

OSF

Date : 07-03-2024

STD 12 Commerce Elements of Account

Total Marks : 50

12th Account Practice Sheet Day 21 (Part 2 - Ch.4 to 6)

Section A

* Choose The Right Answer From The Given Options. [10]

1. The comparison of financial statements of different years is known as.....

- (A) External analysis (B) Short-term analysis (C) Vertical analysis (D) Horizontal analysis

Ans. : Horizontal analysis

2. On which basis is Profit and loss account prepared?

- (A) On total of profit-loss (B) On dues (C) On purchase (D) On sales

Ans. : On sales

3. In a company, amount of cost of goods consumed of current year is Rs. 3,30,000 and in which 10 % increase with the comparison of previous year, then how much is the cost of goods consumed of previous year?

- (A) Rs. 3,63,000 (B) Rs.3,00,000 (C) Rs.33,000 (D) Rs.30,000

Ans. : Rs.3,00,000

4. By which other names are the Trading Account and Profit and Loss Account known?

- (A) Income Statement (B) Expenditure Statement (C) Cash Flow Statement (D) Funds Flow Statement

Ans. : Income Statement

5. Total of Balance Sheet of a Company is Rs.50,00,000 and the Tangible Assets are Rs.15,00,000. Find the percentage of Tangible Assets to the total of the Balance Sheet.

- (A) 0.3 (B) 0.2 (C) 0.25 (D) 0.15

Ans. : 0.3

6. Debtors turnover/creditors turnover shows for business

- (A) profitability (B) liquidity (C) solvency (D) efficiency

Ans. : (D) efficiency

7. For which of the following items the ratio is computed in days?

- (A) For total purchase (B) For credit sales
(C) For credit purchase (D) Both (b) and (c)

Ans. : (D) Both (b) and (c)

8. In which terms ratios are presented ?

- (A) Proportion (B) Percentage (C) Time (D) All of the given

Ans. : (D) All of the given

9. balance is while bank overdraft is

- | | | | |
|---|---|---|-------------------------------------|
| (A) Current liability,
current liability | (B) Current asset,
current liability | (C) Current liability,
current asset | (D) Current asset,
current asset |
|---|---|---|-------------------------------------|

Ans. : (B) Current asset, current liability

10. Bank overdraft

- (A) is current liability but considered as financing activity
- (B) is current liability but considered as operating activity
- (C) is current liability but considered as investing activity
- (D) is not activity of cash flow statement

Ans. :

(A) is current liability but considered as financing activity

Section B

*** Answer The Following Questions In One Sentence.**

[6]

11. What creditors can determine through analysis of financial statements?

Ans. : Creditors can determine credit worthiness of business units through analysis of financial statements.

12. When the changes in stock is positive whether it will be added to cost of goods sold or deducted?

Ans. : When the changes in stock is positive it will be added to cost of goods sold or will be deducted from the revenue.

13. What is higher value of liquidity suggest?

Ans. : Higher value of liquidity suggest higher / more capacity of business to pay short term liabilities.

14. What is to be excluded while calculating total assets value?

Ans. : While calculating total assets value, other non-current assets are not to be included.

15. What are the financial expenses?

Ans. :

Amounts which are paid as a return of capital are known as financial expenses.

16. What is financing activities?

Ans. : Financing activities are such activities due to which size and/or composition of owners capital and borrowed capital of business get changed.

Financing activities have relation with increase of decrease of equity share capital, preference share capital, debentures, loan etc.

Section C

*** Answer The Following Questions.**

[18]

17. Explain the significance of comparative financial statements.

Ans. :

The importance of comparative statements can be described as under:

(1) Intrafirm Comparison:

- When the accounts of business entity of current year are compared with the accounts of previous years, it is known as intrafirm comparison.
- Moreover, when one business entity has various departments, their financial performance evaluation is also done.

(2) Interfirm Comparison:

- When financial statements of various business entities are compared with each other it is known as interfirm comparison.
- With this comparison which business unit is financially strong or weak as compared to the other business unit can be ascertained and based on this investors may rethink on their investments decisions.

(3) Indicates Trend:

- Due to comparison of financial statements of different years and different sections of a business unit the information of trend pertaining to financial position and profitability is ascertained which helps to make decision of investment.

(4) Useful to creditors:

- Creditors of business units are of long term and short term Creditors determine credit worthiness of business units through analysis of financial statements so it is useful to creditors

18. Profit and loss statement for the year ending on 31-3-2016 and 31-3-2017 of Mina Company Limited are as follows. Prepare comparative profit and loss statement.

Particulars	Note No.	31-3-2017 (Rs.)	31-3-2016 (Rs.)
Sales revenue		45,00,000	52,00,000
Other income		2,00,000	10,00,000
Net purchase		32,00,000	38,00,000
Other Expenses (% of sales)		22%	18%
Changes in stock		(2,00,000)	(1,00,000)
Income tax rate 30%.			

Ans. :

**Comparative profit-loss statement of Mina Company Limited
For the year ending on 31-3-2016 and 31-3-2017**

Particulars	Note No.	31-3-2016 (Rs.)	31-3-2017 (Rs.)	Increase/ Decrease(Rs.)	Increase/ Decrease(%)
1. Sales revenue		52,00,000	45,00,000	(7,00,000)	13.46
2. Other income		10,00,000	2,00,000	(8,00,000)	80.00
3. Total Income (I + II)		62,00,000	47,00,000	(15,00,000)	(24.19)

4. Expenses :				
(i) Net purchase	38,00,000	32,00,000	(6,00,000)	(15.79)
(ii) Other expenses (% of sales)	9,36,000	9,90,000	54,000	5.77
(iii) Changes in stock	(1,00,000)	(2,00,000)	(1,00,000)	(100)
5. Total expenses	46,36,000	39,90,000	(6,46,000)	(13.93)
6. Profit before tax (III-IV)	15,64,000	7,10,000	(8,54,000)	(54.60)
7. Less : Income tax (30%)	4,69,800	2,13,000	(2,56,200)	(54.60)
8. Profit after tax (V -VI)	10,94,800	4,97,000	(5,97,800)	(54.60)

19. Balance sheet of Small Company Ltd. as at 31-3-2016 and 31-3-2017 are as follows.
Prepare comparative balance sheet.

Particulars	Note No.	31-3-2017 (Rs.)	31-3-2017 (Rs.)
(1)) Equity and Liabilities			
1 Shareholders' funds:			
(a) Share capital			
(i) Equity share capital		22,00,000	17,00,000
(ii) Preference share capital		10,00,000	12,00,000
(b) Reserves and surplus			
(i) General reserve		2,40,000	2,00,000
(ii) Profit-loss account		2,10,000	1,80,000
2 Non-current liabilities			
10% debentures		6,00,000	8,00,000
3 Current liabilities			
(i) Short-term borrowings		90,000	45,000
(ii) Trade payables		90,000	1,35,000
(iii) Other current liabilities		70,000	70,000
Total		45,00,000	43,30,000
(2)) Assets :			
1 Non-current assets :			
(a) Fixed assets			
(i) Tangible assets :			
Machines		16,00,000	15,00,000
Furniture		6,00,000	5,00,000
(ii) Intangible assets :			
Goodwill		80,000	1,00,000
Patent		7,50,000	7,30,000
(b) Non-current investments		9,00,000	8,00,000
2 Current assets:			
(i) Stock		1,80,000	1,60,000
(ii) Trade receivables		1,80,000	2,00,000

(iii) Current investments		1,40,000	2,70,000
(iv) Cash and cash equivalent		70,000	70,000
Total		<u>45,00,000</u>	<u>43,30,000</u>

Ans. :

Comparative Balance Sheet of Small Company Limited
as on 31-3-2016 and 31-3-2017

Particulars	Note No.	31-3-2016 (Rs.)	31-3-2017 (Rs.)	Increase/ Decrease(Rs.)	Increase/ Decrease(%)
(1)) Equity and Liabilities					
1 Shareholders' funds:					
(a) Share capital					
(i) Equity share capital		17,00,000	22,00,000	5,00,000	29.41
(ii) Preference share cap.		12,00,000	10,00,000	(2,00,000)	(16.67)
(b) Reserves and surplus					
(i) General reserve		2,00,000	2,40,000	40,000	20.00
(ii) Profit-loss account		1,80,000	2,10,000	30,000	16.67
2 Non-current liabilities					
10% debentures		8,00,000	6,00,000	(2,00,000)	(25.00)
3 Current liabilities					
(i) S.-term borrowings		45,000	90,000	45,000	100
(ii) Trade payables		1,35,000	90,000	(45,000)	(33.33)
(iii) Other current liab.		70,000	70,000	-	-
Total		<u>43,30,000</u>	<u>45,00,000</u>	<u>1,70,000</u>	<u>3.93</u>
(2)) Assets :					
1 Non-current assets :					
(a) Fixed assets					
(i) Tangible assets :					
Machines		15,00,000	16,00,000	1,00,000	6.67
Furniture		5,00,000	6,00,000	1,00,000	20.00
(ii) Intangible assets :					
Goodwill		1,00,000	80,000	(20,000)	(20.00)
Patent		7,30,000	7,50,000	20,000	2.74
(b) Non-current investments		8,00,000	9,00,000	1,00,000	12.50
2 Current assets:					
(i) Stock		1,60,000	1,80,000	20,000	12.50
(ii) Trade receivables		2,00,000	1,80,000	(20,000)	(10.00)
(iii) Current investments		2,70,000	1,40,000	(1,30,000)	-

(iv) Cash and cash equivalent		70,000	70,000	-	-
Total		<u>43,30,000</u>	<u>45,00,000</u>	<u>1,70,000</u>	<u>(3.93)</u>

20. Prepare common size statement of profit and loss from the following profit and loss statements of two years.

Particulars	Note No.	31-3-2017 (Rs.)	31-3-2016 (Rs.)
(I) Sales revenue		48,00,000	40,00,000
(II) Other income		4,80,000	2,40,000
(III) Total income		52,80,000	42,40,000
(IV) Expenses :			
(i) Cost of goods consumed		26,40,000	20,80,000
(ii) Net purchase		2,40,000	1,60,000
(iii) Changes in stock		(2,40,000)	1,20,000
(iv) Employees benefit expenses		7,20,000	6,00,000
(v) Financial cost		4,80,000	4,80,000
(vi) Depreciation		5,76,000	4,00,000
Total Expenses Profit before tax		44,16,000	38,40,000
(III) Profit before tax		8,64,000	4,00,000
(IV) Less : Income tax (30%)		2,59,200	1,20,000
(V) Profit after tax		<u>6,04,800</u>	<u>2,80,000</u>

Ans. :

**Common size statement of profit and loss for the year
ending on 31-3-2016 and 31-3-2017**

Particulars	Note No.	Amount (Rs.)		Percentage In Sales	
		31-3-2016 (Rs.)	31-3-2017 (Rs.)	31-3-2016 (%)	31-3-2017 (%)
(I) Sales revenue		40,00,000	48,00,000	100.00	100.00
(II) Other income		2,40,000	4,80,000	6.00	10.00
(III) Total income		42,40,000	52,80,000	106.00	110.00
(IV) Expenses :					
(i) Cost of goods consumed		20,80,000	26,40,000	52.00	55.00
(ii) Net purchase		1,60,000	2,40,000	4.00	5.00
(iii) Changes in stock		1,20,000	(2,40,000)	3.00	(5.00)
(iv) Employees benefit expenses		6,00,000	7,20,000	15.00	15.00
(v) Financial cost		4,80,000	4,80,000	12.00	10.00
(vi) Depreciation		4,00,000	5,76,000	10.00	12.00
Total Expenses Profit before tax		38,40,000	44,16,000	96.00	92.00
(III) Profit before tax		4,00,000	8,64,000	10.00	18.00
(IV) Less : Income tax (30%)		1,20,000	2,59,200	3.00	5.40
(V) Profit after tax		<u>2,80,000</u>	<u>6,04,800</u>	<u>7.00</u>	<u>12.60</u>

21. From the following transactions, identify transactions of financing activities:
(i) Sale of machine

- (ii) Redemption of preference Share capital
- (iii) Dividend paid
- (iv) Interest paid
- (v) Dividend received
- (vi) Borrowed bank overdraft
- (vii) Purchase of investments
- (viii) Issue of new equity shares
- (ix) Interim dividend paid
- (x) Interest received
- (xi) Borrowed bank loan
- (xii) Commission received

Ans. :

No. Transaction Explanation

- (i) Sale of machine It is not financing activity.
- (ii) Redemption of preference Share capital It is financing activity.
- (iii) Dividend paid It is financing activity.
- (iv) Interest paid It is financing activity.
- (v) Dividend received It is financing activity.
- (vi) Borrowed bank overdraft It is financing activity.
- (vii) Purchase of investments It is not financing activity.
- (viii) Issue of new equity shares It is financing activity.
- (ix) Interim dividend paid It is financing activity.
- (x) Interest received It is not financing activity.
- (xi) Borrowed bank loan It is financing activity.
- (xii) Commission received It is not financing activity.

22. From the following transactions calculate cash flow from operating activities:

Particulars	(Rs.)
Profit before taxes	99,000
Income tax provision	29,000
Proposed dividend	39,000
Depreciation	22,000
Dividend received	21,000
Interest received	20,000
Interest paid	28,000
Goodwill written off	15,000

Ans. :

Cash flow from Operating Activities:

Particulars	(Rs.)	(Rs.)
Profit before taxes		99,000
Add: Non-cash expenses appropriation and provisions :		
Income tax provision	29,000	
Proposed dividend	39,000	
Goodwill written off	15,000	
Depreciation	22,000	

Interest paid	28,000	1,33,000
		2,32,000
Less: Non-operating incomes :		
Interest received	20,000	
Dividend received	21,000	
Profit on sale of asset	12,000	53,000
Profit (cash flow) before changes in Working Capital		<u>1,79,000</u>

Section D

*** Answer The Following Questions With Necessary Calculations. [16]**

23. As certain balancing figures for the following common size profit-loss statement :

No.	Particulars	Note No.	Amount in ₹		Percentage with sales	
			31-3-2019 (in ₹)	31-3-2018 (in ₹)	31-3-2019 (in %)	31-3-2018 (in %)
I	Sales revenue		75,00,000	60,00,000	100	100
II	Expenses		?	?	90	80
III	Profit before income tax		?	?	10	20
IV	Less : Income tax (30 %)		?	?	3	6
V	Profit after income tax		?	?	?	14

Ans. :

Commonsize statement of profit-loss for the year ending on 31-3-2018 and 31-3-2019 :

No.	Particulars	Note No.	Amount (in ₹)		Percentage of sales	
			31-3-2019 (in ₹)	31-3-2018 (in ₹)	31-3-2019 (in %)	31-3-2018 (in %)
I	Revenue from sales		75,00,000	60,00,000	100	100
II	Expenses		67,50,000	48,00,000	90	80
III	Profit before income tax		7,50,000	12,00,000	10	20
IV	Less : Income tax (30 %)		2,25,000	3,60,000	3	6
V	Profit after income tax		5,25,000	8,40,000	7	14

24. Balance sheets of Sunrise Ltd. as on 31-3-2018 and 31-3-2019 are as follows. From it prepare comparative statement :

Particulars	Note No.	31-3-2019 (Amount in ₹)	31-3-2018 (Amount in ₹)
I Equity and liabilities :			
(1) Shareholders fund		36,00,000	30,00,000
(2) Non-current liabilities		12,00,000	10,00,000
(3) Current liabilities		4,00,000	5,00,000
Total		52,00,000	45,00,000
II Assets :			
(1) Non-current assets		40,00,000	35,00,000
(2) Current assets		12,00,000	10,00,000
Total		52,00,000	45,00,000

Ans. :

Comparative balance sheet of Sunrise Limited as at 31-3-2018 and 31-3-2019 :

No.	Particulars	Note No.	31-3-2018 (in ₹)	31-3-2019 (in ₹)	Increase/ Decrease (in ₹)	Increase/ Decrease (in %)
I	Equity and Liabilities					
	(1) Shareholders' fund		30,00,000	36,00,000	6,00,000	20
	(2) Non-current liabilities		10,00,000	12,00,000	2,00,000	20
	(3) Current liabilities		5,00,000	4,00,000	(1,00,000)	(20)
	Total		45,00,000	52,00,000	7,00,000	15.56
II	Assets					
	(1) Non-current assets		35,00,000	40,00,000	5,00,000	14.29
	(2) Current assets		10,00,000	12,00,000	2,00,000	20
	Total		45,00,000	52,00,000	7,00,000	15.56

25. From the following information of 'R' company Limited, calculate total assets-debt ratio:

Particulars	(Rs.)	Particulars	(Rs.)
Preference Share Capital	6,00,000	Non-current liabilities	4,00,000
Equity Share Capital	10,00,000	Current liabilities	4,00,000
Reserve and surplus	2,00,000		

Ans. : In the sum total assets value is not given but detail of capital liabilities side are given. Therefore, total of capital-liabilities side will be considered as total of assets.

Total of equity-
liabilities = Total assets.

Equity share capital	6,00,000	
Preference share capital	10,00,000	
Reserves and surplus	2,00,000	
Non-current liabilities	4,00,000	
Current liabilities	<u>4,00,000</u>	26,00,000

$$\begin{aligned} \text{Total assets-debt ratio} &= \frac{\text{Total assets}}{\text{Debt (Long term liabilities / Non-current liabilities)}} \\ &= \frac{26,00,000}{4,00,000} \\ &= 6.5:1 \end{aligned}$$

26. From the following information calculate current ratio and liquid ratio:

Particulars	(Rs.)	Particulars	(Rs.)
Stock	3,00,000	Bills receivables	75,000
Debtors	2,50,000	Bad debts reserve	20,000
Cash and cash equivalent	1,20,000	Expenses paid in advance	60,000
Furniture	1,60,000	Creditors	2,00,000
Bills payable	60,000	Outstanding expenses	50,000
Short-term loan	40,000		

Ans. :

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current Assets :

Debtors	2,50,000
+ Bills receivables	75,000
- Bad debts reserve	20,000
 + Stock	 3,00,000
+ Cash and cash equivalent	<u>1,20,000</u>
	= 7,25,000

Current Liabilities :

Bills Payables	60,000
+ Short-term loan	40,000
+ Unpaid expense	50,000
+ Creditors	<u>2,00,000</u>
	= 3,50,000

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$= \frac{7,25,000}{3,50,000}$$

$$= 2.071\%$$
