

# Balance Sheet Practice Problems With Answers

## Illustration 3.

From the following ledger balances of Regal Limited as on 31<sup>st</sup> March 2015. You are required to prepare the Balance Sheet as on 31<sup>st</sup> March 2015 as per Revised schedule III of the Indian Companies Act.

Particulars	Rs	Particulars	Rs
Office Equipment	4,80,600	General Reserve	4,15,000
9% Debentures in APCO Ltd.	2,45,000	Creditors for Goods	1,68,500
Loose Tools	1,63,000	Creditors for expenses	36,000
Plant & machinery	18,00,000	Cash Credit	75,000
Computer Software	83,250	Mortgage loan	3,10,000
Debtors for goods	1,90,000	8% Preference share capital	5,50,000
Advertisement (unwritten off)	30,000	Equity Share Capital	15,00,000
Stores & Spares	1,00,200	Staff Welfare Fund	85,000
Interest accrued on investment	51,000	Provision for Taxation	26,550
Cash at Bank	23,000		

## Solution:

Balance Sheet of Regal Limited as on 31<sup>st</sup> March 2014

Particulars	Note No.	Amount (Rs.)
<b>LEQUITY AND LIABILITIES</b>		
<b>1 Shareholders' funds:</b>		
(a) Share capital : i) Equity Share Capital		15,00,000
ii) Preference Share Capital		5,50,000
(b) Reserves and surplus		4,15,000
<b>2. Share application money pending allotment:</b>		Nil
<b>3. Non-current liabilities:</b>		
(a) Long-term borrowings		3,10,000
(d) Long-term provisions		85,000
<b>4 .Current liabilities:</b>		
(a) Short-term borrowings		75,000
(b) Trade payables	1	2,04,500
(d) Short-term provisions		26,550

**BALANCE SHEET PRACTICE PROBLEMS WITH ANSWERS** ARE ESSENTIAL FOR STUDENTS AND PROFESSIONALS ALIKE WHO WISH TO DEEPEN THEIR UNDERSTANDING OF FINANCIAL STATEMENTS. THE BALANCE SHEET IS A CRUCIAL DOCUMENT IN ACCOUNTING THAT PROVIDES A SNAPSHOT OF A COMPANY'S ASSETS, LIABILITIES, AND EQUITY AT A SPECIFIC POINT IN TIME. BY WORKING THROUGH VARIOUS PRACTICE PROBLEMS, INDIVIDUALS CAN ENHANCE THEIR SKILLS IN ANALYZING AND PREPARING BALANCE SHEETS, WHICH IS VITAL FOR EFFECTIVE FINANCIAL MANAGEMENT. THIS ARTICLE WILL OUTLINE SEVERAL PRACTICE PROBLEMS ALONG WITH DETAILED ANSWERS TO HELP REINFORCE LEARNING AND COMPREHENSION.

## UNDERSTANDING THE BALANCE SHEET

BEFORE DIVING INTO PRACTICE PROBLEMS, IT'S ESSENTIAL TO UNDERSTAND THE COMPONENTS OF A BALANCE SHEET. A BALANCE SHEET IS DIVIDED INTO THREE MAIN SECTIONS:

# 1. ASSETS

ASSETS ARE RESOURCES OWNED BY A COMPANY THAT ARE EXPECTED TO BRING FUTURE ECONOMIC BENEFITS. THEY ARE GENERALLY CLASSIFIED INTO TWO CATEGORIES:

- CURRENT ASSETS: THESE ARE ASSETS THAT ARE EXPECTED TO BE CONVERTED INTO CASH OR USED UP WITHIN ONE YEAR. EXAMPLES INCLUDE CASH, ACCOUNTS RECEIVABLE, AND INVENTORY.
- NON-CURRENT ASSETS: THESE ARE LONG-TERM INVESTMENTS THAT ARE NOT EXPECTED TO BE LIQUIDATED WITHIN ONE YEAR. EXAMPLES INCLUDE PROPERTY, PLANT, EQUIPMENT, AND INTANGIBLE ASSETS.

# 2. LIABILITIES

LIABILITIES REPRESENT THE COMPANY'S OBLIGATIONS TO OUTSIDE PARTIES AND ARE ALSO CATEGORIZED INTO:

- CURRENT LIABILITIES: OBLIGATIONS THAT ARE DUE WITHIN ONE YEAR, SUCH AS ACCOUNTS PAYABLE AND SHORT-TERM LOANS.
- NON-CURRENT LIABILITIES: OBLIGATIONS THAT ARE DUE IN MORE THAN ONE YEAR, INCLUDING LONG-TERM DEBT AND DEFERRED TAX LIABILITIES.

# 3. EQUITY

EQUITY REPRESENTS THE RESIDUAL INTEREST IN THE ASSETS OF THE COMPANY AFTER DEDUCTING LIABILITIES. IT INCLUDES:

- COMMON STOCK: REPRESENTS OWNERSHIP IN THE COMPANY.
- RETAINED EARNINGS: THE ACCUMULATED PROFITS THAT HAVE BEEN REINVESTED IN THE BUSINESS RATHER THAN PAID OUT AS DIVIDENDS.

THE FUNDAMENTAL EQUATION OF THE BALANCE SHEET IS:  
$$\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$$

## PRACTICE PROBLEMS

NOW THAT WE HAVE A FOUNDATIONAL UNDERSTANDING OF THE BALANCE SHEET, LET'S EXPLORE SOME PRACTICE PROBLEMS.

### PROBLEM 1: BASIC BALANCE SHEET PREPARATION

GIVEN THE FOLLOWING INFORMATION, PREPARE A BASIC BALANCE SHEET:

- CASH: \$15,000
- ACCOUNTS RECEIVABLE: \$8,000
- INVENTORY: \$12,000
- EQUIPMENT: \$25,000
- ACCOUNTS PAYABLE: \$10,000
- LONG-TERM DEBT: \$20,000
- COMMON STOCK: \$12,000
- RETAINED EARNINGS: \$18,000

### PROBLEM 2: ADJUSTING THE BALANCE SHEET

A COMPANY HAS THE FOLLOWING BALANCES:

- TOTAL ASSETS: \$300,000
- TOTAL LIABILITIES: \$180,000

IF THE COMPANY ISSUES NEW SHARES WORTH \$50,000, WHAT WILL BE THE NEW BALANCE SHEET EQUATION?

### PROBLEM 3: ANALYZING CHANGES IN EQUITY

A COMPANY HAD THE FOLLOWING BALANCES AT THE BEGINNING OF THE YEAR:

- COMMON STOCK: \$20,000
- RETAINED EARNINGS: \$50,000

DURING THE YEAR, THE COMPANY EARNED \$30,000 IN PROFITS AND PAID \$10,000 IN DIVIDENDS. WHAT IS THE ENDING BALANCE OF EQUITY?

### ANSWERS TO PRACTICE PROBLEMS

NOW, LET'S GO THROUGH THE SOLUTIONS TO THE PRACTICE PROBLEMS PRESENTED ABOVE.

#### ANSWER 1: BASIC BALANCE SHEET PREPARATION

TO PREPARE THE BALANCE SHEET, WE FIRST CATEGORIZE THE INFORMATION INTO ASSETS, LIABILITIES, AND EQUITY.

ASSETS:

- CURRENT ASSETS:
- CASH: \$15,000
- ACCOUNTS RECEIVABLE: \$8,000
- INVENTORY: \$12,000
- NON-CURRENT ASSETS:
- EQUIPMENT: \$25,000

TOTAL ASSETS:

$$15,000 + 8,000 + 12,000 + 25,000 = \$60,000$$

LIABILITIES:

- CURRENT LIABILITIES:
- ACCOUNTS PAYABLE: \$10,000
- NON-CURRENT LIABILITIES:
- LONG-TERM DEBT: \$20,000

TOTAL LIABILITIES:

$$10,000 + 20,000 = \$30,000$$

EQUITY:

- COMMON STOCK: \$12,000
- RETAINED EARNINGS: \$18,000

TOTAL EQUITY:

$$12,000 + 18,000 = \$30,000$$

FINAL BALANCE SHEET:

ASSETS	AMOUNT
CASH	\$15,000
ACCOUNTS RECEIVABLE	\$8,000
INVENTORY	\$12,000
EQUIPMENT	\$25,000

| TOTAL ASSETS | \$60,000 |

| LIABILITIES | AMOUNT |

|-----|-----|

| ACCOUNTS PAYABLE | \$10,000 |

| LONG-TERM DEBT | \$20,000 |

| TOTAL LIABILITIES | \$30,000 |

| EQUITY | AMOUNT |

|-----|-----|

| COMMON STOCK | \$12,000 |

| RETAINED EARNINGS | \$18,000 |

| TOTAL EQUITY | \$30,000 |

## ANSWER 2: ADJUSTING THE BALANCE SHEET

BEFORE THE ISSUANCE OF NEW SHARES:

- TOTAL ASSETS: \$300,000

- TOTAL LIABILITIES: \$180,000

USING THE BALANCE SHEET EQUATION:

EQUITY = ASSETS - LIABILITIES

EQUITY = 300,000 - 180,000 = \$120,000

AFTER ISSUING NEW SHARES WORTH \$50,000:

- NEW TOTAL ASSETS: \$300,000 + \$50,000 = \$350,000

- TOTAL LIABILITIES REMAIN THE SAME AT \$180,000

NEW EQUITY = TOTAL ASSETS - TOTAL LIABILITIES

NEW EQUITY = 350,000 - 180,000 = \$170,000

FINAL BALANCE SHEET EQUATION:

ASSETS = LIABILITIES + EQUITY

\$350,000 = \$180,000 + \$170,000

## ANSWER 3: ANALYZING CHANGES IN EQUITY

BEGINNING EQUITY:

- COMMON STOCK: \$20,000

- RETAINED EARNINGS: \$50,000

NET INCOME FOR THE YEAR:

- EARNED: \$30,000

- DIVIDENDS PAID: \$10,000

ENDING RETAINED EARNINGS CALCULATION:

BEGINNING RETAINED EARNINGS + NET INCOME - DIVIDENDS

50,000 + 30,000 - 10,000 = \$70,000

ENDING EQUITY:

- COMMON STOCK: \$20,000

- ENDING RETAINED EARNINGS: \$70,000

TOTAL ENDING EQUITY:

20,000 + 70,000 = \$90,000

# CONCLUSION

**BALANCE SHEET PRACTICE PROBLEMS WITH ANSWERS** ARE AN EXCELLENT WAY TO SOLIDIFY YOUR UNDERSTANDING OF FINANCIAL STATEMENTS. BY WORKING THROUGH THESE EXAMPLES, YOU'LL NOT ONLY LEARN HOW TO PREPARE A BALANCE SHEET BUT ALSO GAIN INSIGHTS INTO THE RELATIONSHIPS BETWEEN ASSETS, LIABILITIES, AND EQUITY. PRACTICING THESE PROBLEMS WILL ENHANCE YOUR ANALYTICAL SKILLS, MAKING YOU MORE PROFICIENT IN FINANCIAL REPORTING AND ANALYSIS. WHETHER YOU'RE A STUDENT, ACCOUNTANT, OR BUSINESS OWNER, MASTERING THE BALANCE SHEET IS A CRUCIAL STEP IN YOUR FINANCIAL JOURNEY.

## FREQUENTLY ASKED QUESTIONS

### WHAT IS A BALANCE SHEET AND WHY IS IT IMPORTANT IN ACCOUNTING?

A BALANCE SHEET IS A FINANCIAL STATEMENT THAT PROVIDES A SNAPSHOT OF A COMPANY'S ASSETS, LIABILITIES, AND EQUITY AT A SPECIFIC POINT IN TIME. IT IS IMPORTANT BECAUSE IT HELPS STAKEHOLDERS ASSESS THE FINANCIAL HEALTH OF A BUSINESS, UNDERSTAND ITS CAPITAL STRUCTURE, AND MAKE INFORMED DECISIONS.

### HOW DO YOU CALCULATE TOTAL ASSETS ON A BALANCE SHEET?

TOTAL ASSETS ON A BALANCE SHEET ARE CALCULATED BY ADDING TOGETHER ALL CURRENT ASSETS (LIKE CASH, ACCOUNTS RECEIVABLE, AND INVENTORY) AND NON-CURRENT ASSETS (LIKE PROPERTY, PLANT, EQUIPMENT, AND INTANGIBLE ASSETS).

### WHAT ARE SOME COMMON PRACTICE PROBLEMS FOR CREATING A BALANCE SHEET?

COMMON PRACTICE PROBLEMS INCLUDE ADJUSTING TRIAL BALANCES TO CREATE A BALANCE SHEET, CLASSIFYING ASSETS AND LIABILITIES CORRECTLY, AND ENSURING THAT THE ACCOUNTING EQUATION ( $\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$ ) HOLDS TRUE AFTER ADJUSTMENTS.

### WHAT IS THE ACCOUNTING EQUATION AND HOW DOES IT RELATE TO BALANCE SHEET PRACTICE PROBLEMS?

THE ACCOUNTING EQUATION STATES THAT  $\text{ASSETS} = \text{LIABILITIES} + \text{EQUITY}$ . THIS EQUATION IS FUNDAMENTAL TO BALANCE SHEET PRACTICE PROBLEMS, AS IT ENSURES THAT THE BALANCE SHEET IS ACCURATE AND THAT ALL FINANCIAL TRANSACTIONS ARE PROPERLY RECORDED.

### CAN YOU PROVIDE AN EXAMPLE OF A BALANCE SHEET PRACTICE PROBLEM?

SURE! A COMPANY HAS \$50,000 IN CASH, \$20,000 IN INVENTORY, \$10,000 IN ACCOUNTS RECEIVABLE, \$30,000 IN ACCOUNTS PAYABLE, AND \$40,000 IN OWNER'S EQUITY. THE BALANCE SHEET WOULD SHOW TOTAL ASSETS OF \$80,000 ( $\text{CASH} + \text{INVENTORY} + \text{ACCOUNTS RECEIVABLE}$ ) AND TOTAL LIABILITIES OF \$30,000 (ACCOUNTS PAYABLE), CONFIRMING THAT ASSETS EQUAL LIABILITIES PLUS EQUITY.

### WHAT ARE SOME COMMON MISTAKES TO AVOID WHEN PREPARING A BALANCE SHEET?

COMMON MISTAKES INCLUDE FAILING TO CLASSIFY ASSETS AND LIABILITIES CORRECTLY, NOT RECONCILING ACCOUNTS ACCURATELY, OVERLOOKING CONTINGENT LIABILITIES, AND NEGLECTING TO ENSURE THAT THE TOTAL ASSETS EQUAL THE SUM OF LIABILITIES AND EQUITY.

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## **Giant White Houses - Modular (stucco, cheapest, rental, state)**

Mar 7, 2025 · These modulares are springing up all over our neighborhood. They are indeed all white with black trims. Very tall first floor where second floor is

*Beach property as second home/investment in NC? (Oak Island, ...*

Aug 11, 2021 · I own a 3 br rental condo (not a house) at Oak Island and its definitely a money maker, although I did not pay current prices for it. Spring is strong for rentals, as is fall. And we almost always have a "snowbird" rent it for several months in the winter (at a greatly reduced rate from the summer, of course). Demand has always been there, increased covid demand has ...

## **Question - What is 1ms VRB? | Tom's Hardware Forum**

Apr 11, 2019 · so i found a good monitor and it says it has 1ms VRB (it's an ips monitor), what is 1ms VRB? what does it translate to in GTG?

## **[SOLVED] - Websites Appearing In A Foreign Language**

Mar 24, 2014 · I have a problem because some websites are appearing in a foreign language; specifically Sinhala (As an example www.muoi.com appears in Sinhala). I have been trying to troubleshoot this problem for a while but to no avail. My main browser is Chrome. All the settings in Chrome point to English...

## **Best Beach Town in the US per VRBO - Florida (FL) - City-Data Forum**

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## **Union Springs, Alabama (AL 36089) profile: population, maps, real ...**

Air BnB/ VRBO in Birmingham area (9 replies) Union Springs as a retirement destination (0 replies) White Catholic Conservative vs. Black Baptist Democratic town (36 replies) Honest Opinions Wanted: How well are interracial couples accepted in Alabama? (49 replies) Driving directions: Orlando to S of Birmingham (1 reply)

## **How much more to ask for 6 mo VS 12 mo? (lease, tenant, renters ...**

Jan 20, 2016 · My understanding is that rental listings on Zillow are based on 12 month leases. I'm looking to rent a furnished home for no more than 6 to 9 months.

## **Downtown Office Vacancy Rates in Select US Cities - City vs. City ...**

Jun 29, 2025 · Many downtowns in the US are seeing record high office vacancies in their core. Here is a list of cities with very high vacancy rates in Q2 of 2025: (s

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site: City-data.com.

## **Ottawa Tourism**

Apr 25, 2025 · Find out what to do, where to stay and where to eat during your visit to Ottawa.

## **Google Maps**

Find local businesses, view maps and get driving directions in Google Maps.

## *Ville d'Ottawa*

Jul 4, 2023 · Apprenez à connaître vos conseillers municipaux d'Ottawa. membres, mandat, ordres du jour et procès-verbaux des réunions...

## *Ottawa - Wikipedia*

It is located in the southern portion of the province of Ontario, at the confluence of the Ottawa River and the Rideau River. Ottawa borders Gatineau, Quebec, and forms the core of the Ottawa-Gatineau census metropolitan area (CMA) and the National Capital Region (NCR). [13]

## **THE 15 BEST Things to Do in Ottawa (2025) - Must-See Attractions**

Top Things to Do in Ottawa, Ontario: See Tripadvisor's 250,486 traveller reviews and photos of Ottawa tourist attractions. Find what to do today, this weekend, or in August.

## **Ottawa — Wikipédia**

Elle est située dans le Sud de la province de l' Ontario, au confluent de la rivière des Outaouais et de la rivière Rideau. Ottawa borde la ville québécoise de Gatineau et forme le noyau de la région de la capitale nationale.

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