

NCERT Solution for Class 12 Accountancy Chapter 3 - Financial Statements of a Company

Short Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 3

1. State the meaning of financial statements?

Financial statements are the end products of an accounting process, it provides a true picture of the performance of the company over a time period and such a statement is used by different users of accounting information.

These statements are prepared annually

2. What are limitations of financial statements?

Limitation are:

1. Financial statements reflect historical data i.e it reflects the original price of the items or the price at which items were acquired. It fails to highlight the current price of items as per market and also inflated price due to rising inflation in the market. Hence data and information are historical in nature.
2. Financial statement do not portray the qualitative aspects of any transaction, the aspects such as size, colour, quality and the capabilities. Only quantitative data which can be expressed in monetary value are considered
3. Financial statement are biased in nature as it is dependent on human interference.
4. It becomes difficult to assess the performance of another company
5. It will be difficult to forecast as the statement is prepared based on historical data.

3. List any three objectives of financial statements?

The objectives of preparing financial statements are:

1. A financial statement provides timely and reliable information on the economic status of a company on a periodical basis. It also makes information available to external users or stakeholders who do not have direct access to the information.
2. A financial statement helps in revealing the true financial position of a company. It contains information related to liquidity, profitability, financial viability and solvency of an organisation.
3. A financial statement is helpful in evaluating the earning capacity of a firm.

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4. State the importance of financial statements to

- (i) shareholders**
- (ii) creditors**
- (iii) government**
- (iv) investors**

Following are the importance of financial statements for:

1. **Shareholders:** For a shareholder, a financial statement is helpful in determining viability and profit making capacity of a business. It provides businesses with sufficient data to analyse the financial health and performance of the business.
2. **Creditors:** A financial statement is essential for a creditor to understand the credit worthiness of the business along with liquidity. It helps them to decide whether further investments can be done for this business.
3. **Government:** A financial statement helps government in determining GDP, national income, industrial growth etc. which leads to formulation of various policies and addressing problems like poverty and unemployment etc.
4. **Investors:** For Investors who have invested or those planning to invest, a financial statement is necessary. Financial statement helps determining the prospects and viability of new investments.

5. How will you disclose the following items in the Balance Sheet of a company:

- (i) Loose Tools**
- (ii) Uncalled liability on partly paid-up shares**
- (iii) Debentures Redemption Reserve**
- (iv) Mastheads and publishing titles**
- (v) 10% debentures**
- (vi) Proposed dividends**
- (vii) Share forfeited account**
- (viii) Capital Redemption Reserve**
- (ix) Mining Rights**
- (x) Work-in-progress**

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Disclosure of various items in the Balance Sheet of a company is given below.

Items		Main Head	Sub-Head
(i)	Loose Tools	Current Assets	Inventories
(ii)	Uncalled liability on partly paid-up shares	Contingent Liability and Capital Commitments	Capital Commitments
(iii)	Debentures Redemption Reserve	Shareholders' Funds	Reserve and surplus
(iv)	Mastheads and publishing titles	Non-Current Assets	Fixed Assets – Intangible assets
(v)	10% debentures	Non-Current Liabilities	Long-Term Borrowings
(vi)	Proposed dividend	Current Liabilities	Short-Term Provisions
(vii)	Share forfeited account	Shareholders' Funds	Subscribed Capital (to be added)
(viii)	Capital Redemption Reserve	Shareholders' Funds	Reserve and surplus
(ix)	Mining Rights	Non-Current Assets	Fixed Assets – Intangible assets
(x)	Work-in-progress	Current Assets	Inventories

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Long Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 3

1. Explain the nature of the financial statements.

The nature of financial statements are:

1. Financial statement record facts about the items at the original price at which they were purchased and doesn't take into account the prevailing market price, and also do not include price fluctuations due to inflation.
2. The financial statements are created based on various accounting conventions such as Prudence convention, matching concept etc. and adhering to such conventions result in the statements being easy to understand, compare and reflect the fair and true financial situation of the organisation.
3. A financial statement is based on many concepts such as going concern concept, realisation concept, and money measurement concept. A financial statement adheres to all these concepts when financial statements are prepared.
4. In preparing financial statements personal judgements play an important role. For example when determining which method to charge depreciation and recording of stock at market value or cost price. All these are based on personal judgement.

2. Explain in detail about the significance of the financial statements.

Importance of financial statements:

1. It provides information to various users of accounting information which can be both internal and external. Users derive information as per their needs from such statements. For example it provides shareholders an idea about the viability of business while the same statement can be used by tax authorities to determine tax payable by organisation.
2. It helps management in comparing performance which can be on both inter and intra firm basis, it helps in determining the viability of business and also is helpful in framing of policies for business. It enhances the decision making capabilities of the management.
3. Financial statements help creditors and investors determine the state of solvency of a business which influences decision to offer loans and credit.

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4. Financial statements help provide information on different policies, methods, best practices and accounting processes. Disclosing accounting policies simplifies financial statements and makes users of accounting information.

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5. The government uses accounting information to determine various parameters of national growth like GDP, National Income, Industrial growth etc.
6. Investors need information on business solvency and profitability to offer further loans and invest in business and such information is obtained from financial statements.

3. Explain the limitations of financial statements.

Limitation are:

1. Financial statements reflect historical data i.e. it reflects the original price of the items or the price at which items were acquired. It fails to highlight the current price of items as per market and also inflated price due to rising inflation in the market. Hence data and information are historical in nature.
2. Financial statement do not portray the qualitative aspects of any transaction, the aspects such as size, colour, quality and the capabilities. Only quantitative data which can be expressed in monetary value are considered.
3. Financial statement are biased in nature as it is dependent on the personal judgement regarding the way transactions are recorded
4. It becomes difficult to assess the financial performance of one company with another due to differences in practices and methods adopted by each company.
5. It will be difficult to forecast as the statement is prepared based on historical data as it fails to capture inflation rates.
6. The company can manipulate the data to show better liquidity position which can give false impression to the investors leading to project cancellation

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4. Prepare the format of statement of Profit and Loss and explain its items.

As per the REVISED SCHEDULE VI, the statement is as follows
Statement of Profit and Loss

For year ended...

S. No.	Particulars	Note No.	Figures for the Current Year	Figures for the Previous Year
I	Revenue from Operations			
II	Other Income			
III	Total Revenue (I + II)			
IV	Expenses:			
	Cost of Material Consumed			
	Purchase of Stock-in-Trade			
	Changes in inventories of finished goods			
	Work-in-progress and Stock-in-Trade			
	Employee Benefit Expenses			
	Finance Cost			
	Depreciation and Amortisation Expenses			
	Other Expenses			
	Total Expenses			
V	Profit before exceptional and extraordinary items and tax (III – IV)			
VI	Exceptional items			
VII	Profit before extraordinary item and tax (V – VI)			
VIII	Extraordinary Items			
IX	Profit Before Tax (VII – VIII)			
X	Tax Expenses			
	(1) Current Tax			
	(2) Deferred Tax			
XI	Profit/(Loss) for period from continuing operations (IX – X)			
XII	Profit/ (Loss) from discontinuing operations			
XIII	Tax expenses of discontinuing operations			
XIV	Profit/(Loss) from discontinuing operations (after Tax (XII – XIII))			
XV	Profit (Loss) for the period (XI + XIV)			
XVI	Earning Per Equity Shares			
	(1) Basic			
	(2) Diluted			

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Items of Profit and Loss Statement are:

1. **Revenue from Operations:** Revenue which is earned from the basic operating activities of an organisation. The source of revenue varies for financing and non-financing companies. For financing companies the revenue sources are: Interest, dividends and other types of financial services while for a non-financing company, it includes revenues earned from sales of products and services and other operating activities.
2. **Other Incomes:** Refers to incomes that are earned separately and not from any operating activity. These are the sources: Gain on sale of investments, income from interest, dividends as such.
3. **Expenses:** These include all the expenses such as cost of materials consumed, purchasing of stock in trade, also changes in inventories, stock in trade and work in progress.

5. Prepare the format of balance sheet and explain the various elements of balance sheet.

COMPANY'S BALANCE SHEET- As per REVISED SCHEDULE VI

Name of the Company...

BALANCE SHEET

as on...

Particulars	Note No.	Figures as at the end of Current Year	Figures as at the end of the Previous Year
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 Provision			
TOTAL			

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<p>II. ASSETS</p> <p>(1) Non-Current Assets</p> <p>(a) Fixed Assets</p> <p style="padding-left: 20px;">(i) Tangible Assets</p> <p style="padding-left: 20px;">(ii) Intangible Assets</p> <p style="padding-left: 20px;">(iii) Capital Work-in-Progress</p> <p style="padding-left: 20px;">(iv) Intangible assets under development</p> <p>(b) Non-Current Investments</p> <p>(c) Deferred tax assets (net)</p> <p>(d) Long-Term Loans and Advances</p> <p>(e) Other Non-Current Assets</p> <p>(2) Current Assets</p> <p>(a) Current Investments</p> <p>(b) Inventories</p> <p>(c) Trade Receivables</p> <p>(d) Cash and Cash Equivalents</p> <p>(e) Short-Term Loans and Advances</p> <p>(f) Other Current Assets</p>			
TOTAL			

The elements of a balance sheet consists of:

A. Shareholder Funds

1. Share Capital consists of Authorised capital, Subscribed capital and Issued capital equity and preference share.
2. Reserves and Surplus consists of Capital Reserve, Debenture Redemption, Capital Redemption Reserve, Tax Reserve, General Reserve and Share warrants. Share warrants provide the holder to have ownership of equity shares of a company. When money is received from selling share warrants it is called as money received against warrants.

B. Share Application money pending allotment: It refers to application on which allotment is pending but amount is received. It takes place when a company issues equity shares publicly in order to raise funds.

C. Non-Current Liabilities: It consists of following items: long term borrowings, deferred tax liabilities, long term provisions and other long term liabilities.

D. Current liabilities: It consists of following items: short term liabilities, trade payables, short term provisions

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E. Assets which include Non-current and Current Assets. Non-current assets can be long term loans, plant, machinery, furniture, goodwill etc. while current assets are investment in shares and debentures, finished goods, raw materials, cash and cash equivalents, bank balance, cheques not encashed, short-term.

6. Explain how financial statements are useful to the various parties who are interested in the affairs of an undertaking?

The various parties interested in financial statements of a company can be broadly classified as: 1. Internal and 2. External

Internal Users

1. Owners: The interest of an owner is towards knowing whether profit is earned or loss is incurred by the business. They are more interested in knowing about the viability of the capital that is invested in the business.

2. Management: Financial statements help management in devising new policies for growth of business and also provides management with the insights required for implementing various cost cutting measures.

3. Employees: They are interested in timely payments, bonuses and appraisals at the decided time. Financial statements help employees to learn about financial position of the organisation so that appropriate salary can be demanded.

External Users:

1. Banks and Financial Institutions: Such institutions provide credit so it is necessary to understand the liquidity, solvency and creditworthiness of the organisation for loan requirements in future.

2. Creditors: Businesses owe money to creditors and hence it is important for them to have information about credit worthiness of the business.

3. Investors or potential investors: These are people who will provide funds by means of investment in business, hence the viability and solvency of an organisation will help in making investment decisions.

4. Tax Authorities: Information is required by them for determining the types of taxes that can be charged on the organisation.

5. Government: Government needs information to determine National Income, GDP and industrial growth. Financial statements help government in formulating various policies and address issues like poverty and unemployment.

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6. Consumers: An organisation publishing financial statement makes consumers aware of the profits they are earning and the relative expenses that goes into providing services at affordable prices, thus helping in gaining a good name among consumers.

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7. Public: Public knowledge of financial statements is about how the business is spending money for social welfare.

8. Researchers: Researchers use the financial statements to predict market trends and undertake research projects.

7. `Financial statements reflect a combination of recorded facts, accounting conventions and personal judgments' discuss.

Financial statements reveal the true financial position of a company and help in formulating various decisions and policy making. The nature of financial statements are dependent on these aspects:

1. Financial statement record facts about the items at the original price at which they were purchased and doesn't take into account the prevailing market price, and also do not include price fluctuations due to inflation.

2. The financial statements are created based on various accounting conventions such as Prudence convention, matching concept etc. and adhering to such conventions result in the statements being easy to understand, compare and reflect the fair and true financial situation of the organisation.

3. A financial statement is based on many concepts such as going concern concept, realisation concept, and money measurement concept. A financial statement adheres to all these concepts when financial statements are prepared.

4. In preparing financial statements personal judgements play an important role. For example when determining which method to charge depreciation and recording of stock at market value or cost price. All these are based on personal judgement.

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8. Explain the process of preparing income statement and balance sheet.

Process of preparing income statement and balance sheet is as follows:

Income Statement:

1. Prepare a trial balance as per balance of different accounts in the ledger.
2. Determine revenue received from the business operation which is achieved by subtracting sales return from sales conducted.
3. Add incomes received other than revenue (such as cash discount, profit earned from sale of assets).
4. Deduct expenses from total revenue to determine profit before tax.
5. Deduct tax paid by company from the amount determined as profit before tax to arrive at Net Profit or Loss.

Balance Sheet:

Balance sheet consists of two parts: Equity and Liabilities and Assets.

1. The equity and liabilities contain shareholder funds, non-current liabilities, current liabilities and share application money pending allotment are recorded.
2. Assets are recorded next, it contains all non-current and current assets
3. Tally the total of both sides. It must be equal for the total to tally.

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Numerical Questions for NCERT Accountancy Solutions Part 2 Class 12 Chapter 3

1. Show the following items in the balance sheet as per the provisions of the Companies Act, 2013 in Schedule III:

Particulars	₹	Particulars	₹
Preliminary Expenses	2,40,000	Good will	30,000
Discount on issue of shares	20,000	Loose tools	12,000
10% Debentures	2,00,000	Motor Vehicles	4,75,000
Stock in Trade	1,40,000	Provision for tax	16,000
Cash at bank	1,35,000		
Bills receivable	1,20,000		

The solution for this question is as follows:

Extract of Balance Sheet as at March 31, 2013

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
2. Non-Current Liabilities		
a. Long-term Borrowings	1	2,00,000
3. Current Liabilities		
a. Other Current Liabilities		
b. Short-term Provisions	2	16,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	3	4,75,000
ii. Intangible Assets	4	30,000
b. Non-Current Investments		
2. Current Assets		
a. Inventories	5	1,52,000
b. Trade Receivables	6	1,20,000
c. Cash and Cash Equivalents	7	1,35,000
d. Other Current Assets	8	2,60,000

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Notes to Accounts

Particulars	Amount (₹)
1. Long Term Borrowings	
10% Debentures	2,00,000
2. Short Term Provisions	
Provision for Tax	16,000
3. Tangible Assets	
Motor Vehicles	4,75,000
4. Intangible Assets	
Goodwill	30,000
5. Inventory	
Loose Tools	12,000
Stock	1,40,000
	1,52,000
6. Trade Receivables	
Bill Receivable	1,20,000
7. Cash and Cash equivalents	
Cash at Bank	1,35,000
8. Other Current Assets	
Preliminary Expenses	2,40,000
Discount on Issue of Shares	20,000
	2,60,000
	2,60,000

2. On 1st Aril, 2017, Jumbo Ltd. issued 10,000; 12% debentures of ₹. 100 each a discount of 20%, redeemable after 5 years. The company decided to write-off discount on issue of such debentures over the life time of the Debentures. Show the items in the balance sheet of the company immediately after the issue of these debentures.

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The solution for this question is as follows:

Balance Sheet
as at April 01, 2017

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital		
b. Reserves and Surplus		
2. Non-Current Liabilities		
a. Long-term Borrowings	1	10,00,000
3. Current Liabilities		
a. Other Current Liabilities		
b. Short-term Provisions		
Total		10,00,000
II. Assets		
1. Non-Current Assets		
a. Other Non-Current Assets	2	1,60,000
2. Current Assets		
a. Other Current Assets	3	40,000
b. Cash and Cash Equivalents	4	8,00,000
Total		10,00,000

Notes to Accounts

Particulars	Amount (₹)
1. Long Term Borrowings	
12% Debentures	10,00,000
2. Other Non-current assets	
Unamortized discount on issue of Debentures	1,60,000
3. Other Current Assets	
Unamortized discount on issue of Debentures	40,000
4. Cash and Cash Equivalents	
Bank	8,00,000

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3. From the following information prepare the balance sheet of Gitanjali Ltd., as per the (Revised) Schedule VI:

Inventories ₹. 14,00,000; Equity Share Capital ₹. 20,00,000; Plant and Machinery ₹. 10,00,000; Preference Share Capital ₹. 12,00,000; Debenture Redemption Reserve ₹. 6,00,000; Outstanding Expenses ₹. 3,00,000; Proposed Dividend ₹. 5,00,000; Land and Building ₹. 20,00,000; Current Investments ₹. 8,00,000; Cash Equivalent ₹. 10,00,000; Short term loan from Zaveri Ltd. (A Subsidiary Company of Twilight Ltd.) ₹. 4,00,000; Public Deposits ₹. 12,00,000.

The solution for this question is as follows:

Balance Sheet
as on ...

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	32,00,000
b. Reserves and Surplus	2	6,00,000
2. Non-Current Liabilities		
a. Long-term Borrowings	3	12,00,000
3. Current Liabilities		
a. Other Current Liabilities	4	3,00,000
b. Short-term Borrowings	5	4,00,000
c. Short-term Provisions	6	5,00,000
Total		62,00,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets		
ii. Intangible Assets	7	30,00,000
b. Non-Current Investments		
2. Current Assets		
a. Inventories		14,00,000
b. Current Investments		8,00,000
c. Cash and Cash Equivalents		10,00,000
Total		62,00,000

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Notes to Accounts

Particulars		Amount (₹)
1. Share Capital		
Equity Share Capital	20,00,000	
Preference Share Capital	12,00,000	32,00,000
		32,00,000
2. Reserve and Surplus		
Debenture Redemption Reserve		6,00,000
3. Long-term Borrowings		
Public Deposits		12,00,000
4. Other Current Liabilities		
Outstanding Expenses		3,00,000
5. Short-term Borrowings		
Loan from Zaveri Ltd.		4,00,000
6. Short-Term Provisions		
Proposed Dividend		5,00,000
7. Tangible Assets		
Land and Building	20,00,000	
Plant and Machinery	10,00,000	30,00,000
		30,00,000

4. From the following information prepare the balance sheet of Jam Ltd. as per the (revised) Schedule VI:

Inventories ₹. 7, 00,000; Equity Share Capital ₹. 16, 00,000; Plant and Machinery ₹. 8, 00,000; Preference Share Capital ₹. 6, 00,000; General Reserve's ₹. 6, 00,000; Bills payable ₹. 1, 50,000; Provision for taxation ₹. 2, 50,000; Land and Building ₹. 16, 00,000; Noncurrent Investments ₹. 10, 00,000; Cash at Bank ₹. 5, 00,000; Creditors ₹. 2, 00,000; 12% Debentures ₹. 12,00,000.

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The solution for this question is as follows:

Balance Sheet as at March 31, 2013

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	22,00,000
b. Reserves and Surplus	2	6,00,000
2. Non-Current Liabilities		
a. Long-term Borrowings	3	12,00,000
3. Current Liabilities		
a. Short-term Borrowings		
b. Trade Payables	4	3,50,000
c. Short-term Provisions	5	2,50,000
Total		46,00,000
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	6	24,00,000
ii. Intangible Assets		10,00,000
b. Non-Current Investments		
2. Current Assets		
a. Inventories		
i. Finished Goods		7,00,000
ii. Raw Materials		5,00,000
b. Cash and Cash Equivalents		
i. Cash	7	5,00,000
ii. Bank Balances		5,00,000
Total		46,00,000

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Notes to Accounts

Particulars	Amount (₹)
1. Share Capital	
Equity Share Capital	16,00,000
Preference Share Capital	6,00,000
	22,00,000
2. Reserve and Surplus	
General Reserve	6,00,000
3. Long Term Borrowings	
12% Debentures	12,00,000
4. Trade Payables	
Creditors	2,00,000
Bills Payable	1,50,000
	3,50,000
	3,50,000
5. Short-Term Provisions	
Provision for Taxation	2,50,000
6. Tangible Assets	
Land and Building	16,00,000
Plant and Machinery	8,00,000
	24,00,000
	24,00,000
7. Cash and Cash Equivalents	
Bank	5,00,000

5. Prepare the balance sheet of Jyoti Ltd. as at March 31, 2017 from the following information:

Building ₹. 10,00,000; Investments in the shares of Metro Tyers ₹. 3,00,000; Stores & Spares ₹. 1,00,000; Discount on issue of 10% debentures ₹. 10,000; Statement of Profit and Loss (Dr.) ₹. 90,000; 5,00,000 Equity Shares of ₹. 20 each fully paid-up; Capital Redemption Reserve ₹. 1,00,000; 10% Debentures ₹. 3,00,000; Unpaid dividends ₹. 90,000; Share options outstanding account ₹. 10,000.

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The solution for this question is as follows:

Balance Sheet
as at March 31, 2017

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	10,00,000
b. Reserves and Surplus	2	10,000
2. Non-Current Liabilities		
a. Long-term Borrowings	3	3,00,000
3. Current Liabilities		
a. Other Current Liabilities	4	1,00,000
Total		14,10,000
II Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	5	10,00,000
b. Non-Current Investments	6	3,00,000
2. Current Assets		
a. Inventories	7	1,00,000
b. Other Current Assets	8	10,000
Total		14,10,000

Notes to Accounts

Particulars	Amount (₹)
1. Share Capital	
Equity Share Capital (50,000* shares of ₹ 20 each)	10,00,000
2. Reserve and surplus	
Capital Redemption Reserve	1,00,000
Less: Statement of Profit or Loss (Debit)	90,000
	10,000
3. Long-term Borrowings	
10% Debentures	3,00,000
4. Other Current Liabilities	
Unpaid Dividend	90,000
Share Option Outstanding	10,000
	1,00,000
5. Tangible Assets	
Building	10,00,000

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6. Non-Current Investments Shares of Metro Tyres	3,00,000
7. Inventory Stores and Spares	1,00,000
8. Other Current Assets Discount on Issue of 10% Debentures	10,000

6. Brinda Ltd. has furnished the following information:

- (a) 25,000, 10% debentures of ₹. 100 each;
- (b) Bank Loan of ₹. 10, 00,000 repayable after 5 years;
- (c) Interest on debentures is yet to be paid.

Show the above items in the balance sheet of the company as at March 31, 2017.

The solution for this question is as follows:

Extract of Balance Sheet
as at March 31, 2017

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a Share Capital		
b. Reserves and Surplus		
2. Non-Current Liabilities		
a. Long-term Borrowings	1	35,00,000
3. Current Liabilities		
a. Other Current Liabilities	2	2,50,000

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Notes to Accounts

Particulars		Amount (₹)
1. Long Term Borrowings		
12% Debentures	25,00,000	
Bank Loan	10,00,000	
		35,00,000
		35,00,000
2. Other Current Liabilities		
Interest on Debentures		2,50,000
		2,50,000

7. Prepare a balance sheet of Black Swan Ltd., as at March 31, 2017 form the following information:

General Reserve	:	3,000
10% Debentures	:	3,000
Statement of Profit & Loss	:	1,200
Depreciation on fixed assets	:	700
Gross Block	:	9,000
Current Liabilities	:	2,500
Preliminary Expenses	:	300
6% Preference Share Capital	:	5,000
Cash & Cash Equivalents	:	6,100

The solution for this question is as follows:

Extract of Balance Sheet as at March 31, 2017

Particulars	Note No.	Amount (₹)
I. Equity and Liabilities		
1. Shareholders' Funds		
a. Share Capital	1	5,000
b. Reserves and Surplus	2	4,200
2. Non-Current Liabilities		
a. Long-term Borrowings	3	3,000
3. Current Liabilities		2,500
Total		14,700
II. Assets		
1. Non-Current Assets		
a. Fixed Assets		
i. Tangible Assets	4	8,300
2. Current Assets		

Financial Statements of a Company

a. Cash and Cash Equivalents	5	6,100
b. Other Current Assets	6	300
Total		14,700

Notes to Accounts

Particulars	Amount (₹)
1. Share Capital	
6% Preference Share Capital	5,000
2. Reserve and Surplus	
General Reserve	3,000
Statement of Profit or Loss	1,200
	<u>4,200</u>
3. Long Term Borrowings	
10% Debentures	3,000
4. Tangible Assets	
Fixed Assets	9,000
Less: Depreciation	700
	<u>8,300</u>
5. Cash and Cash Equivalents	
Cash	6,100
6. Other Current Assets	
Preliminary Expenses	300