,000. | | |
| | Dividend paid ₹80,000. | | |
| A-7 | Purchase of Fixed assets (bal.fig.) ₹2,80,000. Net cash used in operating activities: ₹(30,000) Net cash used in investing activities: ₹(2,30,000) Net cash from financing activities: ₹2,70,000 C & C.E. during the year: ₹10,000 | | |

| | | | | |
|-----|--|-----------------|------------------------|------------------------|
| Q.8 | Calculate cash from operating activities from the following: | | | 6 |
| | | 31.03.2010 ₹ | 31.03.2011 ₹ | |
| | Profit & Loss Balance | 50,000 | 40,000 | |
| | Trade Receivables | 1,20,000 | 1,25,000 | |
| | Goodwill | 10,000 | 7,500 | |
| | Outstanding Expenses | -- | 4,000 | |
| | General Reserve | 25,000 | 40,000 | |
| | Provision for Depreciation on Plant | 41,000 | 50,000 | |
| | Prepaid Expenses | 3,000 | -- | |
| | Trade Payables | 30,000 | 42,000 | |
| | In addition, an item of plant costing ₹30,000 having book value of ₹18,000 was sold for ₹20,000 during the year. | | | |
| A-8 | Current year's depreciation: ₹21,000(Prov. for dep. A/C) Net Cash from operating Activities: ₹40,500 | | | |
| Q.9 | Particulars | Note No. | 31.3.2012 | 31.3.2013 |
| | I. EQUITY AND LIABILITIES: | | • | • |
| | Shareholder's funds: | | | |
| | Share Capital | | 2,00,000 | 2,00,000 |
| | Reserves & Surplus | | | |
| | Current Liabilities: | | 50,000 | 90,000 |
| | Short-term Borrowings | | | |
| | Trade payables | | 10,000 | -- |
| | Other Current Liabilities | 1 | 15,000 | 20,000 |
| | Short Term Provisions: Provision for tax | | 5,000 | 5,000 |
| | TOTAL | | <u>20,000</u> | <u>25,000</u> |
| | II. ASSETS: | | | |
| | Non-Current Assets: | | | |
| | Fixed Assets | | | |
| | Current Assets: | | 2,35,000 | 2,75,000 |
| | Inventory | | | |
| | Trade Receivables | 2 | 25,000 | 15,000 |
| | Cash & cash equivalents | | 10,000 | 20,000 |
| | TOTAL | | <u>30,000</u> | <u>30,000</u> |
| | | | <u>3,00,000</u> | <u>3,40,000</u> |
| | Notes: 1. Other current liabilities | | | 31.03.2012 |
| | 31.03.2013 | | | |
| | Outstanding Expenses | | 5,000 | |
| | 1,000 | | | |
| | Unclaimed dividend | | — | |

| Q.10 | Particulars | Not e No. | 31.3.201 2 | 31.3.201 3 |
|------|-----------------------------------|-----------------|----------------------|----------------------|
| | I. EQUITY AND LIABILITIES: | | • | • |
| | Shareholder's funds: | | | |
| | Share Capital | | 30,000 | 35,000 |
| | Reserves & Surplus | 1 | 15,500 | 22,000 |
| | Non-Current Liabilities: | | | |
| | Long-term Borrowings | | | |
| | 10% Debentures | | 15,000 | 22,000 |
| | Current Liabilities: | | | |
| | Trade payables | | 7,500 | 11,000 |
| | Other Current Liabilities | | <u>1,000</u> | <u>1,500</u> |
| | TOTAL | | <u>69,000</u> | <u>94,500</u> |
| | II. ASSETS: | | | |
| | Non-Current Assets: | | | |
| | Fixed Assets: | | | |
| | (i.) Tangible: Machinery | | | |
| | (ii.) Intangible: Goodwill | | 32,000 | 41,000 |
| | Long term Investments (10%) | | 10,000 | 8,000 |
| | Current Assets: | | 3,000 | 8,000 |
| | Inventory | | | |
| | Trade Receivables | | | |
| | Cash & cash equivalents | | 4,000 | 5,500 |

| | | | |
|--|--|----------------------|----------------------|
| TOTAL | | 8,000 | 19,000 |
| | | <u>12,000</u> | <u>13,000</u> |
| | | <u>69,000</u> | <u>94,500</u> |
| Notes: 1. Reserves and Surplus | | 31.03.2012 | |
| 31.03.2013 | | | |
| General Reserve | | 10,000 | |
| 15,000 | | | |
| Profit & Loss balance | | <u>5,500</u> | |
| <u>7,000</u> | | | |
| | | <u>15,500</u> | |
| <u>22,000</u> | | | |
| Additional Information: | | | |
| (i.) Investments costing ₹3,000 were sold for ₹2,800 during the year 2012-13. | | | |
| (ii.) A new machine was purchased for ₹13,000. Depreciation of ₹4,000 has been charged on machinery. | | | |
| A-1 0 | Purchase of investments (bal.fig.) ₹8,000. Net cash from operating activities: ₹5,400 Net cash used in investing activities: ₹(17,900) Net cash from financing activities: ₹(13,500) C & C.E. during the year: 1,000 | | |