

Chapter - 9 Financial Statements -1

Question 1

What are the financial statements?

Answer: Financial statement is a statement which presents financial profit data and financial status of a company.

Question 2

Which are the statement that is included in the financial statement?

Answer: The statement that is included in the financial statement are.

- Balance Sheet
- Trading and Profit and Loss A/c

Question 3

Which is a trading account?

Answer: A trading account is a financial statement that shows the result of the purchase and selling of goods and services of an accounting year.

Question 4

Which is gross profit?

Answer: Gross profit is the surplus of a selling price of a product over the cost of goods sold.

Question 5

State the formula to calculate operating profit from net profit.

Answer: Operating Profit = Net Profit – Non-Operating Income + Non-Operating Expenses

Question 6

State the formula to calculate the cost of goods sold.

Answer: Cost of goods sold = Sales – Gross Profit

Or

Opening Stock + Purchases + Direct Expenses – Closing Stock

Question 7

Define Balance Sheet.

Answer: A Balance Sheet is a statement which shows the liabilities, assets and shareholder's equity of the enterprise. This statement comprises of 2 major groups in which it is categorized, namely, assets, which is classified into Non – Current Assets and Current assets. Current Assets are such assets which are easily transformed into cash. On the other hand, the Non – Current Assets are such types of assets with the assistance of which the enterprise operates the enterprise.

Question 8

Give two characteristics of the balance sheet.

Answer: The two characteristics of the balance sheet are.

- Determine the financial position of the enterprise on a specific date
- The balance sheet has two sides Assets and Liabilities

Question 9

Define Net profit

Answer: Net profit refers to the surplus of all the revenues overall expenses and losses of a company.

Question 10

Give true or false. Goodwill is a tangible asset

Answer: False

Question 11

The current asset does not include closing stock

Answer: False

Question 12

A balance sheet is arranged in a particular date and not for a particular accounting period.

Answer: True

Question 13

Goodwill is

1. Current Asset
2. Tangible Asset
3. Intangible Asset
4. Fictitious Asset

Answer: Intangible Asset

Question 14

Balance of petty cash is

1. Expenses
2. Income
3. Liability
4. Asset

Answer: Asset

Question 15

The purpose of preparing a final account is to determine

1. Profit and Loss
2. Capital
3. The value of Assets
4. Profit and Loss and Financial position

Answer: Profit and Loss and Financial position