

FINANCIAL STATEMENTS OF A COMPANY

STUDY NOTES

- **Meaning of Financial Statements:**

Financial statements are the basic and formal annual reports through which the corporate management communicates financial information to its owners and various other external parties which include investors, tax authorities, government, employees, etc.

Financial statement includes

- the balance sheet (position statement) as at the end of accounting period,
- the statement of profit and loss of a company and
- notes to accounts
- the cash flow statement

- **Nature of Financial Statements:**

The American Institute of Certified Public Accountants states the nature of financial statements as the statements prepared for the purpose of presenting a periodical review of report on progress by the management and deal with the status of investment in the business and the results achieved during the period under review. They reflect a combination of recorded facts, accounting principles and personal judgements.

The nature of financial statements covers:

- **Recorded Facts:**

The original cost or historical cost is the basis of recording transactions.

- **Accounting Conventions:**

Accounting conventions are followed while preparing financial statements. The use of accounting conventions makes financial statements comparable, simple and realistic.

- **Postulates:**

Financial statements are prepared on certain basic assumptions (pre-requisites) known as postulates such as going concern postulate, money measurement postulate, realisation postulate, etc.

- **Personal Judgements:**

The facts and figures presented through financial statements are based on personal opinion, estimates and judgments. Personal opinion, judgments and estimates are made while preparing the financial statements to avoid any possibility of over statement of assets and liabilities, income and expenditure, keeping in mind the convention of conservatism

- **Objectives of Financial Statements:**

The primary objective of financial statements is to assist the users in their decision-making. The specific objectives include the following:

- **To provide information about economic resources and obligations of a business:** They are prepared to provide adequate, reliable and periodical information about economic resources and obligations of a business firm to investors and other external parties who have limited authority, ability or resources to obtain information.
- **To provide information about the earning capacity of the business:** They are to provide useful financial information which can gainfully be utilised to predict, compare and evaluate the business firm's earning capacity.

- **To provide information about cash flows:** They are to provide information useful to investors and creditors for predicting, comparing and evaluating, potential cash flows in terms of amount, timing and related uncertainties.
- **To judge effectiveness of management:** They supply information useful for judging management's ability to utilise the resources of a business effectively.
- **Information about activities of business affecting the society:** They have to report the activities of the business organisation affecting the society, which can be determined and described or measured and which are important in its social environment.
- **Disclosing accounting policies:** These reports have to provide the significant policies, concepts followed in the process of accounting and changes taken up in them during the year to understand these statements in a better way.

- **Types of Financial Statements:**

The financial statements include the balance sheet and statement of profit and loss and cash flow statement. Every company registered under The Companies Act 2013 shall prepare its balance sheet, statement of profit and loss and notes to account thereto in accordance with the manner prescribed in the revised Schedule III to the Companies Act, 2013.

- **Uses and Importance of Financial Statements:**

The various uses and importance of financial statements are as follows:

- **Report on stewardship function:** Financial statements report the performance of the management to the shareholders. The gaps between the management performance and ownership expectations can be understood with the help of financial statements.
- **Basis for fiscal policies:** The financial statements provide basic input for industrial, taxation and other economic policies of the government.
- **Basis for granting of credit:** Credit granting institutions take decisions based on the financial performance of the undertakings. Financial statements form the basis for granting of credit.
- **Basis for prospective investors:** Financial statements help the investors to assess longterm and short-term solvency as well as the profitability of the concern.
- **Guide to the value of the investment already made:** Shareholders of companies are interested in knowing the status, safety and return on their investment. Financial statements provide information to the shareholders in taking important decisions like to continue or discontinue their investment in the business
- **Aids trade associations in helping their members:** Trade associations may analyse the financial statements for the purpose of providing service and protection to their members. They may develop standard ratios and design uniform system of accounts.
- **Helps stock exchanges:** The financial statements enable the Stock brokers to judge the financial position of different concerns and take decisions about the prices to be quoted.

- **Limitations of Financial Statements:**

Financial statements suffer from the following limitations:

- **Do not reflect current situation:** Financial statements are prepared on the basis of historical cost. Since the purchasing power of money is changing, the values of assets and liabilities shown in financial statement do not reflect current market situation.
- **Assets may not realise:** Accounting is done on the basis of certain conventions. Some of the assets may not realise the stated values on the liquidation of the company. Assets shown in the balance sheet reflect merely unexpired or unamortised cost.
- **Bias:** Financial statements are the outcome of recorded facts, accounting concepts and conventions used and personal judgments made in different situations by the accountants. Hence, bias may be observed in the results, and the financial position depicted in financial statements may not be realistic.
- **Aggregate information:** Financial statements show aggregate information but not detailed information. Hence, they may not help the users in decision-making much.

- **Vital information missing:** Balance sheet does not disclose information relating to loss of markets, and cessation of agreements, which have vital bearing on the enterprise.
- **No qualitative information:** Financial statements contain only monetary information but not qualitative information like industrial relations, industrial climate, labour relations, quality of work, etc.
- **They are only interim reports:** Statement of Profit and Loss discloses the profit/loss for a specified period. It does not give an idea about the earning capacity over time similarly. Similarly, the financial position reflected in the balance sheet is true at that point of time but likely change on a future date is not depicted.

● **Users of the financial statements:**

The users of the financial statements may be internal users or external users.

➤ **Internal users of the financial statements:**

They include management, managers and employees of the organisation.

➤ **External users of the financial statements:**

Following are different external users of the financial statements:

- | | |
|-------------------------|---|
| (a) Creditors | (b) Government |
| (c) Customers | (d) Bankers and financial institutions |
| (e) Potential investors | (f) Members of Society |
| (g) Research scholars | (h) Share holders |
| (i) Debenture holders | (j) Taxation departments of governments |

● **Major Heads and Sub-Heads of Balance Sheet:** Balance sheet is a statement of assets and liabilities of the company. It is prepared as per Schedule III of Part I of The Companies Act 2013. It is also known as position statement as it shows assets and liabilities position of the company at the end of the year. Following are major heads and sub heads of balance sheet.

On equity and liability side of the balance sheet:

- Share holder's funds

(a) Share capital	(b) Reserves and surplus
(c) Money received against share warrants	
- Share application money pending allotment
- Non-current liabilities

(a) Long term borrowings	(b) Deferred tax liabilities
(c) Other long term borrowings/liabilities	(d) Long term provisions
- Current liabilities

(a) Short term borrowings	(b) Trade payables
(c) Other current liabilities	(d) Short term provisions

● **On asset side of the balance sheet:**

➤ **Non-current assets**

(a) **Fixed assets**

- | | |
|--------------------------------|---|
| (i) Tangible assets | (ii) Intangible assets |
| (iii) Capital work in progress | (iv) Intangible asset under development |
- (b) Non-current investments
 - (c) Deferred tax assets(net)
 - (d) Long term loans and advances
 - (e) Other non-current assets

➤ **Current assets**

- | | |
|-----------------------------------|------------------------------|
| (a) Current investments | (b) Inventories |
| (c) Trade receivables | (d) Cash and cash equivalent |
| (e) Short term loans and advances | (f) Other current assets |

QUESTION BANK

MULTIPLE CHOICE QUESTIONS

- There are _____ major heads on the assets side of a company's Balance sheet.
(a) Two (b) Three (c) Four (d) One
- Assets and liabilities of a company are usually marshalled in the order of _____.
(a) Liquidity (b) Permanence
(c) Accountability (d) Value of it
- In the case of operating cycle cannot be determined then the time period of operating cycle is assumed to be _____ months.
(a) 6 months (b) 12 months (c) 9 months (d) 24 months
- There are _____ major head of the equity and liabilities side of a company's balance sheet.
(a) 4 (b) 2 (c) 3 (d) 5
- Claims are expected to be settled beyond twelve month or an operating cycle is classified under _____.
(a) Short term provision (b) Long term provision
(c) Current assets (d) Current liabilities
- Bonus and leave encashment will be shown under _____ head in the statement of profit and loss.
(a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
- Bank overdraft and cash credit in the balance sheet of a company are shown under _____.
(a) Short term borrowing (b) Long term borrowings
(c) Non current liabilities (d) Cash and cash equivalent
- Gratuity paid will be shown under _____ head in the statement of profit and loss.
(a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
- Material purchased ₹5,00,000 will be shown under _____ head in the statement of profit and loss.
(a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
- Discount or loss on issue of debentures written off will be shown under _____ head in the statement of profit and loss.
(a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
- When bad position of the business is tried to be depicted as good, it is known as _____.
(a) Personal Bias (b) Price Level Changes
(c) Window Dressing (d) All of the Above
- Interest on public deposits will be shown under _____ head in the statement of profit and loss.
(a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
- If expected period of payment of trade payables is 7 months and operating cycle is of 14 months, then it is a _____ liability.
(a) Long term liability (b) Current liability
(c) Non Current liability (d) None of the above
- Statement of profit and loss is also called _____ statement.
(a) Position (b) Income (c) Fund flow (d) Cash flow

15. The amount due on account of goods sold by the business is called _____.
- (a) Trade receivables (b) Trade payables (c) Expenditure (d) Capital income
16. Staff welfare expenses will be shown under _____ head in the statement of profit and loss.
- (a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
17. A financial document that indicates the success or failure of a business trading over a period of time is called?
- (a) A cash flow statement (b) A retained earnings statement
(c) An income statement (d) A bank statement
18. The report of company that shows overall profit on the sale of their goods or the provision of their services?
- (a) Trading and profit loss account (b) Cash flow statement
(c) Income statement (d) Both (a) and (c)
19. A company has by the end of its financial period paid out more tax than it has to pay. How would this be shown in the balance sheet?
- (a) As an accrual revenue (b) As a prepaid within current assets
(c) As a creditor due within one year (d) As a creditor due after more than one year
20. Which of the following financial statements is also known as financial condition?
- (a) Balance sheet (b) Income statement
(c) Statement of cash flows (d) Bank statement
21. Goodwill written off ₹ 10,000 will be shown under _____ head in the statement of profit and loss.
- (a) Finance cost (b) Other expenses
(c) Employees benefit expenses (d) Depreciation and amortization
22. Prepaid interest given in the adjusted trial balance will be treated as a (an)
- (a) Asset (b) Liability
(c) Revenue (d) Deferred expense
23. Public deposits will be shown under _____
- (a) Current liabilities, trade payables
(b) Current assets, inventories
(c) Share holder's fund, Reserve and surplus
(d) Non Current liabilities, long term borrowings
24. As per Companies Act, the Balance Sheet of a company is required to be presented in _____
- (a) Horizontal Form (b) Vertical Form
(c) Either Horizontal or Vertical Form (d) Neither of the above
25. Which of the following is not required to be prepared under the Companies Act?
- (a) Statement of Profit and Loss (b) Balance Sheet
(c) Report of Director's and Auditor's (d) Funds Flow Statement
26. Commission paid for public deposit mobilization will be shown under _____ head in the statement of profit and loss.
- (a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization
27. According to prescribed order of assets in a Company's Balance Sheet _____ assets should be shown first of all.
- (a) Non-Current Assets (b) Current Assets
(c) Current Investments (d) Loans and Advances

28. In a Company's Balance Sheet _____ appear under the head 'non-current assets'.
- (a) Goodwill (b) Patents
(c) Vehicles (d) All of the above
29. Calls in Arrears appear in a Company's Balance Sheet under _____.
- (a) Reserve & Surplus (b) Shareholder's Funds
(c) Contingent Liabilities (d) Short-term Borrowings
30. Calls in advance appear in a Company's Balance Sheet under _____.
- (a) Share Capital (b) Current Liability
(c) Long-term Borrowings (d) Reserve & Surplus
31. Short-term Borrowings appear in a Company's Balance Sheet under the head _____.
- (a) Current Assets (b) Current Liabilities
(c) Non-Current Liabilities (d) Non-Current Assets
32. Fixed Deposits appear in a Company's Balance Sheet under :
- (a) Current Assets (b) Current Liabilities
(c) Long-term Provisions (d) Long-term Borrowings
33. Goodwill appears in a Company's Balance Sheet under the Sub-head _____.
- (a) Unamortized Assets (b) Non-Current Investment
(c) Intangible Assets (d) Tangible Assets
34. Share Forfeiture Account appears in a Company's Balance Sheet under the Sub-head _____.
- (a) Share Capital (b) Reserve & Surplus
(c) Contingent Liability (d) Commitments
35. Expenses allowed on issue of shares appears in a Company's Balance Sheet under:
- (a) Share Capital (b) Current Liability
(c) Unamortized Expenditure (d) Contingent Liability
36. Electricity expenses of office will be shown under _____ head in the statement of profit and loss.
- (a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Other expenses
37. Interest paid will be shown under _____ head in the statement of profit and loss.
- (a) Finance cost (b) Other expenses
(c) Employees benefit expenses (d) None of these
38. Balance sheet of a company is required to be prepared in the format given in _____.
- (a) Schedule III Part II (b) Schedule III Part I
(c) Schedule III Part III (d) Table A
39. Securities Premium Reserve appears in a Company's Balance Sheet under :
- (a) Share Capital (b) Long-term Provision
(c) Short-term Provision (d) Reserve & Surplus
40. Prepaid Expenses appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Other Current Assets (b) Short-term Loans & Advances
(c) Intangible Assets (d) Other Non-Current Assets
41. _____ appear in a Company's Balance Sheet under the Sub-head Short-term Provision
- (a) Interest Accrued but not due on Borrowings (b) Provision for Tax
(c) Unpaid Dividend (d) Calls in Advance

42. Provision for Tax appears in a Company's Balance Sheet under the Sub-head _____.
- (a) Short-term Provisions (b) Reserves and Surplus
(c) Long-term Provisions (d) Other Current Liabilities
43. Patents written off will be shown under _____ head in the statement of profit and loss.
- (a) Cost of material consumed (b) Finance cost
(c) Employees benefit expenses (d) Depreciation and amortization expenses
44. Bills Receivables appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Current Investments (b) Cash Equivalents
(c) Trade Receivables (d) Short term Loans and Advances
45. Interest accrued and due on debentures appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Short-term Borrowings (b) Trade Payables
(c) Other Current Liabilities (d) Short-term Provisions
46. Interest accrued but not due on loans appear in a Company's Balance Sheet under the Sub-head :
- (a) Short-term Borrowings (b) Trade Payables
(c) Other Current Liabilities (d) Short-term Provisions
47. 6% Debentures appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Long-term Provisions (b) Long-term Borrowings
(c) Other Current Liabilities (d) Other Long-term Liabilities
48. Interest accrued on Investments appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Non-Current Investments (b) Current Investments
(c) Other Current Assets (d) Other Non-Current Assets
49. Accumulated Dividend Arrears on preference shares is shown in the Company's Balance Sheet as
- (a) Current Liability (b) Contingent Liability
(c) Commitments (d) Short-term Provision
50. Which one of the following items is shown under the heading 'current liabilities' in the Balance Sheet of a company?
- (a) Investments (b) Reserve Fund
(c) Unclaimed Dividend (d) Livestock
51. While preparing the Balance Sheet of a Company which item is shown under the head 'Long term Borrowings'?
- (a) 6% Debentures (b) Security Premium Reserve
(c) Trade Payables (d) None of the above
52. Share Capital of a Company consists of 8,00,000 Shares of ₹10 each, ₹8 called up. All the shareholders have duly paid the called up amount. Share capital will be shown as:
- (a) Subscribed and Fully Paid (b) Subscribed but not fully paid
(c) Authorised (d) reserve capital
53. Change in Inventories means:
- (a) Difference between Opening Inventories and Closing Inventories
(b) Difference between Closing Inventories and Opening Inventories
(c) Difference between Opening Inventories and Closing Inventories, if Opening Inventories are higher
(d) Difference between Closing Inventories and Opening Inventories, if Closing Inventories are higher.
54. A financial statement that summarizes company revenue and expenses is?
- (a) Balance sheet (b) Statement of owner equity
(c) Income statement (d) Cash flow statement

55. 50,000, 9% Debentures redeemable within 12 months of the date of Balance Sheet will be shown under:
- (a) Short-term Borrowings (b) Short-term Provision
(c) Other Current Liability (d) Trade Payables
56. Which one of the following is Commitment?
- (a) Proposed Dividend (b) Interim Dividend
(c) Unpaid/Unclaimed Dividend (d) Dividend Arrears on Cumulative Preference Shares
57. _____ is shown under the head 'Current Assets' while preparing the Balance Sheet of a company?
- (a) Trade Investment (b) Underwriting Commission
(c) Inventories (d) Livestock
58. While preparing the Balance Sheet of a company 'Underwriting Commission' is shown under which head?
- (a) Unamortized Expenditure (b) Current Assets
(c) Non-Current Assets (d) Current Liability
59. _____ is shown under the head 'Current Liabilities' while preparing the Balance Sheet of a company.
- (a) Securities Premium Reserve (b) Debentures
(c) Livestock (d) None of the above
60. The financial statements of a business enterprise does not include:
- (a) Balance sheet (b) Statement of Profit and loss account
(c) Cash flow statement (d) Fund flow statement
61. An Annual Report is issued by a company to its:
- (a) Directors (b) Auditors
(c) Shareholders (d) Management
62. Under which heading the item 'Bills Discounted but not yet matured' will be shown in the Balance Sheet of a company?
- (a) Current Liability (b) Current Assets
(c) Contingent Liabilities (d) Unamortized Expenditure
63. Trade Investments appear in a Company's Balance Sheet under the Sub-head _____.
- (a) Current Investments (b) Non-Current Investments
(c) Intangible Assets (d) Short-term Loans and Advances
64. 'Claims against the Company not acknowledged as debts' is shown under the head _____.
- (a) Current Liabilities (b) Non-Current Liabilities
(c) Commitments (d) Contingent Liabilities
65. Unclaimed dividend appears in a Company's balance Sheet under the Sub-head _____.
- (a) Short-term Borrowings (b) Trade Payables
(c) Other Current Liabilities (d) Short-term Provisions
66. Which one of the following tangible fixed assets would not normally be depreciated?
- (a) Buildings (b) Machinery
(c) Land (d) Equipment
67. Which financial statement presents a summary of the assets, liabilities, and owners equity of a firm?
- (a) General ledger (b) Work sheet
(c) Balance sheet (d) Cash flow statement
68. Subtracting all expenses from revenues yields?
- (a) Net profit \ loss (b) Carrying value
(c) Long term assets (d) Net liabilities

69. A financial statement to show what a business owns and owes at a particular point in time?
 (a) A cash flow statement (b) The bank statement for the business
 (c) A balance sheet (d) A statement of retained earnings
70. If the gross profit is ₹5,000 and the net profit is 25% of the gross profit. The expenses must be?
 (a) ₹3,750 (b) ₹1,250
 (c) ₹4,150 (d) ₹6,250
71. Which of the following is the largest single expense of most merchandising firms?
 (a) Cost of goods sold (b) Rent expense
 (c) Amortization expense (d) Salaries expenses
72. Advance received from customers will be shown under _____
 (a) Current liabilities, trade payables
 (b) Current liabilities, other current liabilities
 (c) Share holder's fund, Reserve and surplus
 (d) Non Current liabilities, long term borrowings
73. The primary source of revenue for a wholesaler is?
 (a) Investment income (b) Service fees
 (c) The sale of merchandise (d) The sale of fixed assets the company owns
74. Wages and salary paid to workers will be shown under _____ head in the statement of profit and loss.
 (a) Finance cost (b) Other expenses
 (c) Employees benefit expenses (d) None of these
75. Call in advance appears in a Company's Balance sheet under:
 (a) Current liabilities (b) Share Capital
 (c) Long term Borrowings (d) Reserves and Surplus
76. Retained earnings will change over time because of several factors. Which of the following factors would explain a decrease in retained earnings?
 (a) Net loss (b) Net income
 (c) Dividends (d) Investments by stock holders
77. A profit is earned if _____.
 (a) Assets exceed expenditure (b) Income exceeds expenditure
 (c) Cash inflow exceeds cash outflow (d) Income exceeds liabilities
78. What is the difference between the total incoming and the total outgoing?
 (a) Net cash flow (b) Cash inflow
 (c) Direct cost (d) Indirect cost
79. Under what headings Mining rights will appear in the balance sheet?
 (a) Non Current assets (b) Current assets
 (c) Current liabilities (d) Non Current liabilities
80. Which of the following is true regarding the income statement?
 (a) The income statement is sometimes called the statement of operations
 (b) The income statement reports revenues, expenses, and liabilities
 (c) The income statement reports only revenue at the point of sale
 (d) It shows financial position of a business at a particular period of time
81. Provision for tax will be shown under _____
 (a) Current liabilities, short term provisions (b) Current liabilities, other current liabilities
 (c) Share holder's fund, Reserve and surplus (d) Non Current liabilities, long term borrowings

82. Presents the revenue earned and expenses are incurred by an entity during a specific time period?
 (a) Income statement (b) Statement of owner equity
 (c) Balance sheet (d) None of them
83. If opening inventory is ₹1,50,000 and closing inventory ₹60,000, what amount will be shown in the statement of profit and loss as changes in inventory?
 (a) 90,000 (b) 2,10,000
 (c) 1,50,000 (d) 90,000
84. Balance sheet is prepared as per _____ of The Companies Act 2013.
 (a) Schedule III, Part-II (b) Schedule III, Part-I
 (c) Schedule II, Part-I (d) Schedule III, Part-III
85. The front of the balance sheet reflects which of the following?
 (a) The basis accounting equation (b) Worksheet
 (c) Statement of owner equity (d) Income statement
86. Fixed intangible asset include _____
 (a) laptops (b) Printer
 (c) Computers (d) Mastheads and publishing titles
87. Bills receivables appears in a company balance sheet under sub head :
 (a) Current investments (b) Trade receivables
 (c) Inventories (d) Cash and cash equivalents
88. Schedule III has prescribed format for presentation of balance sheet.
 (a) Horizontal (b) Vertical
 (c) Upward from liabilities to assets (d) Downward assets to liabilities
89. Bills payable is shown under the major head _____
 (a) Non current assets (b) Current assets
 (c) Current liabilities (d) Share holders fund
90. Creditors and bills payable are shown under the head :
 (a) Reserves (b) Other current liabilities
 (c) Current assets (d) Trade payables
91. Which of the following statement is also known as position statement?
 (a) Statement of profit and loss (b) Bank reconciliation statement
 (c) Balance sheet (d) Cash flow statement
92. If opening inventory is ₹50,000, purchases ₹4,50,000, closing inventory ₹90,000, what will be the cost of material consumed?
 (a) 8,20,000 (b) 4,10,000
 (c) 10,00,000 (d) 9,80,000
93. Registered or authorised capital is also known as _____
 (a) Paid up capital (b) Called up capital
 (c) Nominal capital (d) Subscribed capital
94. Dividend is paid on which of the following capital?
 (a) Called up capital (b) Subscribed and fully paid
 (c) Issued capital (d) Authorised capital
95. Securities premium reserve is shown under:
 (a) Non Current liability (b) Reserves and surplus
 (c) Current liabilities (d) Share capital

96. Which of the following Companies Act is applicable at present?
 (a) The Companies Act 1956 (b) The Companies Act 1948
 (c) The Companies Act 2013 (d) The Companies Act 2022
97. Goodwill is a:
 (a) Fictitious asset (b) Fixed intangible asset
 (c) Current asset (d) Fixed tangible asset
98. Unclaimed dividend is shown under _____
 (a) Trade receivables (b) Current assets
 (c) Current liabilities (d) Share holders fund
99. In a company's balance sheet assets are shown in the order of:
 (a) Permanence (b) Liquidity
 (c) Market value (d) Any order
100. Claim against the company not yet acknowledged as debt, is a :
 (a) Current liability (b) Provisions
 (c) Reserve and surplus (d) Contingent liability
101. Balance Sheet provides information about financial position of the enterprise:
 (a) At a point in time (b) Over a period of time
 (c) For a period of time (d) None of the above
102. Which of the following is not Cash and Cash -equivalents?
 (a) Cheques (b) Cheque book
 (c) Cash with banks (d) Demand drafts
103. While preparing the Balance Sheet of a company 'Securities Premium' is shown under:
 (a) Current Liability (b) Share Capital
 (c) Long-term Borrowings (d) Reserve and surplus
104. _____ is shown under the head 'Non-Current Assets' while preparing the Balance Sheet of a company?
 (a) Underwriting Commission (b) Current Investment
 (c) Inventory (d) Patents
105. The debit balance of statement of profit and loss will be disclosed under the head _____ as the _____ figure.
 (a) Noncurrent assets, negative (b) Current liabilities, positive
 (c) Reserve and surplus, negative (d) Reserve and surplus, positive
106. Prepaid expenses are shown under the main head _____ in the balance sheet of a company.
 (a) Current liabilities (b) Current assets
 (c) Non Current assets (d) Share capital
107. Statement of profit and loss is prepared as per _____ of The Companies Act 2013.
 (a) Schedule II, Part- II (b) Schedule III, Part- I
 (c) Schedule II, Part- I (d) Schedule III, Part- II
108. Provision for employee benefits is shown under the sub-head _____.
 (a) Short term provisions (b) Long term provisions
 (c) Long term borrowings (d) None of the above
109. 9% Debentures in a company balance sheet is shown under the sub-head :
 (a) Long term provisions (b) Other current liabilities
 (c) Long term borrowings (d) Other long term liabilities

110. Interest accrued on investments is shown in company's Balance Sheet under the main head.
- (a) Non-current investments (b) Current assets
(c) Other current assets (d) Other Non Current assets
111. 11% Debentures redeemable within 12 months of the date of balance sheet will be shown under:
- (a) Short term borrowings (b) Short terms provisions
(c) Other current liability (d) Trade payables
112. Which of the following items is shown under the head 'current assets' while preparing company's Balance Sheet?
- (a) Investment in property (b) Patents
(c) Inventories (d) Vehicles
113. Profit on sale of fixed assets will be shown under _____ head in the statement of profit and loss.
- (a) Revenue from operations (b) Other expenses
(c) Employees benefit expenses (d) Other income
114. While preparing the balance sheet of a company, capital reserve is shown under :
- (a) Non Current liabilities (b) Share capital
(c) Long term borrowings (d) Reserves and surplus
115. Which of the following items is shown under the heading 'Non – Current liabilities' in the balance sheet of a company?
- (a) Long term bank loan (b) Reserves and surplus
(c) Unclaimed dividend (d) Provision for tax
116. Entertainment expenses ₹50,000 will be shown under _____ head in the statement of profit and loss.
- (a) Finance cost (b) Other expenses
(c) Employees benefit expenses (d) Depreciation and amortization
117. A company has operating cycle of 10 months and the expected period of realisation of trade receivables is 16 months, trade receivables is _____
- (a) Current asset (b) Fixed asset
(c) Non Current asset (d) None of the above.
118. If opening inventory is ₹1,00,000, purchases ₹9,00,000, closing inventory ₹1,80,000, what will be the cost of material consumed?
- (a) 8,20,000 (b) 4,10,000
(c) 10,00,000 (d) 9,80,000
119. Forfeited shares will be shown under _____
- (a) Share holder's fund, addition to subscribed capital
(b) Current assets
(c) Reserve and surplus
(d) None of these
120. A company has operating cycle of 11 months and the expected period of payment to trade payables is 14 months, trade payables is _____
- (a) Current liability (b) Non Current Liability
(c) Current asset (d) Non Current asset
121. A company has operating cycle of 10 months and the expected period of realisation of trade receivables is 9 months, trade receivables is _____
- (a) Current asset (b) Fixed asset
(c) Non Current asset (d) None of the above.
122. Which of the following items is not shown in intangible assets?
- (a) Formulae (b) Copyright
(c) Prepaid expenses (d) Licenses

123. A company has operating cycle of 11 months and the expected period of payment to trade payables is 9 months, trade payables is _____
- (a) Current liability (b) Non Current Liability
(c) Current asset (d) Non Current asset

ANSWERS

Multiple Choice Questions

- | | | | | | | | | | |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| 1. (a) | 2. (b) | 3. (b) | 4. (a) | 5. (b) | 6. (c) | 7. (a) | 8. (c) | 9. (a) | 10. (b) |
| 11. (c) | 12. (b) | 13. (b) | 14. (b) | 15. (a) | 16. (c) | 17. (c) | 18. (d) | 19. (b) | 20. (a) |
| 21. (d) | 22. (a) | 23. (d) | 24. (b) | 25. (d) | 26. (b) | 27. (a) | 28. (d) | 29. (b) | 30. (b) |
| 31. (b) | 32. (d) | 33. (c) | 34. (a) | 35. (c) | 36. (d) | 37. (a) | 38. (b) | 39. (d) | 40. (a) |
| 41. (b) | 42. (a) | 43. (d) | 44. (c) | 45. (c) | 46. (c) | 47. (b) | 48. (c) | 49. (c) | 50. (c) |
| 51. (a) | 52. (b) | 53. (a) | 54. (c) | 55. (c) | 56. (d) | 57. (c) | 58. (a) | 59. (d) | 60. (d) |
| 61. (c) | 62. (c) | 63. (b) | 64. (d) | 65. (c) | 66. (c) | 67. (c) | 68. (a) | 69. (c) | 70. (a) |
| 71. (a) | 72. (b) | 73. (c) | 74. (c) | 75. (a) | 76. (a) | 77. (b) | 78. (a) | 79. (a) | 80. (a) |
| 81. (a) | 82. (a) | 83. (d) | 84. (b) | 85. (a) | 86. (d) | 87. (b) | 88. (b) | 89. (c) | 90. (d) |
| 91. (c) | 92. (b) | 93. (c) | 94. (b) | 95. (b) | 96. (c) | 97. (b) | 98. (c) | 99. (a) | 100. (d) |
| 101. (a) | 102. (b) | 103. (d) | 104. (d) | 105. (c) | 106. (b) | 107. (d) | 108. (b) | 109. (c) | 110. (b) |
| 111. (c) | 112. (c) | 113. (d) | 114. (d) | 115. (a) | 116. (b) | 117. (c) | 118. (a) | 119. (a) | 120. (b) |
| 121. (a) | 122. (c) | 123. (a) | | | | | | | |

