

CLASS XII ACCOUNTANCY
CHAPTER 9 – FINANCIAL STATEMENT ANALYSIS &
TOOLS OF FINANCIAL STATEMENT ANALYSIS

1. Which of the following are the tools of vertical analysis ?
 - i. Ratio Analysis
 - ii. comparative statements
 - iii. common size statements
 - a. only (iii)
 - b. both (i) and (iii)
 - c. both (i) and (ii)
 - only (i)

- 2 Which of the following *is not a tool of Financial Statements Analysis?*
 - a) *comparative statements*
 - b) *financial statements*
 - c) *Common size statement*
 - d) *Ratio Analysis*

3. Parties interested in financial analysis are:
 - a. investors
 - b. government
 - c. financial institutions
 - d all of the above

- 4 Which of the following is not a limitation of analysis of financial statements?
 - a. window dressing
 - b. price level changes ignored
 - c. subjectivity
 - d. intra firm comparison possible

5. When a bad position of the business is tried to be depicted as good, it is known as.....
 - a. Personal Bias
 - b. price level changes
 - c. window dressing
 - d. All of the above

6. Assertion (A) :
Horizontal analysis can be done by preparing Comparative Statements.Reason (R) :
In Horizontal analysis figures of two or more years are placed side – by – side to facilitate comparison.
As such, Comparative Statements are Horizontal Analysis.
In context of the above two statements, which of the following is correct? Codes:
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- (A) Both (A) and (R) are true, but (R) is not correct explanation of (A).
- (B) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (C) Both (A) and (R) are false.
- (D) (A) is false , but (R) is true.

7. Assertion (A) : Intra – firm analysis means comparing the financial data of the same firm for two or more accounting periods.

Reason (R) : Inter – firm analysis means comparing the financial data of two or more enterprises for the same accounting period.

In the context of the above two statements, which of the following is correct? Codes :

- a. Both (A) and (R) are true , but (R) is not the correct explanation of (A).
- b. Both (A) and (R) are true and (R) is the correct explanation of (A).
- c. Both (A) and (R) are false.
- d. (A) is false , but (R) is true.

8. Assertion (A) : Tools for financial analysis include Comparative Statements , Common – size Statements , Balance Sheet , Statement of Profit & Loss etc.

Reason (R) : Tools for financial analysis include Comparative Statements , Common – size Statements and Balance Sheet .

In the context of the above two statements , which of the following is correct ?Codes :

- (A) Both (A) and (R) are correct and (R) is the correct reason of (A).
- (B) Both (A) and (R) are correct but (R) is not the correct reason of (A).
- (C) Only (R) is correct.
- (D) Both (A) and (R) are wrong.

9. Assertion (A) : Since financial analysis is strictly based upon financial statements , there is no scope of effect of personal ability and bias of analyst on such analysis.

Reason (R) : Financial analysis suffers from personal ability and bias of analyst because analysis is based on financial statements.

In the context of the above two statements, which of the following is correct? Codes:

- (A) Both (A) and (R) are correct and (R) is the correct reason of (A).
- (B) Both (A) and (R) are correct but (R) is not the correct reason of (A).
- (C) Only (R) is correct.
- (D) Both (A) and (R) are wrong.

10. Under which major heads the following items will appear in the Statement of Profit and Loss of a Company:

- (i) Sale of Product
- (ii) Salaries and wages
- (iii) Goodwill amortized
- (iv) Rent received
- (v) Interest income
- (v) Interest paid on Debentures
- (vi) Selling and Distribution Expenses
- (vii) Profit on sale of investment

11. Under which major heads the following items will appear in the Statement of Profit and Loss of a Company:
- (i) Sale of services
 - (ii) Net loss on sale of investment
 - (iii) Rent paid
 - (iv) Bonus to Employees
 - (vii) Interest on Bank Loan
12. Under which heads will the following items appear in the Balance Sheet of a company as per Schedule III Part I of the Companies Act, [2013](#)?
- (i) Loose Tools (ii) Capital Reserve (iii) Bills Payable
1. 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 dividend
 - (vii) Capital redemption reserve
 - (viii) Work-in-progress
 - (ix) Mining rights
13. Under what heads and sub-heads the following items will appear in the Balance Sheet of a company as per Schedule III, Part-1 of the Companies Act [2013](#):
- (i) Premium on redemption of Debentures
 - (ii) Tax Reserve
 - (iii) Interest on Calls in Advance
14. Under what heads and sub-heads will the following items appear in the Balance Sheet of a company per Schedule III Part I of the Companies Act [2013](#):
- (i) Debentures;
 - (ii) Securities against telephone
 - (iii) Calls-in-arrears.
 - (iv) Gain on reissue of forfeited equity shares
15. Prepare a common – size statement of profit and loss from the following information for the year ended 31st March, 2021 :
- | Particulars | Note No. | 31.3.2021 |
|---------------------------------|----------|-----------|
| Revenue from operations | | 17,00,000 |
| Cost of revenue from operations | | 9,20,000 |
| Employees benefit expenses | | 3,40,000 |
| Other incomes | | 90,000 |
| Taxes payable @ 50% | | |

16. Prepare a comparative statement of statement of profit and loss from the following information :

Particulars	Note no.	31.3.2021	31.3.2020
I .Equity and liabilities			
1. Shareholder's funds		8,00,000	4,00,000
2. Non – current liabilities		5,00,000	2,00,000
3. current liabilities		3,00,000	2,00,000
Total		16,00,000	8,00,000
II . Assets			
1. Non – current assets		10,00,000	5,00,000
2. Current assets		6,00,000	3,00,000
Total		16,00,000	8,00,000

Rate of income tax was 50 %.

17.

Prepare a comparative statement of profit and loss from the following information extracted from the statement of profit and loss for the year ended 31 st March , 2020 and 2021 :		
Particulars	2020-21	2019-20
Revenue from operations	12,00,000	10,00,000
Other income (% of revenue from operations)	25%	25%
Employee benefit expenses (% of total revenue)	40%	30%
Tax Rate	40%	40%

18.

From the following information , prepare a comparative Balance Sheet of Depth Ltd.		
Particulars	31.3.2020	31.3.2021
Equity shares capital	25,00,000	25,00,000
Fixed assets capital	36,00,000	30,00,000
Reserves and surplus	6,00,000	5,00,000
Investments (non – current)	5,00,000	5,00,000
Long – term loans	15,00,000	15,00,000
Current assets	10,50,000	15,00,000
Current liabilities	5,50,000	5,00,000

19.

From the following information related to statement of profit and loss of Moon Ltd., for the years ended 31 st March 2020 and 2021 , prepare a comparative statement of profit and loss :			
Particulars	Note no.	2020-21	2019-20
Revenue from operations		20,00,000	16,00,000
Employee benefits expenses		10,00,000	8,00,000
Other expenses		1,00,000	2,00,000
Tax rate		40%	40%

ANSWERS

1. ans. B
2. *Ans. B*
3. ans. D
4. ans. D
5. ans. C
6. Ans. B
7. Ans. A
8. Ans. D
9. Ans. C
10. Ans-(i) revenue from operation
 - (ii) Employees benefit expenses
 - (iii) Depreciation
 - (iv) Other income
 - (v) other income
 - (vi) finance costs
 - (vii) other expenses
 - (viii) other income
