

Chapter 9 · Financial Statements of a Company

CBSE Class 12 Accountancy (055) · Part B · Unit 3 = 12 marks · Ultimate Revision Sheet

SYLLABUS ALERT Exceptional items, extraordinary items and profit/loss from discontinued operations are **EXCLUDED** from the 2026-27 syllabus.

60-SECOND RECALL

Governing law	Schedule III, Part I of the Companies Act 2013
Balance sheet halves	I. Equity & Liabilities II. Assets
Order	Assets: Non-current first , then current. Liabilities: Shareholders' funds first.
4 tools	Comparative · Common-size · Ratio analysis · Cash flow
Comparative base	Previous year = 100 → shows change
Common-size base	B/S: Total assets = 100 · P&L: Revenue from operations = 100

1. Balance Sheet Format — Schedule III

FORMAT — REPRODUCE EXACTLY, THIS IS THE 4-MARKER

Particulars	Note	CY	PY
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 Provisions			
TOTAL		XXX	XXX
II. ASSETS			
1. Non-Current Assets		...	...
(a) Property, Plant & Equipment and Intangible Assets			
(i) PPE (ii) Intangible Assets			
(iii) Capital Work-in-Progress			
(b) Non-current Investments			
(c) Deferred Tax Assets (Net)			
(d) Long-term Loans and Advances			
(e) Other Non-current Assets			

2. Current Assets

- (a) Current Investments
- (b) Inventories
- (c) Trade Receivables
- (d) Cash and Cash Equivalents
- (e) Short-term Loans and Advances
- (f) Other Current Assets

TOTAL

XXX

XXX

WHERE DOES IT GO? — the classification the exam tests

Item	Head / Sub-head
Securities Premium, General Reserve, Surplus (P&L)	Shareholders' Funds → Reserves & Surplus
Debentures, Long-term loans from bank	Non-Current Liab. → Long-term Borrowings
Premium on Redemption of Debentures	Non-Current Liab. → Other Long-term Liabilities
Provision for Gratuity (long term)	Non-Current Liab. → Long-term Provisions
Bank overdraft, Cash credit	Current Liab. → Short-term Borrowings
Creditors, Bills Payable	Current Liab. → Trade Payables
Outstanding expenses, Calls in Advance , Unclaimed dividend	Current Liab. → Other Current Liabilities
Provision for tax, Proposed dividend	Current Liab. → Short-term Provisions
Goodwill, Patents, Trademarks, Computer software	Non-Current Assets → Intangible Assets
Land, Building, Machinery, Furniture	Non-Current Assets → PPE
Stock, Loose tools, Stores & spares	Current Assets → Inventories
Debtors, Bills Receivable	Current Assets → Trade Receivables
Cash, Bank, Cheques on hand	Current Assets → Cash & Cash Equivalents
Prepaid expenses, Advance tax	Current Assets → Short-term Loans & Advances

2. Statement of Profit & Loss

FORMAT

Particulars	₹
I. Revenue from Operations	...
II. Other Income	...
III. Total Revenue (I + II)	XXX
IV. Expenses:	...
Cost of Materials Consumed	
Purchases of Stock-in-Trade	
Changes in Inventories of FG, WIP and Stock-in-Trade	
Employee Benefit Expenses	
Finance Costs	
Depreciation and Amortisation	
Other Expenses	
V. Total Expenses	XXX
VI. Profit before Tax (III – V)	...
VII. Less: Tax	(...)
VIII. Profit after Tax	XXX

Finance Costs = interest on debentures, loans, and loss on issue written off.

3. Financial Statement Analysis

Meaning: the process of establishing relationships between items of financial statements to understand the financial position and performance of the enterprise.

Objectives / Significance

- Assess **earning capacity** and profitability
- Assess **managerial efficiency**
- Assess **short-term and long-term solvency**
- Enable **inter-firm comparison**
- Help in **forecasting and budgeting**

Limitations

- **Historical data** — ignores current price levels
- Ignores **qualitative factors** (management quality, morale)
- Affected by **window dressing**
- Different **accounting policies** make comparison unfair
- Ignores **price level changes** (inflation)

4. Tool 1 — Comparative Statements

FORMAT + FORMULA

Particulars	PY	CY	Abs. Change	% Change
Revenue from Operations	...	...	...	...

Absolute Change = Current Year – Previous Year

% Change = (Absolute Change ÷ Previous Year) × 100

Base = PREVIOUS year. Shows the **direction and size of change** over time (horizontal analysis).

5. Tool 2 — Common-Size Statements

THE TWO BASES — do not mix them up

Common-size Balance Sheet: each item ÷ **TOTAL ASSETS** × 100

Common-size Statement of P&L: each item ÷ **REVENUE FROM OPERATIONS** × 100

Shows the **proportion** of each item (vertical analysis). Best for **inter-firm comparison** where firm sizes differ.

THE EXAM'S FAVOURITE DISTINCTION

Basis	COMPARATIVE	COMMON-SIZE
Also called	Horizontal analysis	Vertical analysis
Base	Previous year figure	Total assets / Revenue from operations
Shows	Change over time	Proportion within one year
Best for	Trend of the same firm	Comparing firms of different sizes

6. Question Triggers what the wording is really asking

If the question says...

"under which head is X shown?"

Do this

Give **Main head** → **Sub-head**, both

"calls in advance"	Current Liab. → Other Current Liabilities
"securities premium"	Shareholders' Funds → Reserves & Surplus
"loose tools / stores and spares"	Current Assets → Inventories
"computer software"	Non-Current → Intangible Assets
"prepare a comparative statement"	4 columns; base = previous year
"prepare a common-size statement"	Base = total assets or revenue from operations
"compare two firms of different sizes"	Common-size , not comparative
"% increase over last year"	Comparative statement
"interest on debentures paid"	Statement of P&L → Finance Costs

MOST-ASKED BOARD QUESTIONS

1. **[3-4M]** Under which head and sub-head are the following items shown? (list of 4-6 items)
2. **[4M]** Prepare a Comparative Statement of Profit & Loss / Balance Sheet.
3. **[4M]** Prepare a Common-size Statement.
4. **[3M]** State any three limitations of financial statement analysis.
5. **[1M]** What is the base in a common-size balance sheet? → **Total assets**

THE HABIT THAT SCORES — For classification questions, always write both the main head and the sub-head.

"Current Liabilities" alone is half a mark; "Current Liabilities → Other Current Liabilities" is the full mark. This is the easiest 4 marks in Part B.