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PREVIOUS EXAMS SOLVED PAPERS

Corporate Accounting & Financial Management

Highlights

- ▶ Fully Solved Questions of Previous Exams as per latest examination pattern
- ▶ Topic-wise arrangement of Past Examination Questions till June 2024 attempt
- ▶ Chapter-wise Marks Distribution Chart
- ▶ Updated as per provisions of the Companies Act 2013

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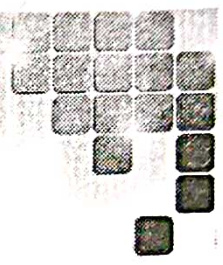


3rd Edition

For
Dec. 2024/June 2025
Exams

Group-1 Paper-4

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1

CHAPTER

INTRODUCTION TO ACCOUNTING

THEORETICAL QUESTIONS

Q. 1. Write a note on: Accounting Cycle

[Dec. 1995 (5 Marks)], [Dec. 1997 (5 Marks)]

Ans. The Series of business transactions which occur from the beginning of an accounting period to the end of an accounting period is referred any specific period of time for which a summary of business's transaction is prepared.

Process of accounting cycle:

- (1) Journalizing (Recording)
- (2) Posting to ledger (Classifying)
- (3) Final account (Summarizing)

Steps or Phases of Accounting Cycle: The steps or phases of accounting cycle can be developed as under:

- (a) **Recording of transaction:** As soon as a transaction happens it is at first recorded in subsidiary book.
- (b) **Journal:** The transactions are recorded in the journal chronologically.
- (c) **Ledger:** All journals are posted into ledger chronologically in a classified manner.
- (d) **Trial Balance:** After taking all the ledger account closing balances, a Trial Balance is prepared at the end of the period for the preparations of financial statements.
- (e) **Adjustment Entries:** All the adjustments entries are to be recorded properly and adjusted accordingly before preparing financial statements.
- (f) **Adjusted Trial Balance:** An adjusted Trail Balance may also be prepared.
- (g) **Closing Entries:** All the nominal accounts are to be closed by transferring them to Trading Account, and Profit and Loss Account.
- (h) **Financial Statements:** Financial statement can now be easily prepared which will exhibit the true financial position and operating results.

Q. 2. Write a short note on: Subsidiary books of account

[Dec. 1995 (5 Marks)], [Dec. 1998 (5 Marks)]

Ans. Journal is subdivided into various parts known as subsidiary books or subdivisions of journal. A register of this type is called a **book of original entry or of prime entry.**

Each one of the subsidiary books is a special journal and a book of original or prime entry. There are no journal entries when records are made in these books.

There are different types of subsidiary books which are commonly used in any big business concern. They are:

- (1) Purchases book
- (2) Purchases returns books
- (3) Sales book
- (4) Sales returns books
- (5) Cash book
- (6) Bills receivable books
- (7) Bills payable books
- (8) Journal Proper

Q. 3. Write a short note on: Petty Cash Book

[Dec. 1996 (5 Marks)], [Dec. 1999 (5 Marks)]

Or

Write a short note on: Imprest System

[June 2002 (5 Marks)], [Dec. 2002 (5 Marks)]

Ans. A business house makes a number of small payments like telegram, textiles, cartage etc. If all these transactions are recorded in cash book the cash book may become bulky and the main cashier's work will also increase therefore usually firms appoint a petty cashier who makes these small payments and keep record of these payments in a separate cash book which is called petty cash book.

Advantage of petty cash book: There are mainly four advantages:

- (1) **Saving of time:** Saving of time of the chief cashier.
- (2) **Saving of labour:** Saving in labour in writing up the cash book.
- (3) **Control:** It provides control over small payments.
- (4) **Convenience** in preparing ledger amounts.

Imprest System for petty cash book: The petty cashier is given a sum of money in the beginning of the period. During the period he makes payment out of this money. At end the firm reimburses him the amount paid by him so that the balance of cash with him remains same in the beginning of the period as well as at the end of the period. This is called the imprest system of petty cash book.

Q. 4. Distinguish between: Double Entry System & Single Entry System

[Dec. 1998 (8 Marks)], [Dec. 2007 (4 Marks)]

Ans. Following are the main points of distinction between double entry system and single entry system:

Points	Double Entry System	Single Entry System
Recording of transaction	Under double entry system, both the aspects <i>i.e.</i> debit and credit of all the transactions is recorded.	Under single entry system, there is no record of some transactions; some transactions are recorded only in one of their aspects whereas some other transactions are recorded in both of their aspects.
Subsidiary book	Under double entry system, various subsidiary books like sales book, purchases book etc. are maintained.	Under single entry system, no subsidiary book except cash book is maintained.
Ledgers	Under double entry system, there is a ledger, which contains personal, real and nominal accounts.	Under single entry system the ledger contains some personal accounts only.
Trial balance	Under double entry system, preparation of trial balance is possible.	It is not possible to prepare a trial balance under single entry system. Hence accuracy of work is uncertain.
Financial statements	Under double entry system trading and profit and loss account and balance sheet are prepared in a scientific manner.	Under single entry system it is not possible, only a rough estimate of profit and loss is made and a statement of affairs is prepared which resembles balance sheet in appearance but which does not present and accurate picture of the financial position of the business.
Who employs	Most of the business organization employs double entry system.	Single entry system is used only by very small business units.

Q. 5. Write a short note on: Accounting Equation
[June 1999 (5 Marks)], [Dec. 2006 (5 Marks)]

Ans. According to dual aspect concept, two aspect of every transaction should be considered. This concept is based on double entry book-keeping which means that accounting system is set up in such a way that a record is made of the two aspect of each transaction. The recognition the two aspects to every transaction is known as dual concept. Modern financial accounting is based on this concept. That's why every entry consists of Dr. to one account and Cr. to some other account. Thus, total amount debited will always be equal to the total amount credited.

This gives us Accounting Equation: $\text{Capital} = \text{Assets} - \text{Liabilities}$

The above equation can be presented in different ways as shown below:

$$\text{Capital} + \text{Liabilities} = \text{Assets}$$

$$\text{Capital} + \text{Long Term Liabilities} + \text{Current Liabilities} = \text{Fixed Assets} + \text{Current Assets}$$

$$\text{Capital} + \text{Long Term Liabilities} = \text{Fixed Assets} + \text{Working Capital}$$

$$\text{Net Worth} = \text{Fixed Assets} + \text{Current Assets} - \text{Long Term Liabilities} - \text{Current Liabilities}$$

$$\text{Capital} + \text{Long Term Liabilities} + \text{Current Liabilities} - \text{Fixed Assets} - \text{Current Assets} = 0 \text{ (Zero)}$$

Q. 6. Write a short note on: Cash Book**[Dec. 2001 (5 Marks)]**

Ans. Cash book is a sub-division of Journal recording transactions pertaining to cash receipts and payments. Firstly, all cash transactions are recorded in the cash book wherefrom they are posted subsequently to the respective ledger accounts. The cash book is maintained in the form of a ledger with the required explanation called as narration and hence, it plays a dual role of a journal as well as ledger. All cash receipts are recorded on the debit side and all cash payments are recorded on the credit side. All cash transactions are recorded chronologically in the cash book. The cash book will always show a debit balance since payments cannot exceed the receipts at any time.

Kinds of Cash Book: From the above it can be observed that the cash book serves as a subsidiary books as well as ledger. Depending upon the nature of business and the type of cash transactions, various types of cash books are used. They are:

- ◆ Single column cash book
- ◆ Two column cash book (Cash & discount columns)
- ◆ Three columnar cash book (Cash, bank & discount columns)

Q. 7. What are the objectives of Accounting?**[June 2002 (5 Marks)], [Dec. 2007 (5 Marks)]**

Ans. Objective of accounting may differ from business to business depending upon their specific requirements. However, the following are the general objectives of accounting.

- (1) **To keep systematic record:** It is very difficult to remember all the business transactions that take place. Accounting serves this purpose of record keeping by promptly recording all the business transactions in the books of account.
- (2) **To ascertain the results of the operation:** Accounting helps in ascertaining result *i.e.* profit earned or loss suffered in business during a particular period. For this purpose, a business entity prepares either "Trading and Profit & Loss A/c" or an "Income & Expenditure A/c" which shows the profit or loss of the business by matching the items of revenue and expenditure of the same period.
- (3) **To ascertain the financial position of the business:** In addition to profit, a businessman must know his financial position *i.e.* availability of cash, position of assets and liabilities *etc.* This helps the businessman to know his financial strength. Financial statements are barometers of health of a business entity.
- (4) **To portray the liquidity position:** Financial reporting should provide information about how an enterprise obtains and spends cash, about its borrowing and repayment of borrowing, about its capital transactions, cash dividends and other distributions of resources by the enterprise to owners and about other factors that may affect an enterprise's liquidity and solvency.
- (5) **To protect business properties:** Accounting provides up to date information about the various assets that the firm possesses and the liabilities the firm owes, so that nobody can claim a payment which is not due to him.
- (6) **To facilitate rational decision-making:** Accounting records and financial statements provide financial information which help the business in making rational decisions about the steps to be taken in respect of various aspects of business.

- (7) **To satisfy the requirements of law:** Entities such as companies, societies, public trusts are compulsorily required to maintain accounts as per the law governing their operations such as the Companies Act, Societies Act, and Public Trust Act *etc.* Maintenance of accounts is also compulsory under the GST Act, 2017 and Income-tax Act, 1961.

Q. 8. Explain: Single entry system of accounting [June 2002 (5 Marks)]

Or

“Single entry system of book keeping is an unscientific, incomplete & defective system.” Comment. [June 2005 (4 Marks)]

Ans. Single entry system is development by certain business houses for their convenience and for more practical approach. They reject strict rules of the double entry system and maintain only bare essential records. Small merchants usually adopt this system. Joint stock companies cannot adopt single entry system as they are required to maintain the accounts as per Double Entry System under the Companies Act, 2013.

Salient features single entry system:

- (1) **Maintenance of personal accounts:** Usually under this system, personal accounts are maintained while real and nominal accounts are avoided.
- (2) **Maintenance of cash book:** A cash book is maintained which usually mixes up both personal transaction and business transactions.
- (3) **Dependence on original vouchers:** In order to collect the necessarily information, the original vouchers are referred.
- (4) **Suitability:** The system is suitable in case in case of small proprietary or partnership concerns.

Advantages single entry system:

- (1) Single entry is a simple method of recording business transactions.
- (2) It is mainly suited to small business concerns with limited number of transactions.
- (3) Under single entry system, accounting records can easy to maintain as their maintenance does not acquire and adequate knowledge of the principles of book keeping.
- (4) It is comparatively less expensive than double entry system of books keeping.
- (5) Ascertainment of profit or loss is much easier. It is ascertained by comparing the financial position of the business at the close of the accounting period with that at the beginning.

Q. 9. Write a note on: Contingent liabilities [June 2005 (5 Marks)]

Ans. Contingent Liabilities: These are not actual liabilities but their becoming actual liability depends on the happening of certain events. If such events do not occur, no liability is incurred.

Liability in respect of pending suit is a contingent liability because it is only if and when suit is lost that the liability will be incurred.

Bills discounted with a bank are also a contingent liability because if the acceptor fails to meet the bill on due date, the firm will become liable to the bank.

Treatment of contingent liabilities: Contingent liabilities are not shown in balance sheet. Usually a foot note is appended at the balance sheet for such liabilities.

Examples: Following are some examples of contingent liabilities:

- ◆ Liabilities under guarantee.
- ◆ Claim against the company not acknowledged as debts.
- ◆ Bonus claim filed worker pending order of Court.
- ◆ Liabilities on bills receivable discounted but not matured.

Q. 10. Distinguish between: Book Keeping & Accounting [Dec. 2009 (4 Marks)]

Ans. Following are the main points of difference between book keeping & accounting:

Points	Book keeping	Accounting
Meaning	Book keeping is mainly concerned with recording of financial data relating to business in a significant and orderly manner.	Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and event which are in part at least of a financial character and interpreting the results thereof.
Transactions	It is concerned with the recording of transactions.	It is concerned with the summarizing of recorded transactions.
Work	The work of book keeping is mainly routine and clerical nature.	The work of accounting requires high level of knowledge, conceptual understanding and analytical skill.
Base	Book keeping is base for accounting.	It is considered as the language of business.
Financial statements	Financial statements do not form part of this process.	Financial statements are prepared in this process on the basis of book keeping records.
Sub field	There is no sub field of book keeping.	There are several sub-fields of like financial accounting, cost accounting, management accounting.
Financial position	Financial position cannot be ascertained through book keeping.	Financial position is ascertained on the basis of accounting process.

Q. 11. State the advantages of sub-division of Ledger. [June 2019 (5 Marks)]

Ans. Advantages of sub-division of ledger are:

1. **Easy to divide work:** As a result of sub-division, records can be maintained efficiently by the concerned employee.
2. **Easy to handle:** As a result of sub-division, the size and volume of ledger is reduced.
3. **Easy to collect information:** From the different classes of ledger any particular type of transaction can be found out easily.
4. **Minimizations of mistakes:** As a result of sub-division chances of mistakes are minimized.
5. **Easy to compute:** As a result of sub-division, the calculations in accounting may be computed quickly which is very helpful to the management.
6. **Fixation of responsibility:** Due to sub-division, allotment of different types of work to different employees is done for which concerned employee will be responsible.

Q. 12. "The three golden rules of accounting are the very foundation of double entry system of financial accounting." Elucidate. [Dec. 2023 (5 Marks)]

Ans. Golden Rules of Accounting: When one identifies the account that is getting affected by a transaction and type of that account, the next step is to apply the rules to decide whether the accounting treatment is to be debited or credited from that account. The Golden Rules will guide whether the account is to be debited or credited. These rules are as follows:

- (1) **Personal Accounts:** The rule for personal accounts is: *Debit the receiver, Credit the giver.*
- (2) **Real Accounts:** The rule for real accounts is: *Debit what comes in, Credit what goes out.*
- (3) **Nominal Accounts:** The rule for nominal accounts is: *Debit all expenses and losses, Credit all incomes and gains.*

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CHAPTER

INTRODUCTION TO CORPORATE ACCOUNTING

THEORETICAL QUESTIONS

Q. 1. What are the provisions relating to laying and adoption of financial statements? Explain the law relating to authentication of financial statements.

[June 2004 (5 Marks)], [Dec. 2012 (5 Marks)]

Ans. Compliance with respect to Financial Statements [Section 129(1)]: The financial statements:

- (a) shall give a true and fair view of the state of affairs of the company or companies.
- (b) shall comply with accounting standards notified under section 133.
- (c) shall be in the form provided in Schedule III.

Laying of financial statements at AGM [Section 129(2)]: At every AGM of a company, the Board of Directors of the company shall lay financial statements for the financial year.

Consolidation of accounts [Section 129(3)]: Where a company has one or more subsidiaries, it shall prepare a consolidated financial statement of the company and of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the AGM of the company along with the laying of its financial statement.

The company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in prescribed form.

The Central Government has been given power to provide for the consolidation of accounts of companies in prescribed manner.

The word "subsidiary" shall include associate company and joint venture.

Provisions applicable to financial statements of a holding company shall also apply to consolidated financial statements [Section 129(4)]: The provisions, which are applicable to the preparation, adoption and audit of the financial statements of a holding company shall, *mutatis mutandis*, apply to the consolidated financial statements of subsidiaries.

Deviation from the accounting standards [Section 129(5)]: Where the financial statements of a company do not comply with the accounting standards referred, the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

Exemption [Section 129(6)]: The Central Government may, on its own or on an application, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made there under, if it is considered necessary to grant such exemption in the public interest. Such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

Disclosure of non-compliance with accounting standards [Section 129(5)]: Where the financial statements of a company do not comply with the accounting standards, the company shall disclose in its financial statements:

- Deviation from the accounting standards.
- Reasons for such deviation
- Financial effects arising out of such deviation.

Q. 2. Who are responsible for keeping the books of account a company? What are the liabilities imposed on them for their failure in this regard?

[Dec. 2004 (6 Marks)]

Or

Referring to the provisions of the Companies Act, 2013, explain whether the Company Secretary being a Chief Financial Officer of the Company can be held liable for maintenance of books of account of the company.

[June 2016 (4 Marks)]

Or

Chief Financial Officer is responsible to maintain books of account of the company. Comment.

[Dec. 2018 (5 Marks)]

Ans. Person responsible for keeping books of accounts [Section 128(6)]: Following persons are responsible for maintaining the books of accounts:

- (a) Managing director
- (b) Whole-time director in charge of finance
- (c) Chief Financial Officer
- (d) Any other person charged by the Board with the duty of complying with the provisions of Section 128.

Penalty: If person responsible for keeping and maintains of books of accounts fails to comply with the provisions of Section 128, he shall be punishable with fine which shall not be less than ₹50,000 but which may extend to ₹5,00,000.

Therefore, a Company Secretary being a Chief Financial Officer of the company can be held liable for maintenance of books of accounts of the company.

Q. 3. What are the provisions regarding filing of financial statement and other documents with ROC?

Or

Give your opinion whether the Registrar of Companies can take financial statement on record even if it is not laid before annual general meeting.

[Dec. 2006 (4 Marks)]

Ans. Adoption and filing of financial statements with ROC [Section 137(1)]: A copy of the financial statements, including consolidated financial statement, along with all the documents which are required to be or attached to such financial statements, duly adopted at the AGM, shall be filed with the Registrar within 30 days of the date of AGM in prescribed manner along with prescribed fees.

As per Rule 12 of the Companies (Accounts) Rules, 2014:

- (1) Every company shall file the financial statement with Registrar together with **Form AOC-4** and the consolidated financial statement, with **Form AOC-4 CFS**.
- (2) Companies notified by the Central Government shall mandatorily file their financial statement in Extensible Business Reporting Language (XBRL) format.

Filing of financial statements even if not adopted in AGM: Where the financial statements are not adopted at AGM or adjourned AGM, such unadopted financial statements along with the required documents shall also required to be filed with the Registrar within 30 days of the date of AGM.

The Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned AGM for that purpose.

Financial statements adopted in the adjourned AGM shall be filed with the Registrar within 30 days of the date of such adjourned AGM with prescribed fees.

Filing of financial statement in case of OPC: OPC shall file a copy of the financial statements duly adopted by its member, along with all documents required to be attached within 180 days from the closure of the financial year.

Attachment of accounts of foreign subsidiary: A company shall attach the accounts of its foreign subsidiary along with its financial statements to be filed with the Registrar.

If the foreign subsidiary is not required to get its financial statement audited under law their country, the holding Indian listed company can files such unaudited financial statement. Where such financial statement is in a language other than English then translated copy of the financial statement in English is required to be filed.

Financial statement to be filed even if AGM is not held [Section 137(2)]: Where the AGM of a company for any year has not been held, the financial statements along with the documents required to be attached, duly signed along with the statement of facts and reasons for not holding the AGM shall be filed with the Registrar within 30 days of the last date before which the AGM should have been held in prescribed manner along with prescribed fees.

Q. 4. What do you understand by 'provision for taxation'? What factors are to be considered while estimating the provision for taxation? [Dec. 2009 (6 Marks)]

Ans. Advance payment of tax: Each year the company has to pay advance tax on the basis of estimated income of current previous year. This is based on the logic that 'pay as you earn'. Journal entry for payment of advance tax is as follows:

Date	Particulars	Dr. (₹)	Cr. (₹)
	Advance Income tax A/c To Bank A/c (Being, Advance tax paid for the previous year)	Dr. xxxx	xxxx

Advance tax paid appears in balance sheet under the heading "Current Assets".

Provision for taxation: At the end of each previous year the company has to compute its total income and has to file return of total income, which is also known as self assessment. Based on self assessment the company has to make provisions for it in the final accounts by passing following journal entry.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Profit & Loss A/c To Provisions For Tax A/c (Being, provisions for tax for the previous year	Dr. xxxx	xxxx

Provisions for tax appears in balance sheet under the heading "Current Liabilities".

Factors are to be considered while estimating the provision for taxation:

- Whether income has correctly computed
- Whether income tax has computed as per applicable law.
- Whether capital gain tax is payable or not
- Whether rebates are available for double taxation

After completion of assessment following entry is passed for the amount of advance tax paid for the respective year.

Date	Particulars	Dr. (₹)	Cr. (₹)
	Provisions For Tax A/c To Advance Income tax A/c (Being, provisions for tax for the previous year	Dr. xxxx	xxxx

Additional adjustment entries required to be passed on completion of assessment according to the situation are as follows:

Date	Particulars	Dr. (₹)	Cr. (₹)
	When provision is less: Profit & Loss A/c To Provisions For Tax A/c	Dr. xxxx	xxxx

Date	Particulars	Dr. (₹)	Cr. (₹)
	When provision is more: Dr.	xxxx	
	Provisions For Tax A/c		xxxx
	To Profit & Loss A/c		
	For balance tax liability: Dr.	xxxx	
	Provisions For Tax A/c		xxxx
	To Liability for Taxation A/c		

Q. 5. The power of directors to approve the financial statement can be delegated to a committee of director or some of the directors. Comment.

[June 2010 (4 Marks)]

Or

The Board of Directors of Grow More Limited, a public company, has duly delegated its power to approve the financial statement of the company for the year 2014-2015 to a committee of directors. The said committee considered the financial statement and approved the same before the financial statement were handed over to the statutory auditor of the company. Will you accept such approval of financial statement?

[June 2012 (5 Marks)]

Ans. As per Section 134(1) of the Companies Act, 2013, the financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed.

In terms of Section 179(3)(g), financial statement and the Board's report must be approved in Board Meeting. The board of directors cannot delegate power to approve the financial statements to a committee of directors.

Thus, Board of Directors of Grow More Limited, cannot delegate its power to approve the financial statement to a committee of directors.

Q. 6. Write a Short Note on: True & Fair View

[Dec. 2011 (4 Marks)]

Or

Every financial statement of the company must give true and fair view of the state of affairs of the company at the end of the financial year. [June 2019 (5 Marks)]

Ans. Books of account must give true and fair view [Section 128(1)]: Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which gives *true and fair view* of the state of the affairs of the company.

Financial statements shall give a true and fair view [Section 129(1)]: The financial statements shall give a true and fair view of the state of affairs of the company.

True and Fair view in respect of financial statement means:

- Financial statements should comply with accounting standards notified u/s 133.
- Financial statement shall be in forms as provided for different class or classes of companies in Schedule III.

(c) In case of financial statement of any insurance or banking company or any company engaged in the generation or supply of electricity or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company, shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by the reason of the fact that they do not disclose –

- ◆ In the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938, or the Insurance Regulatory and Development Authority Act, 1999.
- ◆ In the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949.
- ◆ In the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003.
- ◆ In the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.

Q. 7. It is not obligatory for every company to preserve its books of account. Comment. [June 2012 (5 Marks)]

Ans. Preservation of books of accounts [Section 128(5)]: Every company is required to preserve books of accounts along with vouchers of last 8 financial years.

However, if an investigation has been ordered in respect of the company, the Central Government may direct to keep the books of account for longer period.

Thus, it is obligatory for every company to preserve books of accounts for at least 8 financial years.

Q. 8. Where a company has a branch office, whether in India or abroad, the original books of account, records, etc. of the branch office will have to be maintained at the registered office of the company. [June 2013 (5 Marks)]

Ans. As per Section 128(1) of the Companies Act, 2013, in case of branch, books of accounts can be kept at branch. However, proper summarized returns are required to be sent periodically by the branch office to the company at its registered office or the other place where books of account are kept.

Thus, it is incorrect to say that the original books of account, records of the branch office will have to be maintained at the registered office of the company.

Q. 9. Write a Short Note on: Approval and Signing of the balance sheet and profit and loss account. [Dec. 2013 (4 Marks)]

Or

Financial Statement shall be signed only by the Chairperson of the company. Explain. [June 2015 (4 Marks)]

Ans. Approval and signing of financial statement [Section 134(1)]: The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed.

The financial statements are signed on behalf of the Board by the following persons:

(a) Chairperson of the company where he is authorized by the Board

Or

(b) Two directors out of which one shall be managing director, if any *and*

Chief Executive Officer, Chief Financial Officer, Company Secretary (if they are appointed)

In the case of OPC, the financial statements are signed by only one director, for submission to the auditor for his report.

Q. 10. Prepare a summarized form of statement of profit and loss account of a company as per the Schedule II of the Companies Act, 2013.

[Dec. 2013 (5 Marks)]

Ans.: STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Profit and loss statement for the year ended

(Rupees in.....)

Particulars	Note No.	Current year	Previous year
Revenue from operations			
Other Income			
Expenses:			
Cost of materials consumed			
Purchase of stock-in-trade			
Changes in inventories of finished goods, WIP & stock-in-trade			
Employee benefit expense			
Financial costs			
Depreciation and amortization expense			
Other expenses			
Profit before exceptional & extraordinary items and tax			
Exceptional Items			
Profit before extraordinary items and tax			
Extraordinary Items			
Profit before tax			
Tax Expense:			
(1) Current tax			
(2) Deferred tax			
Profit/(Loss) for the period from continuing operations			
Profit/(Loss) from discontinuing operations			
Tax expense of discounting operations			
Profit/(Loss) for the period			
Earning per equity share:			
(1) Basic			
(2) Diluted			

Q. 11. Mention the importance of 'notes on accounts'. Will it convey meaning to stakeholders? [Dec. 2014 (4 Marks)]

Ans. One of the main objectives of the Annual Accounts of a company is to communicate effectively its strengths and weaknesses. The bare figures encompassing the amounts are not sufficient by themselves to depict and explain the true and fair view of the state of affairs of a company. It has, therefore, become necessary to explain and communicate some of the vital information through 'Notes on Accounts'. By and large the notes on accounts are explanatory. They elucidate the figures in the accounts and explain their significance. Sometimes, these notes are clarificatory to meet the requirements of law. Whether a particular note is explanatory or clarificatory will depend on the facts in each case and the manner in which it is stated. Notes on accounts form an integral part of the accounts of a company and contain very interesting and vital information.

Contents of notes on accounts: The notes on accounts are intended to clarify and elucidate the financial position of a company as disclosed in its balance sheet and profit and loss account. Generally, the notes on accounts dwell on the following matters:

- ◆ Basis of accounting
- ◆ Significant accounting policies
- ◆ Material changes in the method of accounting
- ◆ Effect of material changes in the method of accounting
- ◆ Method of valuation of fixed assets
- ◆ Method of valuation of trade and other investments
- ◆ Method of providing depreciation
- ◆ Valuation of inventories
- ◆ Treatment of amount spent in foreign currency
- ◆ Any disputed liabilities and claims against the company
- ◆ Any major litigation pending by or against the company
- ◆ Method of providing for retirement and terminal benefits
- ◆ Remuneration paid to managerial personnel and their calculation thereof.

The above list is only illustrative and not exhaustive. There could be many other items in the Books of Accounts which may be required to be explained, clarified or amplified so as to project a true and fair view of the state of affairs of the company.

Q. 12. What are the key features of statement of profit and loss as per Schedule III of the Companies Act, 2013? [June 2015 (3 Marks)]

Ans. According to Section 129 of the Companies Act 2013, all the companies will have to present its financial statements in **Schedule III**.

The Schedule III has been formulated to keep pace with the changes in the economic philosophy leading to privatization and globalization and consequent desired changes/reforms in the corporate financial reporting practices. It deals with the Form of balance sheet, statement of profit and loss and disclosures to be made therein and it applies uniformly to all the companies for the preparation of financial statements of an accounting year.

It has several new features like:

- ◆ A vertical format for presentation of balance sheet with classification of Balance Sheet items into current and non-current categories.
- ◆ A vertical format of Statement of Profit and Loss with classification of expenses based on nature.
- ◆ Elimination the concept of "Schedules" and such information is now to be furnished in terms of "Notes to Accounts".
- ◆ It does not contain any specific disclosure for items included in Schedule VI under the head, "Miscellaneous Expenditure".
- ◆ Debit Balance of Statement of Profit & Loss A/c will be disclosed under the head, Reserves & Surplus as the negative figure.
- ◆ No change in the format of cash flow statement as per revised schedule and therefore its preparation continue to be as per AS-3 on cash flow statement.
- ◆ It gives prominence to Accounting Standards (AS) *i.e.* in case of any conflict between the AS and the Schedule, AS shall prevail.

Q. 13. State how you would present 'Cash & Cash Equivalents' under the current assets in the balance sheet as per Schedule III of the Companies Act, 2013.
[June 2016 (5 Marks)]

Ans. Cash and cash equivalents are required to be presented as given below as per Schedule III of the Companies Act, 2013:

- (i) Cash and cash equivalents shall be classified as:
 - (a) Balances with banks
 - (b) Cheques, drafts on hand
 - (c) Cash on hand
 - (d) Others (*specify nature*).
- (ii) Earmarked balances with banks (*for example, for unpaid dividend*) shall be separately stated.
- (iii) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
- (iv) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.
- (v) Bank deposits with more than 12 months maturity shall be disclosed separately.

Q. 14. State how you would present 'Short-Term Loans & Advances' under current assets in the balance sheet of a company as per Schedule III of the Companies Act, 2013? [June 2016 (3 Marks)]

Ans. Short-term loans and advances are required to be presented as given below as per Schedule III of the Companies Act, 2013:

- (i) Short-term loans and advances shall be classified as:
 - (a) Loans and advances to related parties (giving details thereof);
 - (b) Others (specify nature).
- (ii) The above shall also be sub-classified as:
 - (a) Secured, considered good
 - (b) Unsecured, considered good
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.
- (iv) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

Q. 15. Vibgyor Ltd. is unaware of the manner and details of presentation of 'Long-Term Loans & Advances' to be given in the balance sheet as per Schedule III of the Companies Act, 2013. Advise the company with the contents and manner of its disclosure. [June 2016 (5 Marks)]

Ans. Long-term loans and advances are required to be presented as given below as per Schedule III of the Companies Act, 2013:

- (i) Long-term loans and advances shall be classified as:
 - (a) Capital Advances
 - (b) Security Deposits
 - (c) Loans and advances to related parties (giving details thereof);
 - (d) Other loans and advances (specify nature).
- (ii) The above shall also be separately sub-classified as:
 - (a) Secured, considered good
 - (b) Unsecured, considered good
 - (c) Doubtful.
- (iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.