

ANSWERS

1. MULTIPLE CHOICE QUESTIONS

1. (2) **Explanation:** Horizontal analysis is a method of analysis where financial statements are compared to show financial performance over a specific period of time. It requires financial statements of two or more accounting periods.
2. (4) **Explanation:** External Analysis is conducted by those who do not have access to the detailed records of an enterprise and they have to depend on published financial statements and reports.
3. (3) **Explanation:** Financial statement analysis can be undertaken by Management to know the financial position and operational efficiency of the organisation.
Parties outside the enterprise can also conduct financial statement analysis to understand the earning capacity and forecasted profitability of the firm.
4. (1) **Explanation:** Horizontal Analysis compares and reviews financial statements over a number of years over a chosen base year. Hence, it is called Dynamic Analysis.
5. (1) **Explanation:** Balance Sheet provides information on financial position of an enterprise at a given point of time. For *e.g.*, Balance Sheet is prepared as at 31st March, 2022.
6. (4) **Explanation:** The parties interested in the analysis of Financial Statements include Creditors, Management, Employees, Investors.
7. (3) **Explanation:** The Annual Report is issued by a company to its shareholders, who use it to evaluate the firm's financial performance.
8. (4) **Explanation:** Commonly used tools of financial analysis are: Comparative Statements, Common-size Statements, Ratio Analysis, and Cash Flow Statement.
9. (3) **Explanation:** Vertical Analysis is considered static as it is carried out at one particular point of time and analyses the financial statements of one year only.
10. (1) **Explanation:** 'Calls-in-Advance' is shown as Other Current Liabilities under the main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet because it is the amount that has not been called by the company but has been received. It is expected to be settled within the period of 12 months or the period of Operating Cycle from the date of Balance Sheet.
11. (3) **Explanation:** 'Interest on loans accrued and due' means interest that is provided for in the books of accounts and is due for payment. It is shown under 'Other Current Liabilities'.
12. (3) **Explanation:** According to Schedule III of the Companies Act, 2013, Loose Tools & Stores and Spares are shown as inventory under Current Assets in preparing the Balance Sheet but they are excluded from Current Assets while calculating the Current Ratio since they are not held for the purpose of sale or conversion into cash.
13. (3) **Explanation:** Unclaimed dividend is the dividend which is declared by the company but the shareholder has not yet taken or claimed the dividend and can claim it any time. According to Schedule III of the Companies Act, 2013, It is shown as Other Current Liabilities under the head Current Liabilities in the Equity and Liabilities part of Balance Sheet.
14. (3) **Explanation:** Interest on Bank Overdraft is shown under Finance Costs, which is a separate head than Other Expenses in the Statement of Profit & Loss.
15. (1) **Explanation:** The analysis of financial statement helps creditors in assessing the short-term liquidity and creditworthiness of a business.
16. (3) **Explanation:** If debentures are payable within a period of 12 months, they will be considered as Current Liabilities and they will be shown as 'Current Maturities of Long-term Debts' under the subhead 'Other Current Liabilities' and main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet.
17. (2) **Explanation:** Debit balance of Statement of Profit & Loss means loss for the year and is shown as deduction from the balance of Surplus, *i.e.*, Balance in Statement of Profit & Loss (which is accumulated profits) under the sub-head 'Reserves and Surplus' and main head Shareholders' Funds in the Equity and Liabilities part of the Balance Sheet.

18. (3) **Explanation:** A set of Financial Statements includes:
- (i) Balance Sheet
 - (ii) Statement of Profit & Loss
 - (iii) Notes to Accounts
 - (iv) Cash Flow Statement
19. (4) **Explanation:** Property, Plant and Equipment and Intangible Assets include both tangible assets like building and intangible assets like Goodwill, Patents and Trademark. Intangible Assets are those assets which do not have physical existence.
20. (2) **Explanation:** Buildings are not Current assets as they are held for long-term use of the company and are shown as Property, Plant and Equipment and Intangible Assets under Non-current Assets.
21. (4) **Explanation:** According to Schedule III of the Companies Act, 2013, Current liabilities are the liabilities payable within 12 Month or within the period of Operating Cycle from the Balance Sheet Date, *i.e.*, from the end of the accounting period.
22. (2) **Explanation:** External users of financial statements are those users who do not have access to financial data, *i.e.*, financial records. Management has this access and hence, are internal users and not external users.
23. (4) **Explanation:** Financial statements are prepared on the basis of transactions and events according to the accounting conventions, concepts, policies, and estimates.
24. (1) **Explanation:** Non-current assets are those assets which are not current assets. Therefore, they are expected to be used in the business of the company and are not held for sale or realisation.
25. (3) **Explanation:** Non-current Assets include tangible and intangible assets. Loss on issue of debentures is not an asset and is written off in the year debentures are allotted.
26. (1) **Explanation:** Current Assets are those assets expected to be realised within 12 Months or within the period of Operating Cycle from the reporting date, *i.e.*, Balance Sheet Date. Building under construction is shown under Property, Plant and Equipment and Intangible Assets (Capital Work-in-Progress) under Non-current Assets in Assets part of Balance Sheet.
27. (4) **Explanation:** Non-current Liabilities are those liabilities which are not Current Liabilities. Debentures payable after 12 months or after the period of Operating Cycle from the Balance Sheet Date is a Non-current Liability as it will be settled after 12 months from the reporting date.
28. (2) **Explanation:** Interest accrued but not due on debentures is a current liability as it will be paid in normal operating cycle of the company, *i.e.*, in less than 12 months.
29. (3) **Explanation:** Property, Plant and Equipment under Property, Plant and Equipment and Intangible Assets are those assets which have physical existence, *i.e.*, they can be felt and touched. Office equipment is a part of Property, Plant and Equipment.
30. (2) **Explanation:** Balance sheet of a company is presented in a vertical format. As per Part I of Schedule III, the balance sheet starts with Equities and Liabilities at the top while the Assets are shown at the bottom. It contains figures of previous reporting period along with figures for current reporting period.
31. (3) **Explanation:** Borrowings mean amount taken as loan by the company. Debentures is borrowing which may or may not be secured against charge on the assets of the company.
32. (4) **Explanation:** Preliminary Expenses are written off in the year they are incurred. As a result, it will not exist as an asset.
33. (3) **Explanation:** Patents and Copyrights are intangible assets as they cannot be seen or touched.
34. (2) **Explanation:** Reserves are set aside out of profits for meeting future uncertainties. General Reserve, Capital Reserve, Capital Redemption Reserve are some examples of Reserves and Surplus.
35. (4) **Explanation:** Contingent liabilities are those liabilities which may or may not arise depending upon the outcome of an uncertain future event.
36. (4) **Explanation:** Securities Premium is an additional amount over and above the nominal value of share. It is shown under Reserves and Surplus under the head Shareholders' Funds as per Schedule III of the Companies Act, 2013.
37. (3) **Explanation:** Current assets are those assets which are expected to be realised or intended for sale or consumption, held for trading, expected to be realised within 12 months or within the period of Operating Cycle from the Balance Sheet Date and includes Cash or Cash Equivalents.

38. (2) **Explanation:** Operating cycle is the time taken by a company to acquire an asset for processing and converging it into Cash and Cash Equivalents. If the Operating Period cannot be defined, it is taken to be a period of 12 Months. It is so defined in Schedule III of the Companies Act, 2013.
39. (3) **Explanation:** Balance of Share Forfeiture Account is the amount that is received on forfeited shares. It is shown as a separate entry (item) in the Note to Account on Share Capital.
40. (3) **Explanation:** Computer Software does not have physical existence, thus it is an intangible asset, and shown under the head Fixed Assets and sub-head Intangible Assets.
41. (4) **Explanation:** Capital Work-in-Progress means (fixed) tangible assets under construction. Thus, it is shown under Property, Plant and Equipment and Intangible Assets.
42. (3) **Explanation:** Revenue from Operations, *i.e.*, Net Sales is shown in the Statement of Profit & Loss.
43. (2) **Explanation:** Calls-in-Arrear means the amount not received by the company against the amount called-up by it towards share capital. Shares on which calls are in arrears are categorised as shares subscribed but not fully paid-up.
44. (1) **Explanation:** Limitations:
 (i) Price level changes are ignored
 (ii) Qualitative elements are ignored
 (iii) Historical records
 (iv) Different accounting practices
45. (2) **Explanation:** It is the amount of share capital issued by a company that is subscribed but the company has either not called the total nominal (face) value to be paid or where called not received total nominal value of the shares.
46. (3) **Explanation:** Share Application Money Pending Allotment is a line item in between Shareholders' Funds and Non-current Liabilities.
47. (2) **Explanation:** Provision of Tax is a Short-term Provision. Employees Provident Fund and Interest Accrued but not Due are liabilities while Proposed Dividend is contingent liability.
48. (2) **Explanation:** A part of the Long-term Borrowings repayable within 12 months or within the period of Operating Cycle from the Balance Sheet Date is shown as Other Current Liabilities under the main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet.
49. (1) **Explanation:** Debentures issued as collateral security, if no entry has been passed, should be shown as information under the main head 'Long-term Borrowings' in Note to Accounts.
50. (3) **Explanation:** Trade Payables if payable after 12 months from the reporting date or after period of operating cycle will be shown as Other Long-term Liabilities under Non-current Liabilities in the Equity and Liabilities part of the Balance Sheet.
51. (2) **Explanation:** A liability is classified as Current Liability if it is expected to be settled within the company's operating cycle period. In this case, the operating cycle is 24 months whereas the loan is repayable in 15 months, therefore, the liability should be shown as Other Current Liabilities under the main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet.
52. (1) **Explanation:** Cost of Material Consumed = Opening Inventory of Materials + Purchases of Materials – Closing Inventory of Materials

$$= ₹ 5,00,000 + ₹ 10,00,000 - ₹ 3,00,000$$

$$= ₹ 12,00,000.$$
53. (4) **Explanation:** Employee benefit expenses will include payments made to and for the benefit of employees. Conveyance Expenses are not to or for the benefit of employees. Hence, it will be shown under 'Other Expenses'.
54. (2) **Explanation:** Employee benefit expenses will include payments made to and for the benefit of employees. Leave Encashment is an employee related expense, thus will be shown under 'Employee Benefit Expenses' and not as Other Expenses.
55. (2) **Explanation:** Finance Costs means costs incurred by the company on the borrowings. Bank Charges is shown under 'Other Expenses' as these are charged by the Banks for availing their services.
56. (3) **Explanation:** Proposed Dividend is shown as Contingent Liability in Note to Accounts.
57. (4) **Explanation:** As per Schedule III of the Companies Act, 2013, Shareholders' Funds includes:
 (i) Share Capital,
 (ii) Reserves and Surplus, and
 (iii) Money received against share warrants.
58. (3) **Explanation:** Balance with Banks as Margin Money is not Cash and Cash Equivalents in the Balance Sheet because it is receivable after the purpose for which it was given is achieved.

59. (4) **Explanation:** As per Schedule III of the Companies Act, 2013, Premium payable on redemption of debentures is shown as Other Long-term Liabilities under the main head Non-current Liabilities in the Equity and Liabilities part of Balance Sheet.
60. (3) **Explanation:** If Premium payable on redemption of debentures, which are repayable within a period of 12 months, it will be Current Liability and will be shown under the sub-head 'Other Current Liabilities' and main head Current Liabilities in the Equity and Liabilities part of the Balance Sheet.

2. CASE STUDY BASED MCQS

1. A. 3. **Explanation:** *Total of Shareholders' Funds:*
 = Share Capital (*i.e.*, Subscribed Capital) + Reserves and Surplus (*i.e.*, Securities Premium + Revaluation Reserve)
 = ₹ 7,20,000 + ₹ 1,15,000 + ₹ 1,15,000 = ₹ 9,50,000.
- B. 2. **Explanation:** *Non-current Liabilities include:*
 = Long-term Borrowings (*i.e.*, 9% Debentures) + Long-term Provisions (Provision for Employees Retirement Benefits)
 = ₹ 2,30,000 + ₹ 1,60,000 = ₹ 3,90,000.
- C. 1. **Explanation:** *Non-current Assets include:*
 Office Building ₹ 2,60,000 (being Fixed Assets for the company)
- D. 1. **Explanation:** Balancing figure (Investment in Mutual Funds) = ₹ 5,000

Working Note:

Calculation of Investment in Mutual Funds:

Equity and Liabilities (A):

Shareholders' Funds + Non-current Liabilities + Current Liabilities (*i.e.*, Provident Fund Payable + Advance from Customers + GST Payable)
 = ₹ 9,50,000 + ₹ 3,90,000 + (₹ 1,20,000 + ₹ 1,35,000 + ₹ 90,000)
 = ₹ 16,85,000.

Assets (B): Non-current Assets (*i.e.*, Office Building) + Current Assets (*i.e.*, Building Held For Sale + Cash and Cash Equivalents + Prepaid Insurance + Advance Tax)
 = ₹ 2,60,000 + ₹ 11,60,000 + ₹ 1,00,000 + ₹ 1,40,000 + ₹ 20,000
 = ₹ 16,80,000.

Balancing figure (Current Investments, *i.e.*, Investments in Mutual Funds) (A – B) = ₹ 5,000.

2. A. 4. **Explanation:** Share Warrants give the holder right to get Equity Shares on a specified date and at a specified value. These are classified or shown as Shareholders' Funds as these are to be converted into Equity Shares.
- B. 1. **Explanation:** Cash at Bank is classified as Cash Equivalents. Remaining entries (items) are shown in the Balance Sheet as follows:
 Bank Overdraft – As Short-term Borrowings
 Investment in Government Securities with maturity period less than 12 months – As Current Investments
 Marketable Securities – As Current Investments.
- C. 3. **Explanation:** Current Investments = Investment in Government Securities with maturity period less than 12 months + Marketable Securities
 = ₹ 1,15,000 + ₹ 90,000 = ₹ 2,05,000.
- D. 3. **Explanation:** Patented Recipes are classified as Property, Plant and Equipment and Intangible Assets, it being an Intangible Asset.
3. A. 4. **Explanation:** *Cash and Cash Equivalent is:*
 Cash-in-Hand: ₹ 3,00,000
 + Cheques-in-Hand: ₹ 6,00,000
 + Bank Deposits with maturity period more than 12 months: ₹ 5,00,000
Total: ₹ 14,00,000.

- B. 3. **Explanation:** Bank Deposits with Maturity more than 12 months are shown under the head 'Current Assets' and sub-head 'Cash and Cash Equivalents' as bank deposits are liquid in nature and can be withdrawn at any point in time.
- C. 4. **Explanation:** *Intangible Assets is the sum total of:*
 Franchise Fee: ₹ 4,20,000
 + Patents: ₹ 5,25,000
 + Goodwill: ₹ 2,50,000
 + Computer Software: ₹ 2,10,000
 + Publishing Rights: ₹ 2,20,000
Total: ₹ 16,25,000.
- D. 1. **Explanation:** *Long-term Borrowings is the sum total of:*
 9% Debentures: ₹ 5,00,000
 + Bonds: ₹ 6,50,000
 + Loan from SBI: ₹ 3,40,000
Total: ₹ 14,90,000.
4. A. 3. **Explanation:** Current Assets (Balancing figure) = ₹ 18,40,000
- Working Note:**
- Equity and Liabilities (A):** Shareholders' Funds (*i.e.*, Equity Share Capital + Preference Share Capital + Securities Premium + Balance in Share Forfeiture Account + Surplus, *i.e.*, Balance in Statement of Profit and Loss) + Non-current Liabilities (*i.e.*, Debentures + Public Deposits + Employees Retirement Benefits) + Current Liabilities (*i.e.*, Provision for Tax + Bank Overdraft + Advances from Customers + Trade Payables)
- = (₹ 5,00,000 + ₹ 20,00,000 + ₹ 2,50,000 + ₹ 90,000 + ₹ 2,60,000) + (₹ 3,00,000 + ₹ 2,50,000 + ₹ 60,000) + (₹ 1,20,000 + ₹ 40,000 + ₹ 60,000 + ₹ 3,10,000)
- = ₹ 42,40,000.
- Assets (B):** Non-current Assets (*i.e.*, Building + Capital Work-in-Progress + Investment in shares + Goodwill + Trademarks + Furniture and Fittings + Livestock)
- = ₹ 12,00,000 + ₹ 1,00,000 + ₹ 50,000 + ₹ 2,50,000 + ₹ 40,000 + ₹ 6,00,000 + ₹ 1,60,000
- = ₹ 24,00,000
- Balancing figure (A – B) = ₹ 18,40,000.**
- B. 2. **Explanation:** *Non-current Assets:* (Building + Capital Work-in-Progress + Investment in Shares + Goodwill + Trademarks + Furniture and Fittings + Livestock)
- = ₹ 12,00,000 + ₹ 1,00,000 + ₹ 50,000 + ₹ 2,50,000 + ₹ 40,000 + ₹ 6,00,000 + ₹ 1,60,000 = ₹ 24,00,000.
- C. 1. **Explanation:** Shareholders' Funds (*i.e.*, Equity Share Capital + Preference Share Capital + Securities Premium + Balance in Share Forfeiture Account + Surplus, *i.e.*, Balance in Statement of Profit & Loss) + Non-current Liabilities (*i.e.*, Debentures + Public Deposits + Employees Retirement Benefits) + Current Liabilities (*i.e.*, Provision for Tax + Bank Overdraft + Advances from Customers + Trade Payables)
- = (₹ 5,00,000 + ₹ 20,00,000 + ₹ 2,50,000 + ₹ 90,000 + ₹ 2,60,000) + (₹ 3,00,000 + ₹ 2,50,000 + ₹ 60,000) + (₹ 1,20,000 + ₹ 40,000 + ₹ 60,000 + ₹ 3,10,000)
- = ₹ 42,40,000.
- D. 4. **Explanation:** *Non-current Liabilities:* Debentures + Public Deposits + Employees Retirement Benefits
- = ₹ 3,00,000 + ₹ 2,50,000 + ₹ 60,000 = ₹ 6,10,000.
5. A. 2. **Explanation:** It will be shown under Property, Plant and Equipment and Intangible Assets as Capital Work-in-Progress.
- B. 1. **Explanation:** *Revenue from Operations is:*
 Sale of Vehicles = ₹ 21,80,000
 + Sale of Spare Parts = ₹ 5,98,000
 + Sale of Services = ₹ 12,35,000
Total = ₹ 40,13,000.

C. 2. **Explanation:** *Value of Inventory for Tympani Motors Co. is:*

Raw Materials and Components = ₹ 1,20,000

+ Finished Goods = ₹ 4,80,000

+ Stores and Spare Parts ₹ 5,50,000

+ Loose Tools ₹ 18,000

Total = ₹ 11,68,000.

D. 3. **Explanation:** *Other Expenses are:*

Power and Fuel = ₹ 35,000

+ Information Technology Expenses = ₹ 18,000

+ Warranty and Product Liability Expenses = ₹ 1,75,000

+ Freight, transportation, port charges, etc. = ₹ 12,000

Total = ₹ 2,40,000.

3. SEQUENCE BASED MCQS

1. 4. **Explanation:** As per Schedule III of the Companies Act, 2013, the correct order or sequence of the given entries (items) is as follows:
 - C. Property, Plant and Equipment (Fixed Assets)
 - A. Non-current Investments
 - E. Deferred Tax Assets (Net)
 - B. Long-term Loans and Advances
 - D. Other Non-current Assets
2. 3. **Explanation:** The correct order or sequence of presentation of the above entries (items) as per Schedule III of the Companies Act, 2013 is:
 - B. Property, Plant and Equipment
 - D. Intangible Assets
 - C. Capital Work-in-Progress
 - A. Intangible Assets under Development
3. 2. **Explanation:** Correct order or sequence of presenting the above entries (items) as per Schedule III of the Companies Act, 2013 is:
 - A. Current Investments
 - E. Inventories
 - C. Trade Receivables
 - F. Cash and Cash Equivalents
 - B. Short-term Loans and Advances
 - D. Other Current Assets
4. 1. **Explanation:** Correct order or sequence of presenting the above entries (items) as per Schedule III of the Companies Act, 2013 is as follows:
 - B. Long-term Borrowings
 - C. Deferred Tax Liabilities (Net)
 - A. Other Long-term Liabilities
 - D. Long-term Provisions
5. 3. **Explanation:** Correct order or sequence of presenting the above entries (items) as per Schedule III of the Companies Act, 2103 is:
 - B. Short-term Borrowings
 - C. Trade Payables
 - A. Other Current Liabilities
 - D. Short-term Provisions

4. MATCHING QUESTIONS

1. 2. **Explanation:**

- A. Stores and Spares are included in Inventories as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**
- B. Computer Software is an intangible asset and shown as Property, Plant and Equipment and Intangible Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- C. Dividend Receivable is the dividend due but not received. Hence, it is shown as Other Current Asset as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- D. Bonds are like debentures and shown as Long-term Borrowing unless it is specified to be Short-term Borrowing. **[List II, Option (III)]**
- E. Machinery is a tangible fixed asset and thus, shown as Property, Plant and Equipment as per Schedule III of the Companies Act, 2013. **[List II, Option (V)]**

2. 3. **Explanation:**

- A. Bank Overdraft is a borrowing of the company payable within 12 months from the Balance Sheet Date and thus, is shown as Short-term Borrowings as per Schedule III of the Companies Act, 2013. **[List II, Option (III)]**
- B. Provision for Retirement Benefits is shown as Long-term Provisions. Since they are payable after 12 Months or after the period of Operating Cycle from the Balance Sheet Date. It is so prescribed by Schedule III of the Companies Act, 2013. **[List II, Option (V)]**
- C. Calls in Advance is shown as Other Current Liabilities as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- D. Mast Heads and Publishing Titles are shown as Property, Plant and Equipment and Intangible Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- E. Stores and Spares are shown as Inventory as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**

3. 2. **Explanation:**

- A. Shares Options Outstanding is shown under Reserves and Surplus as per Schedule III of the Companies Act, 2013. **[List II, Option (III)]**
- B. Cash Credit is shown as Short-term Borrowing as per Schedule III of the Companies Act, 2013. **[List II, Option (V)]**
- C. Calls-in-Advance is shown as Other Current Liabilities as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- D. Shares Forfeited is added in the Notes to Accounts on Share Capital as a separate entry (item) as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- E. Accrued Interest is shown as Other Current Asset as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**

4. 4. **Explanation:**

- A. Capital Work-in-Progress is shown under Property, Plant and Equipment and Intangible Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (V)]**
- B. Franchise is an intangible asset and is shown as Property, Plant and Equipment and Intangible Assets —Intangible Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- C. Advance Taxes is shown as Other Current Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- D. Public Deposits are shown as Long-term Borrowings as per Schedule III of the Companies Act, 2013. **[List II, Option (III)]**
- E. Capital Work-in-Progress is shown under Property, Plant and Equipment and Intangible Assets as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**

5. 3. Explanation:

- A. Bank Overdraft is borrowing of the company. Hence, it is shown as Short-term Borrowings as per Schedule III of the Companies Act, 2013. **[List II, Option (III)]**
- B. Capital Advances are Long-term Advance and hence are shown under Long-term Loans and Advances as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- C. Dividend Payable is current liability being payable within 12 months or within the period of Operating Cycle from the Balance Sheet Date as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- D. Security Deposit for Electricity is shown as other Non-current Asset being not recoverable within 12 Month or within in the period of Operating Cycle as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**
- E. Dividend Receivable is shown as Other Current Asset being receivable on demand as per Schedule III of the Companies Act, 2013. **[List II, Option (V)]**

6. 1. Explanation:

- A. Forfeited Shares are shown in the Notes to Accounts on Share Capital as a separate entry as per Schedule III of the Companies Act, 2013. **[List II, Option (IV)]**
- B. Proposed Dividend is shown as a Contingent Liability as per Schedule III of the Companies Act, 2013. **[List II, Option (I)]**
- C. Unclaimed Dividend is shown as Other Current Liability as per Schedule III of the Companies Act, 2013. **[List II, Option (II)]**
- D. Call in arrears is shown as deduction from Shares Subscribed but not fully paid-up as per Schedule III of the Companies Act, 2013. **[List II, Option (V)]**
- E. Uncalled Liability on Shares is shown as Capital Commitments in the Notes to Account as per Schedule III of the Companies Act, 2013. **[List II, Option (III)]**

5. COMBINATION WITH SINGLE ANSWER QUESTIONS

- 1. 4. Explanation:** Transactions are recorded in the books of account on the basis of evidence. Financial statements are prepared following Accounting Concepts and Conventions. Estimates are necessary for preparing financial statements.
Qualitative elements are not a part of financial statements.
- 2. 3. Explanation:** Two sections or parts of a Company's Balance Sheet as per Schedule III of the Companies Act, 2013 are:
 - (i) Equity and Liabilities; and
 - (ii) Assets.
- 3. 3. Explanation:** Debentures Redemption Reserve and Shares Option Outstanding Account are shown as Reserves & Surplus.
Share Application Money Pending Allotment is a separate line item.
Money Received against Share Warrants is part of Shareholders' Funds.
Statement of Profit & Loss is a statement prepared to determine profit or loss for the year. It is Surplus, *i.e.*, Balance in Statement of Profit & Loss that is shown under Reserves and Surplus.
- 4. 1. Explanation:** Shares issued by private placement and Shares issued for consideration other than cash are classified as Share Capital. Remaining entries (items) are not shown under Share Capital.
Share Application Money Pending Allotment is a separate line item and Shares option Outstanding Account is an entry (item) of Reserves and Surplus.

5. 3. **Explanation:** In the Notes to Account on Share Capital, Authorised Capital, Issued Capital, Subscribed Capital, which is further categorized into Subscribed and Fully Paid-up and Subscribed but not Fully Paidup). Reserve Capital is that part of Subscribed Capital which a company decides to call at the time of winding up. Thus, it is not shown in the Notes to Accounts on Share Capital.
6. 2. **Explanation:** Shares application money is classified as Current liability in following situations:
- (i) Shares application money in excess of issued capital being refundable
 - (ii) Shares application money in excess of amount retained by company to be adjusted against calls
 - (iii) Shares application money where minimum subscription is not received
7. 3. **Explanation:** Term Loan, Public Deposits and Loan repayable after 12 months or after the period of Operating Cycle from the Balance Sheet Date are classified as Long-term Borrowings. Remaining entries (items), *i.e.*, Current Maturities of Long-term Debt and Debentures redeemable within the period of Operating Cycle from the Balance Sheet Date are shown as Short-term Borrowings.
8. 3. **Explanation:** Current Maturities of Long-term Debts, Loans repayable on demand and Cash Credit are classified as Short-term Borrowings.
9. 3. **Explanation:** Current Maturities of Long-term Debts, Unpaid Dividend and Calls-in-Advance are classified as Other Current Liabilities. Remaining entries (items) are not shown as Other Current Liabilities.