

Financial Statements of a Company

Question:1

What are the major heads in the Equity and Liabilities part of the Balance Sheet as per Schedule III?

Solution:

The major heads in the Equities and Liabilities part of the Balance sheet are:

- i. Shareholder's Funds,
- ii. Share Application Money Pending Allotment,
- iii. Non- Current Liabilities and
- iv. Current Liabilities

Balance Sheet
as at

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
c. Money Received against Share Warrants		
2. Share Application Money Pending Allotment		
3. Non-Current Liabilities		
a. Long-term Borrowings		
b. Deferred Tax Liabilities (Net)		
c. Other Long-term Liabilities		
d. Long Term Provisions		
4. Current Liabilities		
a. Short-term Borrowings		
b. Trade Payables		
c. Other Current Liabilities		
d. Short-term Provisions		
Total		

Question:2

Under which major head will the following be shown:

- (i) Share Capital; and (ii) Money Received Against Share Warrants?

Solution:

Items	Major Head
Share Capital	Shareholder's Funds
Money received against share warrants	Shareholder's Funds

Question:3

List any five items that are shown under Reserves and Surplus.

Solution:

Items shown under Reserves and Surplus are:

- i. Capital Reserve,
- ii. Capital Redemption Reserve,
- iii. Securities Premium Reserve,

iv. Debenture Redemption Reserve,

v. Revaluation Reserve etc.

Question:4

Under which sub-head will the following be classified or shown:

(i) Long-term Borrowings; (ii) Deferred Tax Liabilities (Net); and (iii) Long-term Provision?

Solution:

Items	Sub-head
Long-term Borrowings	Non-Current Liabilities
Deferred Tax Liabilities (Net)	Non-Current Liabilities
Long-Term Provisions	Non-Current Liabilities

Question:5

Name the items that are shown under Long-term Borrowings.

Solution:

Items shown under Long-term Borrowings are:

- a. Debentures,
- b. Bonds,
- c. Terms Loans (both from Banks and from others),
- d. Public Deposits,
- e. Other Loans and Advances.

Question:6

A company has an opening credit balance in Surplus, *i.e.*, Balance in Statement of Profit and Loss of 1,00,000. During the year, it earned a profit of 75,000. It decided to transfer 15,000 to Debentures Redemption Reserve (DRR) and also proposed to pay dividend of 25,000.

How will be the appropriations shown in the financial statements?

Solution:

Extract of Balance Sheet

as at

Particulars	Note No.	Amount (Rs)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus	1	1,50,000
2. Share Application Money Pending Allotment		
3. Non-Current Liabilities		
4. Current Liabilities		
a. Short-term Provisions	4	25,000
Total		

NOTES TO ACCOUNTS

Note No.	Particulars	Amount (Rs)
1	Reserves and Surplus	

4	(a) Surplus, i.e. Balance in Statement of Profit and Loss	1,00,000	
	Add: Profit for the year	75,000	
	Less: Appropriations		
	Transfer to Debenture Redemption Reserve	(15,000)	
	Proposed Dividend	(25,000)	1,35,000
	(b) Debenture Redemption Reserve		
	Transferred from Surplus i.e. Balance in Statement of Profit and Loss		15,000
	Total (a + b) [to be Shown in Balance Sheet against Reserves and Surplus]		1,50,000
	Short-term Provisions		
	Proposed Dividend		25,000

Question:7

State giving reason whether Trade Receivables are classified as Current Assets or Non-current Assets in the Balance Sheet of a Company as per Schedule III of the Companies Act, 2013 in the following cases.

Case	Operating Cycle Period (Months)	Expected Realisation Period (Months)
1	10	11
2	10	12
3	10	13
4	14	13
5	15	16

Solution:

Case	As Current Assets or Non- Current Assets	Reason
1.	Current Assets	Expected receipt is more than operating cycle but receivable within 12 months.
2.	Current Assets	Expected receipt is more than operating cycle but receivable within 12 months.
3.	Non- Current Assets	Expected receipt is more than operating cycle and receivable after 12 months.
4.	Current Assets	Expected receipt is less than operating cycle.
5.	Non- Current Assets	Expected receipt is more than operating cycle and receivable after 12 months.

Question:8

State giving reason whether Trade Payables are classified as Current Liabilities or Non-current Liabilities in the Balance Sheet of a Company as per Schedule III of the Companies Act, 2013 in the following cases:

Case	Operating Cycle Period (Months)	Expected Payment Period (Months)
1	10	11
2	10	12
3	10	13
4	14	13
5	15	16

Solution:

Case	As Current Liabilities or Non-Current Liabilities	Reason
1.	Current Liabilities	Expected payment is more than operating cycle but payable within 12 months
2.	Current Liabilities	Expected payment is more than operating cycle but payable within 12 months
3.	Non- Current Liabilities	Expected payment is more than operating cycle and payable after 12 months
4.	Current Liabilities	Expected payment is less than operating cycle
5.	Non- Current Liabilities	Expected payment is more than operating cycle and payable after 12 months

Question:9

Under which head and how are the following items shown in the Balance Sheet of a company under Schedule III:

(i) Calls-in-Arrears; (ii) Share Application Money Pending Allotment; (iii) Unpaid Dividend; and (iv) Dividend not paid on Cumulative Preference Shares?

Solution:

Items	Head	Disclosure
Calls-in-Arrears	Shareholder's Funds	It is shown as a deduction from Subscribed Capital shown as 'Subscribed but not fully paid' under Shareholder's Funds
Share Application Money Pending Allotment	Share Application Money Pending Allotment	It is shown as a separate line item
Unpaid Dividend	Current Liabilities	It is shown as 'Other Current Liability' under Current Liabilities
Dividend not paid on Cumulative Preference Shares	Contingent Liabilities and Commitments	It is shown as Contingent Liabilities and Commitments in Notes to Accounts

Question:10

Under which main head and sub-head of Equity and Liabilities part of the Balance Sheet are the following items classified or shown:

- (i) Bonds; (ii) Debentures
 (iii) Public Deposits; (iv) Capital Redemption Reserve;
 (v) Forfeited Shares (vi) Sundry Creditors; and
 Account:
 (vii) Interest Accrued but Not Due on Debentures?

Solution:

Items	Main head	Sub-head
Bonds	Non-Current Liabilities	Long Term Borrowings
Debentures	Non-Current Liabilities	Long Term Borrowings
Deposits	Non-Current Liabilities	Long Term Borrowings
Capital redemption Reserve	Shareholder's Funds	Reserves and Surplus
Share Forfeiture Account	Shareholder's Funds	Subscribed Capital under Share Capital

Sundry Creditors	Current Liabilities	Trade Payables
Interest Accrued but not due on Debentures	Current Liabilities	Other Current Liabilities

Question:11

State any two items that are included in the following major heads under which liabilities of a company are shown: (i) Reserves and Surplus; (ii) Long-term Borrowings; (iii) Short-term Borrowings; (iv) Other Current Liabilities.

Solution:

Major head	Items
Reserves and Surplus	Capital Reserve, Revaluation Reserve
Long-term Borrowings	Debentures, Term Loans from Bank and Others
Short-term Borrowings	Cash credit from bank, Loans repayable on demand
Other Current Liabilities	Income received in advance, Unpaid Dividends

Question:12

Classify the following items under major head and sub-head (if any) in the Balance Sheet of a company as per Schedule III of the Companies Act, 2013: (i) Capital Work-in-Progress; (ii) Provision for Warranties; (iii) Income received in Advance; and (iv) Capital Advances

Solution:

Item	Major Head	Sub-Head
Capital Work-in-Progress	Non-Current Assets	Fixed Assets- Capital Work-in-Progress
Provision for Warranties	Non-Current Liabilities	Long Term Provisions
Income Received in Advance	Current Liabilities	Other Current Liabilities
Capital Advances	Non-Current Assets	Long Term Loans & Advances

Question:13

Under which major head and sub-head of the Assets part of the Balance Sheet will the following be shown:

(i) Intangible Assets; (ii) Intangible Assets under Development; (iii) Investments (more than 12 months); (iv) Deferred Tax Assets (Net); (v) Stores and Spares; and (vi) Loose Tools?

Solution:

Items	Main head	Sub-head
Intangible Assets	Non-Current Assets	Fixed Assets
Intangible Assets under development	Non-Current Assets	Fixed Assets
Investments (more than 12 months)	Non-Current Assets	Non-Current Investments
Deferred Tax Assets (Net)	Non-Current Assets	Deferred Tax Assets (Net)
Stores and Spares	Current Assets	Inventories
Loose Tools	Current Assets	Inventories

Question:14

Under which heads the following items are classified or shown on the Assets part of the Balance Sheet of a company: (i) Loose Tools; (ii) Bills Receivable; (iii) Sundry Debtors; and (iv) Advances Recoverable in Cash?

Solution:

Items	Main head	Sub-head
Loose Tools	Current Assets	Inventories
Bills Receivable	Current Assets	Trade Receivables
Sundry Debtors	Current Assets	Trade Receivables

Advance Recoverable in Cash	Current Assets	Short-term Loans and Advances
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Question:15

Under which heads the following items on the Assets part of the Balance Sheet of a company will be presented?

- (i) Sundry Debtors; (ii) Patents and Trademarks; (iii) Shares in Quoted Companies;
 (iv) Advances recoverable in cash; (v) Prepaid Insurance; and (vi) Work-in-Progress (Machinery)?

Solution:

Items	Main head	Sub-head
Sundry Debtors	Current Assets	Trade Receivables
Patents and Trade Marks	Non-Current Assets	Fixed Assets (Intangible Assets)
Shares in Quoted Companies	Non-Current Assets	Non-Current Investments
Advance Recoverable in Cash	Current Assets	Short-term Loans and Advances
Prepaid Insurance	Current Assets	Other Current Assets
Work-in-Progress (Machinery)	Non-Current Assets	Fixed Assets (Capital Work-in-progress)

Question:16

Under which of the major heads will the following items be shown while preparing Balance Sheet of a company, as per Schedule III of the Companies Act, 2013:

- (i) Unamortised Loss on Issue of Debentures (To be written off after 12 months from the date of Balance Sheet);
 (ii) 10% Debentures; (iii) Stock-in-Trade; (iv) Cash at Bank;
 (v) Bills Receivable; (vi) Goodwill; (vii) Loose Tools;
 (viii) Truck; (ix) Provision for Tax; and (x) Sundry Creditors?

Solution:

ITEMS	HEAD	SUB-HEAD
Unamortised Loss on Issue of Debentures (To be written off after 12 months from date of Balance sheet)	Non-Current Assets	Other Non-Current Assets
10% Debentures	Non Current Liabilities	Long-term Borrowings
Stock-in-Trade	Current Assets	Inventories
Cash at Bank	Current Assets	Cash and Cash equivalents
Bills Receivable	Current Assets	Trade Receivables
Goodwill	Non-Current Assets	Fixed Assets (Intangible Assets)
Loose Tools	Current Assets	Inventories
Truck	Non-Current Assets	Fixed Assets (Tangible Assets)
Provision for Tax	Current Liabilities	Short term Provisions
Sundry Creditors	Current Liabilities	Trade Payables