MINIMUM LEARNING PROGRAM

One mark question

Q1- As per Revised Schedule Vi, Balance sheet can be drawn in

a) Vertical Format
b) Horizontal Format
c) As per wishes of Director.

Q2- Which of the following is not included in Non Current assets?

(a) Fixed Assets (b) Non Current Investments (c) Inventories (d) Long term loans & advances.

Q3 – Debentures redeemable after 3 years are shown in Balance Sheet under the head:

(a) Short term borrowings
(b) Long term borrowings
(c) Other Long term Liabilities
(d) Other current liabilities.

Four Marks Question

Q1.List the major heads under which the Rs. Equity and LiabilitiesRs. are presented in the Balance Sheet of a company as per Schedule VI Part I to the Companies Act 1956.

Solution:

The major heads under which the Rs. Equity and LiabilitiesRs. are presented in the Balance Sheet of a company as per Schedule VI Part I to the Companies Act 1956, are listed below:
(i) Shareholders Funds
(ii) Share Application Money pending allotment
(iii) Non-Current liabilities
(iv) Current Liabilities

Q2-List the major heads under which the assets are presented in the Balance Sheet of a company as per Schedule VI part I of the Companies Act 1956.

Solution:

The Major heads under which the Assets are presented in the Balance Sheet of company as per Schedule VI Part I of the Companies Act 1956, are listed below:
(i) Non-current Assets
(ii) Current Assets

Q3- Name the sub-heads under the head (a) Rs. Shareholders FundsRs. and (b) Rs. Non-current liabilities as per Schedule VI Part 1 of the Balance Sheet.

Solution:

(a) The sub-heads under Rs. Shareholders FundsRs. are
(i) Share Capital
(ii) Reserves and surplus
(iii) Money received against Share Warrants

(b) The sub-heads under Rs. Non-current liabilitiesRs. are
(i) Long-term Borrowings
(ii) Deferred Tax Liabilities (Net)
(iii) Other Long-term Liabilities
(iv) Long-term Provisions

Q4-State the major headings & subheadings under which the following items will be put as per schedule VI Part I of Companies Act 1956-

(i) Sundry Creditors
(ii) Provision for Tax
(iii) Furniture
(iv) Prepaid expenses.

Q5- List the items which are shown under the headings Rs. Current liabilitiesRs. as per Schedule Vi of Companies Act,1956.
Ans-The major items under Current Liabilities-
(i) Short term borrowings
(ii) Trade Payables
(iii) Other Current Liabilities
(iv) Short term provisions.

Q5- List the items under head Rs. Reserves & SurplusRs. in the Balance sheet of a Company as per Schedule VI (Revised), Part I to the Companies Act ,1956.
Ans: The major items under Reserves & Surplus-
(i) Capital reserve.
(ii) Capital redemption Reserve.
(iii) Securities Premium Account.
(iv) Debenture Redemption Reserve.
(v) Profit & Loss (Cr) balance.

Q6- List the major items under the head Rs. Current assetsRs. in the Balance sheet of a Company as per Schedule VI (Revised), Part I to the Companies Act ,1956.
Ans: The items under the head Rs. Current AssetsRs. -
(i) Current investments.
(ii) Inventories.
(iii) Trade receivables.
(iv) Cash & Cash Equivalents.
(v) Short term Loans & Advances.
(vi) Other Current assets.

Q7- Under which Heading & sub heading following items are shown as per revised schedule VI:
(i) Proposed Dividend.
(ii) Creditors & B/P.
(iii) Provision for tax.
(iv) Security Deposit.
(v) Work in progress.
(vi) Debtors.
(vii) Cash at bank.
(viii) Prepaid Expenses.
(ix) Loose tools.
(x) Trade marks.

TOOLS FOR FINANCIAL STATEMENTS - COMPARATIVE & COMMON SIZE STATEMENTS

Q1- Comparative study refer to comparative study of components of __________over a period of two or more years in both absolute & percentage form.

a) Balance sheet b) Income statement c) Statement of profit & Loss

d) Balance sheet & income statement.

Q2- In common size statement balance sheet , ingredients of balance sheet are expressed in percentage form assuming total of ______________ as 100.

a) Assets b) Equity & Liabilities c) **Assets, Equity & Liabilities** d) Revenue from operations.

Q3. From the following information related to Statement of Profit and Loss of Kris Ltd. for the years ended 31st March 2013 and 2014, prepare a Comparative Statement of Profit and Loss.

Particulars	Note No	2012-13	2013-14
Revenue from Operations		8,00,000	10,00,000
Employee Benefit Expenses		4,00,000	5,00,000
Other Expenses		1,00,000	50,000
Tax @ 40%			

Answer 1 Comparative Statements of Profit and Loss

For the years ended 31st March 2013 and 2014

Particulars	Note No.	Previous year 2012-2013	Current Year 2013-14	Absolute Change (Increase or Decrease)	Percentage Change (Increase or Decrease)
I. Revenue from Operations		8,00,000	10,00,000	2,00,000	25
II. Other Income					
III. Total Income (I+II)		8,00,000	10,00,000	2,00,000	25
IV. *Less*: Expenses					
a) Employee Benefit expenses		4,00,000	5,00,000	1,00,000	25
b) Other Expenses		1,00,000	50,000	(50,000)	(50)
Total Expenses (a+b)		5,00,000	5,50,000	50,000	10
V. Profit before Tax (III-IV)		3,00,000	4,50,000	1,50,000	50
VI. *Less:* Tax @ 40%		1,20,000	1,80,000	60,000	50
VII. Profit After Tax (V-VI)		1,80,000	2,70,000	90,000	50

Q2. From the following Statement of Profit and Loss of Maducon Ltd. for the years ended 31st March 2013 and 2014, prepare Common-Size Statement of Profit and Loss.

Particulars	Note No	2013-14	2012-13
Revenue from Operations		23,655	17,700
Cost of Revenue of Operations		5,100	4,500
Employee Benefit Expenses		9,900	9,000
Other Expenses		40%	40%

Answer 2 Common – Size Statement of Profit and Loss of Maducon Ltd.

For the years ended 31st March 2013 and 2014

Particulars	Note No.	2012-13	2013-14	2012-13 %	2013-14 %
I. Revenue from Operations		17,700	23,655	100.00	100.00

II. Other Income					
III. Total Revenue (I+II)		17,700	23,655	100.00	100.00
IV. *Less*: Expenses					
a) Cost of Revenue from Operations		4,500	5,100	25.42	21.56
b) Employee Benefit Expenses		9,000	9,900	50.85	41.85
Total Expenses (a+b)		13,500	15,000	76.27	63.41
V. Profit before Tax (III-IV)		4,200	8,655	23.72	36.58
VI. Less: Tax @ 40%		1,680	3,462	9.49	14.63
VII. Profit After Tax (V-VI)		2,520	5,193	14.23	21.95

Q3. Prepare Common-Size Balance Sheet of Shivaji Ltd. from the following information:

Particulars	Note No	2013-14	2012-13
I. EQUITY AND LIABILITIES			
Share capital		10,00,000	5,00,000
Reserves and Surplus		1,00,000	1,00,000
Long-Term Borrowings		2,00,000	3,00,000
Trade Payables		1,60,000	80,000
Short-term Provisions		40,000	20,000
Total		15,00,000	10,00,000
II. ASSETS			
Fixed Assets		12,00,000	6,00,000
Non-Current Investments		-	2,00,000
Inventories		1,50,000	1,00,000
Trade Receivables		90,000	60,000
Cash and Cash Equivalents		60,000	40,000
		15,00,000	10,00,000

Answer 3 Common – Size Balance Sheet

For the years ended 31st March, 2013 and 2014

Particulars	Note No	Absolute Amount 2012-13	Absolute Amount 2013-14	Percentage based on balance sheet Total 2012-13	Percentage based on balance sheet Total 2013-14
I. EQUITY AND LIABILITIES					
1. Shareholder's Fund:					
a) Share capital		5,00,000	10,00,000	50.00	66.67
b) Reserves and Surplus		1,00,000	1,00,000	10.00	6.67
2. Non-current Liabilities:					
a) Long-Term Borrowings		3,00,000	2,00,000	30.00	13.33
3. Current Liabilities:					
a) Trade Payables		80,000	1,60,000	8.00	10.67
b) Short-term Provisions		20,000	40,000	2.00	2.66
Total		10,00,000	15,00,000	100.00	100.00
II. ASSETS					
1. Non-Current Assets					
a) Fixed Assets		6,00,000	12,00,000	60.00	80.00
b) Non-Current Investments		2,00,000	3,00,000	20.00	20.00
2. Current Assets					
a) Inventories		1,00,000	1,50,000	10.00	10.00
b) Trade Receivables		60,000	90,000	6.00	6.00
c) Cash and Cash Equivalents		40,000	60,000	4.00	4.00
Total		10,00,000	15,00,000	100.00	100.00

ACCOUNTING RATIOS

Q1- Accounting ratio is a numerical relation between two accounting variables of_________

a) Income statement b) Balance sheet c) **Financial statements** d) Income statement & Financial statements.

Q2- Ratios may be expressed in ____________form.

a) Ratio b) Rate c) Percentage **d) All above.**

Q3- While computing Liquid ratio, provision from doubtful debts is deducted from ________

a) Trade receivables b) short term provisions c) **Both trade receivables & short term provisions.**

Q4 – If current ratio of a company is 3:1. State whether the payment of 20,000 to creditors will_________ the ratio.

a) Increase b) decrease c) No change.

Q5- From the following compute **(a) Current Ratio (b) Quick Ratio**

S.no.	Items	Amount	S.No.	Items	Amount
1	Current Investments	40,000	7	Short-Term Provisions	3,000
2	Inventories	5,000	8	Other Current Liabilities	5,000
3	Trade Receivables	2,000	9	Short-term Loans & Advances	4,000
4	Short-term Borrowings	20,000	10	Tangible Fixed Assets	1,00,000
5	Trade Payables	2,500	11	Cash & Cash Equivalents	10,000
6.	Prepaid expenses	2,000	12	Advance tax	8,000

a) Current Ratio = Current Assets/ Current Liabilities.

Current Assets = Current Investments + Inventories + Trade Receivables + Cash & Cash Equivalents + Short-term Loans & Advances + Prepaid expenses +Advance tax
= Rs. 40,000 + Rs. 5,000 + Rs. 2,000 + Rs. 10,000 + Rs. 4,000 + Rs. 2,000 + Rs. 8,000
= Rs. 71,000

Current Liabilities = Short-term Borrowings + Trade payables + Short-term Provisions + Other Current Liabilities
= Rs. 20,000 + Rs. 2,500 + Rs. 3,000 + Rs. 5,000 = Rs. 30,500
Current Ratio = 2.32:1

b) Quick Assets = Current Assets – Inventories- Prepaid expenses –Advance tax
= Rs. 71,000 – Rs. 5,000 – Rs. 8,000 – Rs. 2,000 = Rs. 56,000

Current Liabilities = Short-term Borrowings + Trade payables + Short-term Provisions + Other Current Liabilities
= Rs. 20,000 + Rs. 2,500 + Rs. 3,000 + Rs. 5,000 = Rs. 30,500 . Quick ratio= 1.8:1.

Q6-The **current Ratio** of a company is **2:1.** State giving reasons which of the following would **improve, reduce or not change** the ratio

1. Cash paid to trade payables
2. Sale of fixed tangible assets for cash
3. Issue of new shares for cash
4. Payment of final dividend already declared.

Solution: a) Improve b) Improve c) Improve d) Improve

Q7-The Current Ratio of A Ltd. is 4.5:1 and Liquid Ratio is 3:1. Inventories are Rs. 3,00,000. Calculate Current Liabilities.

Solution:

- Let Current Liabilities be x
- Current Ratio 4.5:1 so Current Assets = 4.5 x
- Liquid Ratio 3:1 so Liquid Assets = 3x
- Liquid Assets = Current Assets – Inventories

Or 3x = 4.5x – Rs. 3,00,000
1.5x = Rs. 3,00,000
x= Rs. 2,00,000
Current liabilities = Rs. 2,00,000

Q8- From the following compute:

a) Debt to Equity Ratio
b) Total Assets to Debt Ratio
c) Proprietary Ratio

S.No.	Items	Amount
1	Long-Term Borrowings	1,00,000
2	Long-Term Provisions	50,000
3	Current Liabilities	25,000
4	Non-Current Assets	1,80,000
5	Current Assets	45,000

Debt to Equity Ratio = Debt /Equity
Debt = Long-Term Borrowings + Long-Term Provisions
= Rs. 1,00,000 + Rs. 50,000 = Rs. 1,50,000

Equity / ShareholdersRs. Funds = Non Current Assets + Working Capital – Non Current Liabilities
= Rs. 1,80,000 + Rs. 45,000 – Rs. 25,000 - Rs. 1,00,000 – Rs. 50,000 = Rs. 50,000
Debt-Equity Ratio = = 3:1

b) Total Assets to Debt Ratio
= Total Assets = Non-Current Assets + Current Assets
= Rs. 1,80,000 + Rs. 45,000
= Rs. 2,25,000
Debt = Long-Term Borrowings + Long-Term Provisions
= Rs. 1,00,000 + Rs. 50,000 = Rs. 1,50,000
Total Assets to Debt Ratio = = 1.5 : 1

c) Proprietary Ratio =
Shareholder's Funds = Rs. 50,000
Total Assets = Rs. 2,25,000
Proprietary Ratio = 0.22:1

Q9 - Calculate **Working Capital Turnover Ratio** from the following:

S.No.	Items	Amount (Rs.)
1.	Current Assets	9,00,000
2.	Revenue from operations	24,00,000
3.	Current Liabilities	1,00,000

Working Capital Turnover Ratio =
Revenue from Operation = Rs. 24,00,000
Working Capital = Current Asset – Current Liabilities
= Rs. 9,00,000 – Rs. 1,00,000 = Rs. 8,00,000
Working Capital Turnover Ratio = 3 Times

Q10 - Cost of Revenue from Operations = Rs. 3,00,000
Inventory Turnover Ratio = 6 Times
Find out the value of **Opening Inventory**, if opening inventory is Rs. 10,000 less than the closing inventory.
Inventory Turnover Ratio = 6
Average Inventory = Rs. 50,000
Let Closing Inventory = x , Opening Inventory = x – Rs. 10,000
Average Inventory = opening inventory + closing inventory/2
= x – Rs. 5,000
Rs. 50,000 = x – Rs. 5,000
x = ` 55,000
Closing Inventory = Rs. 55,000
Opening Inventory = Rs. 55,000 – Rs. 10,000 = Rs. 45,000

Q11- Calculate Gross Profit ratio from the following:

S.No.	Items	Amount
1.	Opening Inventories	50,000
2.	Purchases	1,50,000
3.	Returns outwards	20,000
4.	Wages	10,000
5.	Revenue from Operations	2,50,000
6.	Closing Inventories	40,000

Ans:
Gross Profit Ratio = Gross Profit/ Net Revenue from operations x 100
Gross Profit = Revenue from Operations – Cost of Revenue from Operations
Cost of Revenue from Operations =Opening Inventories + (Purchases – Returns outwards) + Wages – Closing Inventories
= Rs. 50,000 + Rs. 50,000 – Rs. 20,000 + Rs. 10,000 – Rs. 40,000 = Rs. 1,50,000
Gross Profit = Rs. 2,50,000 – Rs. 1,50,000 = Rs. 1,00,000.
Gross Profit Ratio = Rs. 1,00,000 / Rs. 2,50,000 x 100 = 40% .

Q12- From the following **Calculate Operating Ratio-**

S. No.	Items	Amount (`)
1.	Cost of Revenue from Operations	50,000
2.	Revenue from Operation	1,50,000
3.	Other Operating Expenses	20,000

Ans:

Operating Ratio = $\frac{\text{Cost of Revenue from operations + Other operating expenses}}{\text{Revenue from operations}} \times 100$

$$= \frac{50{,}000 + 20{,}000}{1{,}50{,}000} \times 100 = 46.6\%$$

CASH FLOW STATEMENT

Q1 Which of the following is not an example of Cash & Cash Equivalents?

(a) Cash deposited into bank
(b) Cash withdrawn from bank
(c) Purchase & Sale of Current Investments
(d) Purchase & Sale of short term marketable securities

Q2 Which of the following transactions does not involve outflow of cash?

(a) Paid Creditors
(b) Buyback of Equity Shares
(c) Interest Paid
(d) Purchase of investments

Q3 Cash receipts of interest and dividend by a financial enterprise is cash flow from … …………………………. activity.

(a) Operating Activity
(b) Investing Activity
(c) Financing Activity
(d) None of Above

Q4 Cash flow refers to inflows & outflows of ………………………………. .

(a) Bank
(b) Cash
(c) Cash Equivalent
(d) Cash & Cash Equivalent

Q5-From the following Balance Sheets of Sonam Ltd. As at 31st March, 2012 and 31st March, 2013, prepare Cash Flow Statement: **(6)**

Balance Sheets of Sonam Ltd. As at 31st March, 2012 and 31st March, 2013

Particulars	Note No.	31st March, 2012	31st March, 2013
I.EQUITY AND LIABILITIES			
1. Shareholder's funds			
(a) Equity Share Capital		1,00,000	1,50,000
(b) Reserves and Surplus	1	25,000	50,000
2. Non – Current Liabilities			
Long – term Borrowings:		50,000	25,000
3. Current Liabilities			
(a) Trade Payables		15,000	11,250
(b) Short – term Provisions	2	30,000	32,500
Total		**2,20,000**	**2,68,750**

II. ASSETS			
1.Non- Current Assets			
(a) Fixed Assets:			
(i) Tangible Assets: Building		1,50,000	1,50,000
(b) Non – current Investments		--	18,750
2. Current Assets			
(a) Inventories		2,500	15,000
(b) Trade Receivables		62,500	63,750
(c) Cash & Cash Equivalents		5,000	21,250
		2,20,000	**2,68,750**

Notes to Accounts:

	31st March, 2012	31st March, 2013
1. Reserves and Surplus		
Balance in Statement of Profit and loss	25,000	50,000
2. Short – term Provisions		
Provision for Tax	17,500	10,000
Proposed Dividend	15,000	20,000

Additional Information:

During the year a building having book value Rs.50,000 was sold at a loss of Rs.2,000 and depreciation charged on building was Rs.4,000.

Q6- From the Balance Sheet Of Shiv Ltd. Prepare Cash flow statement:

Particulars	Note no	31.03.2012	31.03.2013
Equity & Liabilities			
1. Shareholder's funds			
(a) Share Capital	1	4,60,000	8,50,000
(b) Reserves & surplus	2	2,31,000	1,54,000
2. Non-current liabilities			
(a) Long term borrowings	3	2,00,000	1,80,000
3. Current Liabilities			
(a)short term provision	4	9,000	16,000
		9,00,000	12,00,000
Assets			
1. Non-current assets			
a) Fixed Assets		5,00,000	7,00,000
2. Current Assets			
a) Inventories		2,10,000	3,00,000
b) Trade receivables		1,40,000	1,40,000
c) Cash & cash equivalents		50,000	60,000
		9,00,000	12,00,000

Notes to Accounts:

Note no.	Particulars	31.03.2012	31.03.2013
1.	Share Capital		
	Equity Share Capital	4,00,000	7,50,000

	8% preferential Capital	60,000	1,00,000
	Reserves and Surplus		
	Balance of Statement of Profit & Loss	1,61,000	74,000
	General Reserves	70,000	80,000
	Long Term Borrowings		
	10% Debentures	2,00,000	1,80,000
	Short Term Provision		
	Proposed Dividend	9,000	16,000

Additional Information:

a) Depreciation charged on Fixed Assets was Rs. 15,000.
b) Machine of book value of Rs. 80,000 sold for Rs. 50,000.
c) Interim dividend paid Rs. 12,000 (6)

Ans:

Cash used in operating activities Rs. 76,000
Cash used in Investing activities Rs. 2,45,000
Net cash flow from Financing activities Rs. 3,31,000
Fixed Assets purchased Rs. 2,95,000