

Financial Statements of a Company

Multiple Choice Questions (MCQs):

Question 1.

Preliminary expense are required to be written off within _____ from the date of incurring.

- (a) one year
- (b) five years
- (c) same year
- (d) three years

▼ [Answer](#)

Answer: (c) same year

Question 2.

In the notes to accounts, share capital in which company has not called the entire face value of shares is shown under the notes to accounts.

- (a) Subscribed and fully paid up capital
- (b) Subscribed but not fully paid up capital
- (c) Reserve Capital
- (d) None of these

▼ [Answer](#)

Answer: (b) Subscribed but not fully paid up capital



- (b) Subscribed but not fully paid up capital
- (c) Reserve Capital
- (d) None of these

▼ [Answer](#)

Answer: (b) Subscribed but not fully paid up capital

Question 3.

The debentures to be redeemed within 12 months from the date of balance sheet is shown under

- (a) short term borrowings
- (b) long term borrowings
- (c) other current liabilities
- (d) long term liabilities

▼ [Answer](#)

Answer: (c) other current liabilities

Question 4.

Which of the following item will not appear under short term provisions

- (a) Provision for tax
- (b) Proposed Dividend
- (c) Provision for retirement benefits
- (d) Provision for doubtful debts

▼ [Answer](#)

Answer: (c) Provision for retirement benefits

Question 5.

Capital Reserve will be shown under

- (a) current liabilities
- (b) share capital
- (c) reserves and surplus
- (d) deferred tax liabilities

▼ [Answer](#)

Answer: (c) reserves and surplus

Question 6.

Dividend is paid on

- (a) authorised capital
- (b) issued capital



- (c) called up capital
- (d) paid up capital

▼ [Answer](#)

Answer: (d) paid up capital

Question 7.

Which of the following is not required to be prepared under companies act

- (a) Statement of Profit and Loss
- (b) Balance Sheet
- (c) Cash Flow Statement
- (d) Funds Flow Statement

▼ [Answer](#)

Answer: (d) Funds Flow Statement

Question 8.

Goodwill appears in a company's balance sheet under

- (a) Unamortised assets
- (b) Non-current investments
- (c) Intangible assets
- (d) Tangible assets

▼ [Answer](#)

Answer: (c) Intangible assets

Question 9.

Which of the following is not required to be prepared under companies act

- (a) Statement of Profit and Loss
- (b) Balance Sheet
- (c) Cash Flow Statement
- (d) Funds Flow Statement

▼ [Answer](#)

Answer: (d) Funds Flow Statement

Question 10.

Claims against the company not acknowledged as debts is shown under

- (a) current liabilities
- (b) non-current liabilities
- (c) commitments
- (d) contingent liabilities



▼ [Answer](#)

Answer: (d) contingent liabilities

Fill in the Blanks with correct word:

Question 11.

The balance sheet of company is prepared under schedule _____ part _____.

▼ [Answer](#)

Answer: III,I

Question 12.

The financial statements are prepared under the provisions of Companies Act, _____.

▼ [Answer](#)

Answer: 2013

Question 13.

Schedule VI has been replaced with schedule _____ in the new company law.

▼ [Answer](#)

Answer: III

Question 14.

Balance sheet of a company can be prepared only in _____ form.

▼ [Answer](#)

Answer: Vertical

Question 15.

The new Companies Act has replaced the concept of _____ with _____ to Accounts.

▼ [Answer](#)

Answer: Schedules,notes

Question 16.

Cash and Cash Equivalents will be shown under _____.

▼ [Answer](#)



Answer: Current assests

Question 17.

Dr. balance of Statement of Profit and Loss is shown under _____ as _____ item.

▼ [Answer](#)

Answer: Reserves and surplus,Negative

Question 18.

Discount on issue of debentures to be written off after 12 months from the reporting date of balance sheet are shown under _____.

▼ [Answer](#)

Answer: Non current assests

Question 19.

Share capital consist of _____ share capital and _____ share capital.

▼ [Answer](#)

Answer: Equity,preference

Question 20.

Long term provisions are expected to be settled _____ 12 months after the reporting date of balance sheet.

▼ [Answer](#)

Answer: Beyond

[State whether the following statements are true or false:](#)

Question 21.

Bank charges are shown under finance costs.

▼ [Answer](#)

Answer: False

Question 22.

Share forfeiture account is shown under subscribed capital but fully paid up.



▼ [Answer](#)

Answer: False

Question 23.

Money received against share warrants is shown under the heading reserves and surplus.

▼ [Answer](#)

Answer: False

Question 24.

Statement of profit and loss carrying positive value or negative value, is always shown under Reserves and Surplus.

▼ [Answer](#)

Answer: True

Question 25.

Trade payables does not include sundry creditors.

▼ [Answer](#)

Answer: False

Question 26.

Interest received by non-finance Company is shown under revenue from operations.

▼ [Answer](#)

Answer: False

Question 27.

Sale of scrap in case of manufacturing company is a part of revenue from operations.

▼ [Answer](#)

Answer: True

Question 28.

Calls in advance is shown under other current liabilities.

▼ [Answer](#)



Answer: True

Question 29.

Discount allowed to receivables is shown under the heading finance costs.

▼ [Answer](#)

Answer: False

Question 30.

Call in arrears are shown as other current assets as it is the amount receivable.

▼ [Answer](#)

Answer: False

One word Questions:

Question 31.

State the importance of financial analysis for labour unions. (CBSE SP 2019-20)

▼ [Answer](#)

Answer: Labor unions analyse the financial statements to assess whether an enterprise can increase their pay.

Question 32.

If operating is not given, what is the time for the operating cycle assumed?

▼ [Answer](#)

Answer: 12 months.

Question 33.

If the operating cycle is given for 12 months and the payment cycle for trade payables is 15 months, how will you classify the liability?

▼ [Answer](#)

Answer: Non-current Liability.

Question 34.

Name any one line item that can be shown under the major heading 'Equity and Liabilities' in a company's Balance Sheet.

▼ [Answer](#)

Answer: Shareholders' Funds

Question 35.

Name any one item that can be disclosed under 'Short Term Provisions'.

▼ [Answer](#)

Answer: Provision for Doubtful debts.

Question 36.

How would you treat preliminary expenses?

▼ [Answer](#)

Answer: Preliminary expenses are written off in the year in which they are incurred.

Question 37.

Give one example of unamortised expenses.

▼ [Answer](#)

Answer: Discount on issue of shares / debentures.

Question 38.

State any one component of shareholders' funds.

▼ [Answer](#)

Answer: Reserves & Surplus.

Question 39.

How would you treat share forfeiture account?

▼ [Answer](#)

Answer: Added in the subscribed.

Question 40.

Mention one component of Reserves and Surplus.

▼ [Answer](#)

Answer: Securities Premium Reserves.



Question 41.

Pratiksha Cartons Limited has given guarantee of ₹ 75,00,000 to a bank for raising loans from the bank by its subsidiary company. Where will this be shown in books of the company?

▼ [Answer](#)

Answer: This will be mentioned in Notes to Accounts.

