

FINANCIAL STATEMENTS OF COMPANIES

"Stop being afraid of what could go wrong and focus on what could go right"

MAINTENANCE OF BOOKS OF ACCOUNTS (Sec 128 of Companies Act, 2013)

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 give a *true and fair view* of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on *accrual basis* and according to the *double entry system* of accounting.

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

PREPARATION OF FINANCIAL STATEMENTS

Under Section 129 of the Companies Act, 2013, the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies, as prescribed in Schedule III.

(As per section 133 of the Companies Act, it is mandatory to comply with accounting standards notified by the Central Government from time to time)

The Board of Directors of the company shall lay *financial statements* at every annual general meeting of a company which include:

- a) Balance Sheet as at the end of the period, and
- b) Profit and Loss Account for that period.

[Note: For a Company not carrying on business for profit, an Income and Expenditure Account shall be laid at that AGM, instead of the P & L Account.]

- c) Cash flow statement for the financial year
- d) Statement of changes in equity, if applicable; and
- e) Any explanatory note annexed to, or forming part of, any document referred above

Provided that the financial statement, with respect to One Person Company, small company, dormant company and private company (if it's a start up), may not include the cash flow statement.

Requisites of Financial Statements It shall give a true and fair view of the state of affairs of the company as at the end of the financial year.

Provisions Applicable

(1) Specific Act is Applicable

For instance any

- a) Insurance company
- b) Banking company or
- c) Any company engaged in generation or supply of electricity or
- d) Any other class of company for which a Form of balance sheet or Profit and loss account has been prescribed under the Act governing such class of company

(2) In case of all other companies

Balance Sheet as per Form set out in Part I of Schedule III and Statement of Profit and Loss as per Part II of Schedule III

Division	Applicable to
Division I	Companies that are required to apply Accounting Standards notified under Section 133 of the Companies Act, 2013.
Division II	Companies that are required to apply Indian Accounting Standards notified under Section 133 of the Companies Act, 2013.
Division III	Non-Banking Finance Companies (NBFCs) that are required to apply Indian Accounting Standards notified under Section 133 of the Companies Act, 2013.

Points to be kept in mind while preparing final accounts:

- Requirements of Schedule III to the Companies Act;
- Other statutory requirements;
- Accounting Standards notified by Ministry of Corporate Affairs (MCA) (AS 1 to AS 29);
- Statements and Guidance Notes issued by the Institute of Chartered Accountants of India (ICAI); which are necessary for understanding the accounting treatment/ valuation/ disclosure suggested by the ICAI.

Depending upon the Total Income of the company, the figures appearing in the Financial Statements shall be rounded off as given below:

Total Income	Rounding Off
(a) Less than 100 crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof
(b) 100 crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

DIVIDEND (Sec 123 of Companies Act, 2013)

Dividend	Dividend to be declared / paid out of a) Profits of the company for that year or previous years but after providing depreciation as per Schedule II or b) Money provided by Central Govt. or State Govt. in pursuance of guarantee given by Govt.
General Provisions	<ul style="list-style-type: none"> ➤ Dividend cannot be declared except out of profits. ➤ Dividend to be declared/paid out of free reserves. ➤ Capital cannot be returned to the shareholders by way of dividend. ➤ Dividend is paid to Shareholders; Preference shareholders being paid first. ➤ It is generally calculated on paid up capital i.e., Called up Capital <u>Less</u> Calls in Arrears ➤ No dividend on Calls in Advance ➤ Company cannot declare dividend unless previous year losses & depreciation not provided are set off against profits of current year.
Interim Dividend	<p>The Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the AGM out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend:</p> <p>Provided that in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.</p>
Declaration of Dividend out of Reserves	<p style="text-align: center;"><u>Withdrawal from Reserves: Conditions</u></p> <ol style="list-style-type: none"> 1) Dividend Rate cannot exceed average of previous 3 years 2) Maximum Amount that can be withdrawn from reserves $\leq 10\% \text{ of (Paid up capital + Free Reserves)}$ 3) Minimum Amount left in reserves after withdrawal $\geq 15\% \text{ of (Paid up capital)}$ <p>The amount so drawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.</p>

Schedule III of the Companies Act, 2013**PART I – BALANCE SHEET**

Name of the Company.....

Balance Sheet as at

	PARTICULARS	Note No.	Figures as at the end of current Reporting period	Figures as at the end of previous reporting period
A.	EQUITY AND LIABILITIES			
1.	Shareholder's 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			
B.	ASSETS			
1.	Non-Current Assets			
a	Property, Plant & Equipment & Intangible Assets			
i.	Property, Plant & Equipment			
ii.	Intangible assets			
iii.	Capital work-in-Progress			
iv.	Intangible assets under development			
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			

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. **An** asset shall be classified as current when it satisfies any of the following criteria:
- it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
 - it is held primarily for the purpose of being traded;
 - it is expected to be realized within twelve months after the reporting date; or
 - it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

2. An operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of 12 months.

3. A liability shall be classified as current when it satisfies any of the following criteria:
- it is expected to be settled in the company's normal operating cycle;
 - it is held primarily for the purpose of being traded;
 - it is due to be settled within twelve months after the reporting date; or
 - the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

4. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

5. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

Important Disclosures in Notes to Accounts

- 1) Share Capital: For each class of share capital (different classes of preference shares to be treated separately):

- the number and amount of shares authorised;
- the number of shares issued, subscribed & fully paid, and subscribed but not fully paid;
- par value per share;
- a reconciliation of the number of shares o/s at the beginning & at the end of the period;
- for the period of 5 years immediately preceding the date as at which the Balance Sheet is prepared:
 - Aggregate number & class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
 - Aggregate number & class of shares allotted as fully paidup by way of bonus shares
 - Aggregate number and class of shares bought back.

- f) Shareholding of Promoter's

Shares held by Promoter at the end of the year				% change during the year
S.No.	Promoter Name	No. of Shares	% of total Shares	
Total				

- 2) **Reserves and Surplus:** Debit balance of statement of profit and loss shall be shown as negative figure under the head "Surplus". Similarly, balance of "Reserves & Surplus", after adjusting negative balance of surplus, if any, shall be shown under the head "Reserves and Surplus" even if the resulting figure is in the negative.
- 3) Current maturities of Long term borrowings shall be disclosed separately under Short term borrowings & not under Other Current Liabilities

4) **Trade Payables ageing Schedule:**

Particulars	O/s for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
MSME					
Others					
Disputed dues-MSME					
Disputed dues-Others					

- 5) **PPE & Intangible Assets:** A reconciliation of the gross & net carrying amounts of each class of assets at beginning & end of reporting period showing additions, disposals, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of PPE/ Intangible Assets) & other adjustments & related depreciation & impairment losses/reversals shall be disclosed separately.]

6) **Trade Receivables ageing Schedule:**

Particulars	O/s for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed -considered good						
Undisputed -considered doubtful						
Disputed - considered good						
Disputed - considered doubtful						

7) **Additional Disclosures**

- (1) Title deeds of Immovable Property not held in name of the Company.
- (2) Capital WIP/ Intangible Assets under development Ageing schedule.
- (3) Following ratios to be disclosed: (Change >25% as compared to previous year to be explained)
 - (a) Current Ratio, (b) Debt-Equity Ratio, (c) Debt Service Coverage Ratio, (d) Return on Equity Ratio, (e) Inventory turnover ratio, (f) Trade Receivables turnover ratio, (g) Trade payables turnover ratio, (h) Net capital T/o ratio, (i) Net profit ratio, (j) Return on Capital employed, (k) Return on investment

CONTINGENT LIABILITIES and COMMITMENTS (to the extent not provided for)

- a. Claims against the company not acknowledged as debt
- b. Guarantees
- c. Arrears of fixed cumulative dividends on preference shares
- d. Estimated amount of contracts remaining to be executed on capital account & not provided
- e. Uncalled liability on shares and other investments partly paid
- f. Bills discounted not yet matured
- g. Other money for which the company is contingently liable & other commitments.

PART II – STATEMENT OF PROFIT AND LOSS

Name of the Company.....

Profit and loss statement for the year ended

	PARTICULARS	Note No.	Figures as at the end of current Reporting period	Figures as at the end of previous reporting period
I.	Revenue from operations			
II.	Other income			
III.	Total Income (I + II)			
IV.	Expenses:			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expense			
	Other expenses			
	Total Expenses			
V.	Profit before exceptional and extraordinary items and tax (III-IV)			
VI.	Exceptional items			
VII.	Profit before extraordinary items & tax (V - VI)			
VIII.	Extraordinary Items			
IX.	Profit before tax (VII- VIII)			
X	Tax expense:			
	(1) Current tax			
	(2) Deferred tax			
XI.	Profit (Loss) for the period from continuing operations (VII-VIII)			
XII.	Profit/(loss) from discontinuing operations			
XIII.	Tax expense of discontinuing operations			
XIV.	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)			
XV	Profit (Loss) for the period (XI + XIV)			
XVI.	Earnings per equity share:			
	(1) Basic			
	(2) Diluted			

Additional Information:

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:

- (a) Employee Benefits Expense [showing separately
 - (i) salaries and wages,
 - (ii) contribution to provident and other funds,
 - (iii) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP),
 - (iv) staff welfare expenses].

- (b) Depreciation and amortization expense;
- (c) Any item of income or expenditure which exceeds 1% of the revenue from operations or ₹ 1,00,000, whichever is higher;
- (d) Interest Income;
- (e) Interest Expense;
- (f) Dividend Income;
- (g) Net gain/ loss on sale of investments;
- (h) Adjustments to the carrying amount of investments;
- (i) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
- (j) Payments to the auditor as
 - a. auditor,
 - b. for taxation matters,
 - c. for company law matters,
 - d. for management services,
 - e. for other services,
 - f. for reimbursement of expenses;
- (k) In case of companies covered u/s 135, amount of expenditure incurred on corporate social responsibility activities.
- (l) Details of items of exceptional and extraordinary nature;
- (m) Prior period items

Other Disclosures:

Corporate Social Responsibility (CSR):

Where the company covered under section 135 of the companies act, the following shall be disclosed with regard to CSR activities:-

- (a) amount required to be spent by the company during the year,
- (b) amount of expenditure incurred,
- (c) shortfall at the end of the year,
- (d) total of previous years shortfall,
- (e) reason for shortfall,
- (f) nature of CSR activities,
- (g) details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,
- (h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.

Details of Crypto Currency or Virtual Currency

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:

- a) profit or loss on transactions involving Crypto currency or Virtual Currency.
- b) amount of currency held as at the reporting date,
- c) deposits or advances from any person for the purpose of trading or investing in Crypto Currency/ virtual currency.

QUESTIONS: SCHEDULE III OF COMPANIES ACT, 2013

Question 1

H Ltd. engaged in the business of manufacturing lotus wine. The process of manufacturing this wine takes around 18 months. Due to this reason H Ltd. has prepared its financial statements considering its operating cycle as 18 months and accordingly classified the raw material purchased and held in stock for less than 18 months as current asset. Comment on the accuracy of the decision and the treatment of the asset by H Ltd., as per the Schedule III.

Solution

As per Schedule III to the Companies Act, 2013, one of the criteria for classification of an asset as a current asset is that the asset is expected to be realised in the company's operating cycle or is intended for sale or consumption in the company's normal operating cycle. Further, Schedule III to the Companies Act, 2013 defines that an operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. However, when the normal operating cycle cannot be identified, it is assumed to have duration of 12 months. As per the facts given in the question, the process of manufacturing of lotus wine takes around 18 months; therefore, its realisation into cash and cash equivalents will be done only when it is ready for sale i.e. after 18 months. This means that normal operating cycle of the product is 18 months. Therefore, contention of company's management that the operating cycle of the product lotus wine is 18 months and not 12 months is correct.

Question 2

C Ltd. is a group engaged in manufacture and sale of industrial and FMCG products. One of their division also deals in Leasing of properties - Mobile Towers. The accountant showed the rent arising from the leasing of such properties as other income in the Statement of Profit and Loss. Comment whether the classification of the rent income made by the accountant is correct or not in the light of Schedule III to the Companies Act, 2013.

Solution

As per the "General Instructions for preparation of Statement of Profit and Loss" given in Schedule III to the Companies Act, 2013, "Other Income" does not include operating income. The term "Revenue from operations" has not been defined under Schedule III to the Companies Act, 2013. However, as per the Guidance Note on Schedule III to the Companies Act, 2013 this would include revenue arising from a company's operating activities, i.e., either its principal or ancillary revenue-generating activities. Whether a particular income constitutes "Revenue from operations" or "Other income" is to be decided based on the facts of each case and detailed understanding of the company's activities. The classification of income would also depend on the purpose for which the particular asset is acquired or held.

As per the information given in the question, C Ltd. is a group engaged in manufacture and sale of industrial and FMCG products and its one of the division deals in leasing of properties - Mobile Towers. Since its one division is continuously engaged in leasing of properties, it shall be considered as its principal or ancillary revenue-generating activities. Therefore, the rent arising from such leasing shall be shown under the head "Revenue from operations" and not as "other income". Hence, the presentation of rent arising from the leasing of such properties as "other income" in the Statement of Profit and Loss is not correct. It should be shown under head "Revenue from operations".

Question 3

In the financial statements of the financial year 2022-2023, Alpha Ltd. has mentioned in the notes to accounts that during financial year, 24,000 equity shares of ₹ 10 each were issued as fully paid bonus shares. However, the source from which these bonus shares were issued has not been disclosed. Is such non-disclosure a violation of the Schedule III to the Companies Act? Comment.

Solution

As per Part I of the Schedule III, a company should, inter alia, disclose in notes to accounts for the period of 5 years immediately preceding the balance sheet date (31st March, 2023 in the instant case) the aggregate number and class of shares allotted as fully paid-up bonus shares. Schedule III does not require a company to disclose the source from which bonus shares have been issued. Therefore, non-disclosure of source from which bonus shares have been issued does not violate the Schedule III to the Companies Act.

Question 4

The management of Loyal Ltd. contends that the work in process is not valued since it is difficult to ascertain the same in view of the multiple processes involved. They opine that the value of opening and closing work in process would be more or less the same. Accordingly, the management had not separately disclosed work in process in its financial statements. Comment in line with Schedule III

Solution

Schedule III to the companies Act does not require that the amounts of WIP at the beginning and at the end of the accounting period to be disclosed in the statement of profit and loss. Only changes in inventories of WIP need to be disclosed in the statement of profit and loss. Non-disclosure of such change in the statement of profit and loss by the company may not amount to violation of Schedule III if the differences between opening and closing WIP are not material.

Question 5

Prince Ltd. presents its provisions for contingencies under "Reserves and Surplus" in Notes to Accounts in its financial statements. Whether this presentation is correct?

Solution

The ICAI's Glossary of Terms Used in Financial Statements defines the term 'Reserve' as "the portion of earnings, receipts or other surplus of an enterprise (whether capital or revenue) appropriated by the management for a general or a specific purpose other than a provision for depreciation or diminution in the value of assets or for a known liability." 'Reserves' should be distinguished from 'provisions'. For this purpose, reference may be made to the definition of the expression 'provision' in AS-29 Provisions, Contingent Liabilities and Contingent Assets. As per AS-29, a 'provision' is "a liability which can be measured only by using a substantial degree of estimation". A 'liability' is "a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits." Present obligation' – "an obligation is a present obligation if, based on the evidence available, its existence at the Balance Sheet date is considered probable, i.e., more likely than not."

Question 6

Anek Ltd. is a company that is required to present its financial statements as per the Division I of Schedule III. The company has trade receivables at the balance sheet date. What are the disclosures that are applicable with respect to trade receivables in the financial statements?

Solution

Trade Receivables, shall be sub-classified as:

- (i) (a) Secured, considered good; (b) Unsecured considered good; (c) Doubtful
- (ii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
- (iii) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

For trade receivables outstanding, following ageing schedule shall be given:

Particulars	O/s for following periods from due date of payment					Total
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed -considered good						
Undisputed -considered doubtful						
Disputed - considered good						
Disputed - considered doubtful						

ASSIGNMENT QUESTIONS

TOPIC 1: DIVIDEND

Question 1 _____ Pg no. _____

Sumo Ltd. has profit of ₹ 25 lakhs before charging depreciation. Depreciation in books was ₹ 11 lakhs & depreciation as per Section 123 comes to ₹ 17 lakhs. Compute divisible profit.

Question 2 **(ICAI Study Material)** _____ Pg no. _____

Due to inadequacy of profits during year ended 31st March, 2022, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilized from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

	₹
17,500 9% Preference shares of ₹ 100 each, fully paid up	17,50,000
8,00,000 Equity shares of ₹ 10 each, fully paid up	80,00,000
General Reserves as on 1.4.2021	25,00,000
Capital Reserves as on 1.4.2021	3,00,000
Revaluation Reserves as on 1.4.2021	3,50,000
Net profit for the year ended 31st March, 2022	3,00,000

Average rate of dividend during the last 3 years has been 12%.

Question 3 _____ Pg no. _____

From the following particulars, ascertain the amount that can be utilized from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

5,000 8% Preference shares of ₹ 100 each	5,00,000
2,00,000 Equity shares of ₹ 10 each, fully paid up	20,00,000
General Reserves	6,00,000
Capital Reserve on revaluation	1,00,000
Security Premium	1,00,000
P&L Account (Opening Balance)	18,000
Profit for current year	1,02,000

Average dividend in previous 3 years - 15%. Company proposes to declare dividend @12%

TOPIC 2: FINANCIAL STATEMENTS

Question 4 _____ Pg no. _____

Sumedha Ltd. took a loan from bank for ₹ 10,00,000 to be settled within 5 years in 10 equal half yearly instalments with interest. First instalment is due on 30.09.2021 of ₹ 1,00,000. Determine how the loan will be classified in preparation of Financial Statements of Sumedha Ltd. for the year ended 31st March, 2021 according to Schedule III.

Question 5 _____ Pg no. _____

Futura Ltd. had following items under "Reserves & Surplus" in Balance Sheet as on 31.03.22

	₹ (In Lakhs)
Securities Premium Account	80
Capital Reserve	60
General Reserve	90

The company had an accumulated loss of ₹ 250 lakhs on the same date, which it has disclosed under the head "Statement of Profit and Loss" as asset in its Balance Sheet. Comment on accuracy of this treatment in line with Schedule III to the Companies Act, 2013.

Question 6

Pg no. _____

From the following information, prepare extract of Balance Sheet of A Limited along with notes making necessary compliance of Schedule III to the Companies Act, 2013

	Amount (₹)
Loan Funds	
(a) Secured Loans	18,12,000
(b) Unsecured Loan - Short term from bank	2,25,000
Other information is as under:	
Secured Loans	
Term Loans from:	
Banks	8,95,000
Others	9,17,000
	18,12,000
Current Maturities of long-term loan from Bank	1,24,000
Current Maturities of long-term loan from Others	85,000

There was no interest accrued / due as at the end of the year. Current maturities of long-term loans amounting ₹ 2,09,000 is included in the value of secured loans of ₹ 18,12,000.

Question 7

Pg no. _____

The following items appear in the Trial Balance of X Ltd. as at 31st March, 2022:

1.	Revenue from Operations	24,00,000
2.	Other Income	1,00,000
3.	Expenses other than interest	3,80,000
4.	General Reserve (as on 1 st April, 2021)	1,30,000
5.	Profit & Loss Account (as on 1 st April, 2021) ₹ 3,28,000. Company declared equity dividend of 15%. Transfer Debenture Redemption Reserve @ 10% of Debentures. (Assume Corporate Tax @ 30%). Transfer 5% of Net Profit to General Reserve.	
6.	12%, 10,000 Debentures of ₹ 100 each fully paid up	
7.	14%, 5,000 Preference Shares of ₹ 100 each fully paid up	
8.	6,000 Equity Shares of ₹ 100 each	
9.	8,000 Equity Shares of ₹ 100 each, ₹ 25 paid up.	

Show the above items in Profit & Loss Statement and Balance Sheet.

Question 8

Pg no. _____

The Articles of Association of S Ltd. provide the following:

- (i) That 20% of the net profit of each year shall be transferred to reserve fund.
- (ii) That an amount equal to 10% of equity dividend shall be set aside for staff bonus.
- (iii) That the balance available for distribution shall be applied:
 - a. in paying 14% on cumulative preference shares.
 - b. in paying 20% dividend on equity shares.
 - c. one-third of the balance available as additional dividend on preference shares and two-third as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 12% on preference shares after making provisions (i), (ii) and (iii) mentioned above. The company has issued 13,000, 14% cumulative participating preference shares of ₹ 100 each fully paid and 70,000 equity shares of ₹ 10 each fully paid up. The profit for the year 2021 was

₹ 10,00,000 and balance brought from previous year ₹ 80,000. Provide ₹ 31,200 for depreciation and ₹ 80,000 for taxation before making other appropriations. Show net balance of profit and loss account after making above adjustments.

Question 9 **(RTP May 2018) / (RTP May 2021) (Similar)** Pg no. _____

Kapil Ltd. has authorized capital of ₹50 lakhs divided into 5,00,000 equity shares of ₹10 each. Their books show the following balances as on 31st March, 2022:

	₹		₹
Inventory 1.4.2021	6,65,000	Bank Current Account	20,000
Discounts & Rebates	30,000	Cash in hand	8,000
Carriage Inwards	57,500	Debenture interest (for the period of 6 months ended 30.9.2021)	10,000
Patterns	3,75,000	Interest (Bank Loan)	91,000
Rate, Taxes and Insurance	55,000	Calls in Arrear @ ₹ 2 per share	10,000
Furniture & Fixtures	1,50,000	Equity share capital (2,00,000 shares of ₹ 10 each)	20,00,000
Purchases	12,32,500	4% Debentures (repayable after 10 years)	5,00,000
Wages	13,68,000	Bank Overdraft	7,57,000
Freehold Land	16,25,000	Trade Payables (for goods)	2,40,500
Plant & Machinery	7,50,000	Sales	36,17,000
Engineering Tools	1,50,000	Rent (Cr.)	30,000
Trade Receivables	4,00,500	Transfer fees received	6,500
Advertisement	15,000	Profit & Loss A/c (Cr.)	67,000
Commission & Brokerage	67,500	Repairs to Building	56,500
Business Expenses	56,000	Bad debts	25,500

The inventory (valued at cost or market value, which is lower) as on 31st March, 2022 was ₹ 7,08,000. 4% Debentures amounting ₹ 5,00,000 were issued on 1.04.2021. Outstanding liabilities for wages ₹ 25,000 and business expenses ₹ 36,000. Dividend declared @ 12% on paid-up capital and it was decided to transfer to reserve @ 2.5% of profits.

Charge depreciation on closing written down amount of Plant & Machinery @ 5%, Engineering Tools @ 20%; Patterns @ 10%; and Furniture & Fixtures @ 10%. Provide 25,000 as doubtful debts after writing off ₹16,000 as bad debts.

Create debenture redemption reserve @ 10% of Debentures. Provide for income tax @ 30%. You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2022 and Balance Sheet as on that date

Question 10 – **(RTP May 2022) / (ICAI Study Material)** Pg no. _____

Following is the trial balance of Delta limited as on 31.3.2021. (Figures in ₹ '000)

Particulars	Debit	Particulars	Credit
Land at cost	800	Equity share cap. (shares of 10 each)	500
Calls in arrears	5	10% Debentures	300
Cash in hand	2	General reserve	150
Plant & Machinery at cost	824	Profit & Loss A/c (bal. on 1.4.20)	75
Trade receivables	120	Securities premium	40
Inventories (31-3-21)	96	Sales	1200
Cash at Bank	28	Trade payables	30
Adjusted Purchases	400	Provision for depreciation	150

Factory expenses	80	Suspense Account	10
Administrative expenses	45		
Selling expenses	25		
Debenture Interest	30		
	2455		2455

Additional Information:

- The authorized share capital of the company is 80,000 shares of ₹ 10 each.
- The company revalued the land at ₹ 9,60,000.
- Equity share capital includes shares of ₹ 50,000 issued for consideration other than cash.
- Suspense account of ₹ 10,000 represents cash received from the sale of some of the machinery on 1.4.2020. The cost of the machinery was ₹ 24,000 and the accumulated depreciation thereon being ₹ 20,000. The balance of Plant & Machinery given in trial balance is before adjustment of sale of machinery.
- Depreciation is to be provided on plant and machinery at 10% on cost.
- Balance at bank includes ₹ 5,000 with ABC Bank Ltd., which is not a Scheduled Bank.
- Make provision for income tax @30%.
- Trade receivables of ₹ 50,000 are due for more than six months.
- Declared dividend @10% on 03.04.2021.

You are required to prepare Delta Limited's Balance Sheet as at 31.3.2021 and Statement of Profit and Loss with notes to accounts for the year ended 31.3.2021 as per Schedule III. Ignore previous year's figures.

Question 11 **(RTP Nov 2020) (Similar) / (ICAI Study Material)** Pg no. _____

On 31st March, 2022 Bose and Sen Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 2022:

Credit Balances	₹
Equity shares capital, fully paid shares of ₹ 10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation	10,50,000
Secured by hypothecation of Plant & Machinery (Repayable within one year ₹ 2,00,000)	
Loans: Unsecured (Long term)	8,47,000
Sundry Creditors for goods & expenses (Payable within 6 months)	14,00,000
Profit & Loss Account	7,00,000
Provision for Taxation	4,16,900
Dividend Payable	4,00,000
	1,33,63,000

Debit Balances	₹
Calls in arrear	7,000
Land	14,00,000
Buildings	20,50,000
Plant and Machinery	36,75,000
Furniture & Fixture	3,50,000
Stocks : Finished goods	14,00,000
: Raw Materials	3,50,000
Trade Receivables	14,00,000
Advances: Short-term	2,98,900
Cash in hand	2,10,000

Balances with banks	17,29,000
Preliminary Expenses	93,100
Patents & Trade marks	4,00,000
	1,33,63,000

The following additional information is also provided :

- (i) 4,20,000 fully paid equity shares were allotted as consideration for land & buildings.
- (ii)
- | | |
|--------------------------------|-------------|
| a. Cost of Building | ₹ 28,00,000 |
| b. Cost of Plant & Machinery | ₹ 49,00,000 |
| c. Cost of Furniture & Fixture | ₹ 4,37,500 |
- (iii) Trade Receivables for ₹ 3,80,000 are due for more than 6 months.
- (iv) The amount of Balances with Bank includes ₹ 18,000 with a bank which is not a scheduled Bank and the deposits of ₹ 5 lakhs are for a period of 9 months.
- (v) Unsecured loan includes ₹ 2,00,000 from a Bank and ₹ 1,00,000 from related parties.
- (vi) Entire amount of Preliminary expenses to be written off, by adjusting from opening balance of General Reserve.

You are required to prepare the Balance Sheet of the Company as on 31st March, 2022 as required under Schedule III of the Companies Act, 2013. You are not required to give previous year figures.

Question 12 _____ Pg no. _____

The following are the balances from the Ledger of Mount View Hotel Ltd., on 31st March 2022:

	₹
Share Capital - Credit Balance on 1st January, 2022	56,685
Freehold Premises	46,800
Furniture and Fittings	8,934
Glass and China	1,101
Linen	840
Cutlery and Plate	390
Rates, Taxes and Insurance	1,713
Salaries	2,400
Wages	4,305
Stocks on 31st March, 2021 :	
Wines, ₹ 1,239 ; Spirits, ₹ 378 ; Beer, ₹ 165 ;	1,782
Minerals, ₹ 147 ; Cigars and Cigarettes, ₹ 114	261
Sundry Provisions and Stores, ₹ 183; Coal, ₹ 150	333
Purchases :	
Meat, ₹ 3,627 ; Fish and Poultry ₹ 3,960	7,587
Sundry Provisions and Stores, ₹ 5,220	5,220
Wines ₹ 1,881 ; Spirits ₹ 2,190 ; Beer ₹ 1,152	5,223
Minerals, ₹ 1,050 ; Cigars and Cigarettes, ₹ 240	1,290
Laundry	951
Coal and Gas	2,160
Electric Light	1,128
General Expenses	1,710
Sales —	
Wines, ₹ 3,870 ; Spirits, ₹ 4,335 ; Beer, ₹ 1,863	10,068
Minerals, ₹ 2,160 ; Cigars and Cigarettes, ₹ 390	2,550
Meals	23,829
Rooms	9,375

Washing Charges & Charges for providing fire facility in bedrooms	801
Repairs, Renewals, and Depreciation - Premises, ₹ 348 ; Furniture and Fittings, ₹ 660 Glass and China, ₹ 609 ; Linen, ₹ 390 Cutlery and Plate	1,008 999 207
Cash Book - Debit Balances:	
In Bank	7,500
On hand	2,367
Visitors Accounts unpaid	489
Sundry Creditors	3,390

Stocks on 31st March, 2022 were valued as follows -

Wines, ₹ 1,197; Spirits, ₹ 333 ; Beer, ₹ 174 ;

Minerals, ₹ 357; Cigars and Cigarettes, ₹ 69;

Sundry Provisions and Stores, ₹ 141; Coal, ₹ 99

The Manager is entitled to a commission of 5% of the net profits after charging his commission. The authorised share capital is 10,000 shares of ₹ 10 each of which 5,700 shares were issued, the whole of the amount being called up. The final call on 210 shares @ ₹ 1.50 per share was unpaid; the directors forfeited these shares at their meeting held on 15th March, 2022.

The tax liability is estimated at ₹ 4,300 and the company declared dividend at the rate of 6%. Prepare the Final Accounts for presentation to the shareholders.

Question 13 ***(RTP Nov 2021) / (RTP May 2019) (Similar)***

Pg no. _____

Om Ltd. has the Authorised Capital of ₹ 15,00,000 consisting of 6,000 6% Preference shares of ₹ 100 each and 90,000 equity Shares of ₹10 each. The following was the Trial Balance of the Company as on 31st March, 2022

Particulars	Dr.	Cr.
Investment in shares at cost (non current investment)	1,50,000	
Purchases	14,71,500	
Selling Expenses	2,37,300	
Opening Inventory	4,35,600	
Salaries & Wages (including 30,000 Director's Remuneration)	1,56,000	
Cash in Hand	84,000	
Bills Receivable	1,24,500	
Interest on Bank Overdraft	29,400	
Interest on Debentures upto 30 th Sept (1 st Half year)	11,250	
Debtors & Creditors	1,50,300	2,63,550
Freehold Property at cost	10,50,000	
Furniture at cost less depreciation of 45,000	1,05,000	
6% Redeemable Preference Share Capital		6,00,000
Equity Share Capital fully paid up		6,00,000
5% mortgage debentures secured on freehold properties		4,50,000
Dividend Received		12,750
Profit & Loss A/c (Opening Balance)		85,500
Sales (Net)		20,11,050
Bank Overdraft (secured by hypothecation of stocks & receivables)		4,50,000
Technical know how fees (cost paid during the year)	4,50,000	
Audit Fees	18,000	
Total	44,72,850	44,72,850

1. Closing Stock was valued at ₹ 4,27,500.
2. Purchases include 15,000 worth of goods & articles distributed among valued customers.
3. Salaries and Wages include ₹ 6,000 being Wages incurred for installation of Electrical Fittings which to be recorded under "Furniture".
4. Bills Receivable include ₹ 4,500 being dishonoured bills. 50% of which had been considered irrecoverable.
5. Bills Receivable of ₹ 6,000 maturing after 31st March were discounted.
6. Depreciation on Furniture to be charged at 10% on Written Down Value.
7. Interest on Debentures for the half year ending on 31st March was due on that date.
8. Technical Knowhow Fees is to be written off over a period of 10 years.
9. Trade receivables include ₹ 18,000 due for more than six months.

You are required to prepare the Profit and Loss Statement for the year ended 31st March, 2022 and the Balance Sheet as on 31st March, 2022 as per Schedule III of the Companies Act, 2013 after taking into account the above information. Ignore taxation.

— Question 14 - (ICAI Study Material) / (RTP May 2019) / (RTP Nov 2021) (Similar) — Pg no. _____

State under which head these accounts should be classified in Balance Sheet, as per Schedule III of the Companies Act:

- (i) Share application money received in excess of issued share capital.
- (ii) Share option outstanding account.
- (iii) Unpaid matured debenture and interest accrued thereon.
- (iv) Uncalled liability on shares and other partly paid investments.
- (v) Calls unpaid.
- (vi) Intangible Assets under development.
- (vii) Money received against share warrant.
- (viii) Long term maturity of finance lease obligation.

PRACTICE QUESTIONS

TOPIC 1: DIVIDEND

Question 1 **(RTP May 2021)** Pg no. _____

XYZ Ltd. is having inadequacy of profits in the year ending 31-03-2022 and it proposes to declare 10% dividend out of General Reserves.

From the following particulars ascertain the amount that can be utilized from general reserves, according to the Companies (Declaration of Dividend out of Reserves) Rules, 2014:

	₹
5,00,000 Equity shares of ₹ 10 each, fully paid up	50,00,000
General Reserves	25,00,000
Revaluation Reserves	6,50,000
Net profit for the year	1,42,500

Average rate of dividend during the last five years has been 12%.

TOPIC 2: FINANCIAL STATEMENTS

Question 2 **(ICAI Study Material)** Pg no. _____

You are required to prepare financial statements from the following trial balance of Haria Chemicals Ltd. for the year ended 31st March, 2022.

Particulars	Dr.	Particulars	Cr.
Stock	6,80,000	Equity Shares Capital (Shares of ₹ 10 each)	25,00,000
Furniture	2,00,000	11% Debentures	5,00,000
Discount	40,000	Bank loans	6,45,000
Loan to Directors	80,000	Bills payable	1,25,000
Advertisement	20,000	Creditors	1,56,000
Bad debts	35,000	Sales	42,68,000
Commission	1,20,000	Rent received	46,000
Purchases	23,19,000	Transfer fees	10,000
Plant and Machinery	8,60,000	Profit & Loss account	1,39,000
Rentals	25,000	Depreciation provision : Machinery	1,46,000
Current account	45,000		
Cash	8,000		
Interest on bank loans	1,16,000		
Preliminary Expenses	10,000		
Fixtures	3,00,000		
Wages	9,00,000		
Consumables	84,000		
Freehold land	15,46,000		
Tools & Equipments	2,45,000		
Goodwill	2,65,000		
Debtors	2,87,000		
Bills receivable	1,53,000		
Dealer aids	21,000		
Transit insurance	30,000		
Trade expenses	37,000		

Distribution freight	54,000		
Debenture interest	55,000		
	85,35,000		85,35,000

Additional information: Closing stock on 31-3-2022: ₹ 8,23,000

(Ans: Profit 6,01,000; Balance Sheet Total 46,66,000)

Question 3 (RTP Nov 2019) / (RTP Nov 2022) Pg no. _____

The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2022

Particulars		₹	Particulars		₹
Inventory 01-04-2021			Sales		17,10,000
-Raw Material	30,000		Interest		3,900
-Finished goods	46,500	76,500	Profit and Loss A/c		45,000
Purchases		12,15,000	Share Capital		3,15,000
Manufacturing Expenses		2,70,000	Secured Loans		
Salaries and wages		40,200	:Short-term	4,500	
General Charges		16,500	:Long-term	21,000	25,500
Stores and Spare Parts Consumed		45,000	Unclaimed Dividend		3,000
Building		1,01,000	Deposits (unsecured)		
Plant and Machinery		70,400	Short -Term	1,500	
Furniture		10,200	Long -Term	3,300	4,800
Motor Vehicles		40,800	Trade Payables		3,27,000
Interim Dividend		27,000			
Investments:					
Current	4,500				
Non Current	7,500	12,000			
Trade Receivables		2,38,500			
Cash in Bank		2,71,100			
		24,34,200			24,34,200

From the above balance and the following information, prepare the company's Profit and Loss Account for the year ended 31st March, 2022 and Company's Balance Sheet as on that date:

- Inventory on 31st March, 2022 Raw material ₹ 25,800 & finished goods ₹ 60,000.
- Outstanding Expenses: Manufacturing Expenses ₹ 67,500 & Salaries & Wages ₹ 4,500.
- Interest accrued on Securities ₹ 300.
- General Charges prepaid ₹ 2,490.
- Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
- Current maturity of long term loan is ₹ 1,000.
- The Taxation provision of 40% on net profit is considered.

(Ans: Profit 29,430; Balance Sheet Total 8,14,350)

Question 4 (ICAI Study Material) Pg no. _____

Ring Ltd. was registered with a nominal capital of ₹ 10,00,000 divided into shares of ₹ 100 each. The following Trial Balance is extracted from the books on 31st March, 2022:

Particulars	₹	Particulars	₹
Buildings	5,80,000	Sales	10,40,000
Machinery	2,00,000	Outstanding Expenses	4,000
Closing Stock	1,80,000	Provision for Doubtful Debts (01/04/2021)	6,000

Loose Tools	46,000	Equity Share Capital	4,00,000
Purchases (Adjusted)	4,20,000	General Reserve	80,000
Salaries	1,20,000	Profit and Loss A/c (01/04/2021)	50,000
Directors' Fees	20,000	Creditors	1,84,000
Rent	52,000	Provision for depreciation:	
Depreciation	40,000	On Building	1,00,000
Bad Debts	12,000	On Machinery	1,10,000
Investment	2,40,000	14% Debentures	4,00,000
Interest accrued on investment	4,000	Interest on Debentures accrued but not due	28,000
Debenture Interest	56,000	Interest on Investments	24,000
Advance Tax	1,20,000	Unclaimed dividend	10,000
Sundry expenses	36,000		
Debtors	2,50,000		
Bank	60,000		
	24,36,000		24,36,000

You are required to prepare statement of Profit and Loss for the year ending 31st March, 2022 and Balance sheet as at that date after taking into consideration the following information:

- Closing stock is more than opening stock by ₹ 1,60,000
- Provide to doubtful debts @ 4% on Debtors
- Make a provision for income tax @30%.
- Depreciation expense included depreciation of 16,000 on Building & of 24,000 on Machinery.
- Dividend declared @ 25% on 2nd April, 2022
- Transfer to General Reserve @10%.
- Bills Discounted but not yet matured ₹ 20,000.

(Ans: Profit 2,12,800; Balance Sheet Total 14,60,000)

Question 5 **(ICAI Study Material) / (RTP May 2023) (Similar)** Pg no. _____

From the following particulars furnished by Pioneer Ltd., prepare the Balance Sheet as at 31st March, 2022 as required by Schedule III of the Companies Act. Give notes at the foot of the Balance Sheet as may be found necessary –

	Dr. (₹)	Cr. (₹)
Equity Capital (Face value of ₹ 100)		10,00,000
Calls in Arrears	1,000	
Land	2,00,000	
Building	3,50,000	
Plant and Machinery	5,25,000	
Furniture	50,000	
General Reserve		2,10,000
Loan from State Financial Corporation		1,50,000
Stock :		
Finished Goods 2,00,000		
Raw Materials 50,000	2,50,000	
Provision for Taxation		68,000
Sundry Debtors	2,00,000	
Advances	42,700	
Dividend Payable		60,000
Profit and Loss Account		86,700
Cash Balance	30,000	
Cash at Bank	2,47,000	

Loans (Unsecured)		1,21,000
Sundry Creditors (For Goods and Expenses)		2,00,000
	18,95,700	18,95,700

The following additional information is also provided:

- (1) 2,000 equity shares were issued for consideration other than cash.
- (2) Debtors of ₹ 52,000 are due for more than six months.
- (3) The cost of assets:
 - a. Building ₹ 4,00,000
 - b. Plant and Machinery ₹ 7,00,000
 - c. Furniture ₹ 62,500
- (4) The balance of ₹ 1,50,000 in the loan account with State Finance Corporation is inclusive of ₹ 7,500 for interest accrued but not due. The loan is secured by hypothecation of Plant and Machinery.
- (5) Balance at Bank includes ₹ 2,000 with Perfect Bank Ltd., which is not a Scheduled Bank.
- (6) Bills receivable for ₹ 2,75,000 maturing on 30th June, 2022 have been discounted.
- (7) The company had contract for the erection of machinery at ₹ 1,50,000 which is still incomplete.

(Ans: Balance Sheet Total 18,94,700)

Question 6 *(Inter Nov 2019) (10 Marks)*

Pg no. _____

From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31st March, 2022 as required by Schedule III of the Companies Act, 2013 :

Particulars	Debit (₹)	Credit (₹)
Equity share capital (face value of ₹ 10 each)		15,00,000
Calls-in-arrears	5,000	
Land	5,50,000	
Building	4,85,000	
Plant & machinery	5,60,000	
General reserve		2,70,000
Loan from State Financial Corporation		2,10,000
Inventories	3,15,000	
Provision for taxation		72,000
Trade receivables	2,95,000	
Short-term loans & advances	58,500	
Profit & loss account		1,06,800
Cash in hand	37,300	
Cash at bank	2,85,000	
Unsecured loans		1,65,000
Trade payables		2,67,000
Total	25,90,800	25,90,800

The following additional information is also provided:

- 1) 10,000 equity shares were issued for consideration other than cash.
- 2) Trade receivables of ₹55,000 are due for more than six months.
- 3) The cost of building and plant & machinery is ₹5,50,000 and ₹6,25,000 respectively.
- 4) Loan from State Financial Corporation is secured by hypothecation of plant & machinery. Balance of 2,10,000 in this account is inclusive of 10,000 for interest accrued but not due.
- 5) Balance at Bank included ₹15,000 with Aakash Bank Ltd., which is not a scheduled bank.

(Ans: Balance Sheet Total 25,85,800)

Question 7 **(RTP May 2020) (Similar) / (ICAI Study Material)** Pg no. _____

From the following particulars furnished by Alpha Ltd., prepare the Balance Sheet as on 31st March 2022 as required by Part I, Schedule III of the Companies Act, 2013

Particulars		Debit (₹)	Credit (₹)
Equity Share Capital (Face value of ₹ 100 each)			50,00,000
Call in Arrears		5,000	
Land & Building		27,50,000	
Plant & Machinery		26,25,000	
Furniture		2,50,000	
General Reserve			10,50,000
Loan from State Financial Corporation			7,50,000
Inventory:			
Raw Materials	2,50,000		
Finished Goods	10,00,000	12,50,000	
Provision for Taxation			6,40,000
Trade Receivables		10,00,000	
Short Term Advances		2,13,500	
Profit & Loss Account			4,33,500
Cash in Hand		1,50,000	
Cash at Bank		12,35,000	
Unsecured Loan			6,05,000
Trade Payables (for Goods and Expenses)			8,00,000
Loans & advances from related parties			2,00,000

The following additional information is also provided:

- 10,000 Equity shares were issued for consideration other than cash.
- Trade receivables of ₹ 2,60,000 are due for more than 6 months.
- Cost of Assets: Building ₹ 30,00,000, Plant & Machinery ₹ 35,00,000 and Furniture ₹ 3,12,500
- Balance of ₹ 7,50,000 in Loan Account with State Finance Corporation is inclusive of 37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery.
- Balance at Bank includes ₹ 10,000 with Omega Bank Ltd., which is not a Scheduled Bank.
- Transfer ₹ 20,000 to general reserve is proposed by Board of directors.
- Declared dividend of 5% on the paid up capital on 2nd April, 2022

(Ans: Balance Sheet Total 94,73,500)

Question 8 **(ICAI Study Material)** Pg no. _____

On 31st March, 2022, SR Ltd. provides the following ledger balances after preparing its Profit & Loss Account for the year ended 31st March, 2022.

Particulars	Debit	Credit
Equity Share Capital, fully paid shares of ₹ 50 each		80,00,000
Calls in arrear	15,000	
Land	25,00,000	
Buildings	30,00,000	
Plant & Machinery	24,00,000	
Furniture & Fixture	13,00,000	
Securities Premium		15,00,000
General Reserve		9,41,000
Profit & Loss Account		5,80,000
Loan from Public Finance Corporation (Secured by hypothecation of Land)		26,30,000

Other Long Term Loans		22,50,000
Short Term Borrowings		4,60,000
Inventories: Finished goods	45,00,000	
Raw materials	13,00,000	
Trade Receivables	17,50,000	
Advances: Short Term	3,75,000	
Trade Payables		8,13,000
Provision for Taxation		3,80,000
Unpaid Dividend		70,000
Cash in Hand	70,000	
Balances with Banks	4,14,000	
	1,76,24,000	1,76,24,000

The following additional information was also provided in respect of the above balances:

- (1) 50,000 fully paid equity shares were allotted as consideration for land.
- (2) The cost of assets were:
Building ₹ 32,00,000 Plant and Machinery ₹ 30,00,000 Furniture and Fixture ₹ 16,50,000
- (3) Trade Receivables for ₹ 4,86,000 due for more than 6 months.
- (4) Balances with banks include ₹ 56,000, the Naya bank, which is not a scheduled bank.
- (5) Loan from Public Finance Corporation repayable after 3 years.
- (6) Balance of ₹ 26,30,000 in the loan account with Public Finance Corporation is inclusive of ₹ 1,34,000 for interest accrued but not due. The loan is secured by hypothecation of land.
- (7) Other long term loans (unsecured) includes:
Loan taken from Nixes Bank ₹ 13,80,000 (Amount repayable within one year ₹ 4,80,000)
Loan taken from Directors ₹ 8,50,000
- (8) Bills Receivable for ₹ 1,60,000 maturing on 15th June, 2022 has been discounted.
- (9) Short term borrowings includes:
Loan from Naya bank ₹ 1,16,000 (Secured) Loan from directors ₹ 48,000
- (10) Transfer of ₹ 35,000 to general reserve has been proposed by the Board of directors out of the profits for the year.
- (11) Inventory of finished goods includes loose tools costing ₹ 5 lakhs (which do not meet definition of property, plant & equipment as per AS-10)

You are required to prepare the Balance Sheet of the Company as on March 31st 2022 as required under Part - I of Schedule III of the Companies Act, 2013. You are not required to give previous year figures.

(Ans: Balance Sheet Total 1,76,09,000)

Question 9 **(ICAI Study Material)**

Pg no. _____

You are required to prepare a Statement of Profit & Loss and Balance Sheet from the following Trial Balance extracted from the books of the International Hotels Ltd., on 31st March, 2022:

	Dr. (₹)	Cr. (₹)
Authorised Capital-divided into 5,000 6% Preference Shares of ₹ 100 each and 10,000 equity Shares of ₹ 100 each		15,00,000
Subscribed Capital - 5,000 6% Preference Shares of ₹ 100 each Equity Capital		5,00,000 8,05,000
Purchases - Wines, Cigarettes, Cigars, etc. - Foodstuffs	45,800 36,200	
Wages and Salaries	28,300	
Rent, Rates and Taxes	8,900	
Laundry	750	

Sales - Wines, Cigarettes, Cigars, etc.		68,400
-Food		57,600
Coal and Firewood	3,290	
Carriage and Cooliage	810	
Sundry Expenses	5,840	
Advertising	8,360	
Repairs	4,250	
Rent of Rooms		48,000
Billiard		5,700
Miscellaneous Receipts		2,800
Discount received		3,300
Transfer fees		700
Freehold Land and Building	8,50,000	
Furniture and Fittings	86,300	
Stock on hand, 1st April, 2021		
Wines, Cigarettes. Cigars, etc	12,800	
Foodstuffs	5,260	
Cash in hand	2,200	
Cash with Bankers	76,380	
Preliminary and formation expenses	8,000	
2,000 Debentures of ₹ 100 each (6%)		2,00,000
Profit and Loss Account		41,500
Sundry Creditors		42,000
Sundry Debtors	19,260	
Investments	2,72,300	
Goodwill at cost	5,00,000	
General Reserve		2,00,000
	19,75,000	19,75,000

a) Wages and Salaries outstanding 1,280

b) Stock on 31st March, 2022:-

Wines, Cigarettes and Cigars, etc. 22,500 Foodstuffs 16,400

c) Depreciation: Furniture and Fittings @ 5% p.a. : Land and Building @ 2% p.a.

The Equity capital on 1st April, 2021 stood at ₹ 7,20,000, that is 6,000 shares fully paid and 2,000 shares ₹ 60 paid. The directors made a call of ₹ 40 per share on 1st October 2021. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ ₹ 90 per share as fully paid.

The directors declared dividend of 8% on equity shares on 02.04.2022, transferring any amount that may be required from General Reserve. Ignore Taxation.

(Ans: Profit 22,245; Balance Sheet Total 18,24,025)

Question 10 (Inter July 2021) (20 Marks)

Pg no. _____

The following is the Trial Balance of H Ltd., as on 31st March, 2021:

	Dr.	Cr.
Equity Capital (Shares of ₹ 100 each)		8,05,000
5,000, 6% preference shares of ₹ 100 each		5,00,000
9% Debentures		4,00,000
General Reserve		40,00,000
Profit & Loss A/c (of previous year)		72,000
Sales		60,00,000
Trade Payables		10,40,000

Provision for Depreciation on Plant & Machinery		1,72,000
Suspense Account		40,000
Land at cost	24,00,000	
Plant & Machinery at cost	7,70,000	
Trade Receivables	19,60,000	
Inventories (31-03-2021)	9,50,000	
Bank	2,30,900	
Adjusted Purchases	22,32,100	
Factory Expenses	15,00,000	
Administration Expenses	3,00,000	
Selling Expenses	14,00,000	
Debenture Interest	36,000	
Goodwill	12,50,000	
	1,30,29,000	1,30,29,000

Additional Information:

- (i) The authorised share capital of the company is :
 5,000, 6% preference shares of ₹ 100 each 5,00,000
 10,000, equity shares of ₹ 100 each 10,00,000
 Issued equity capital as on 1st April 2020 stood at ₹ 7,20,000, that is 6,000 shares fully paid and 2,000 shares ₹ 60 paid. Directors made call of ₹ 40 per share on 1st October 2020. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ ₹ 90 per share as fully paid.
- (ii) On 31st March 2021, the Directors declared a dividend of 5% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.
- (iii) The company on the advice of independent valuer wishes to revalue the land at ₹ 36,00,000.
- (iv) Suspense account of ₹ 40,000 represents amount received for the sale of some of the machinery on 1-4-2020. The cost of the machinery was ₹ 1,00,000 and the accumulated depreciation thereon being ₹ 30,000
- (v) Depreciation is to be provided on plant and machinery at 10% on cost.
- (vi) Amortize 1/5th of Goodwill.

You are required to prepare H Limited's Balance Sheet as on 31-3-2021 and Statement of Profit and Loss with notes to accounts for the year ended 31-3-2021 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures & taxation.

(Ans: Profit 1,84,900; Balance Sheet Total 82,01,900)

Question 11 **(RTP May 2022)** Pg no. _____

“Current maturities of long term borrowing are disclosed separately under the head Other current Liabilities in the balance sheet of a company”. You are required to comment in the line with schedule III to the Companies Act, 2013

Question 12 **(Inter Nov 2022) (20 Marks)** Pg no. _____

The following is the Trial Balance of Anmol Limited as on 31st March, 2022:

Debit Balance	Amount(₹)	Credit Balances	Amount(₹)
Purchases	82,95,000	Sales	1,25,87,000
Wages and Salaries	12,72,000	Commission	72,500
Rent	2,20,000	Equity Share Capital	10,00,000
Rates and Taxes	50,000	General Reserve	10,00,000
Selling & Distribution Expenses	4,36,000	Surplus (P&L A/c) 01.04.2021	8,75,500
Directors Fees	32,000	Securities Premium	2,50,000

Bad Debts	38,500	Term Loan from Public Sector Bank	1,02,00,000
Interest on Term Loan	8,05,000	Trade Payables	55,08,875
Land	24,00,000	Provision for Depreciation:	
Factory Building	36,80,000	On Plant & Machinery	9,37,500
Plant and Machinery	62,50,000	On Furniture and Fittings	82,500
Furniture and Fittings	8,25,000	On Factory Building	1,84,000
Trade Receivables	64,75,000	Provision for Doubtful Debts	25,000
Advance Income Tax Paid	37,500	Bills Payable	1,25,000
Stock (1st April, 2021)	9,25,000		
Bank Balances	9,75,000		
Cash on Hand	1,31,875		
Total	3,28,47,875	Total	3,28,47,875

Following information is provided:

1. The Authorized Share Capital of the Company is 2,00,000 Equity Shares of ₹ 10 each. The Company has issued 1,00,000 Equity Shares of ₹ 10 each.
2. Rent of ₹ 20,000 and Wages of ₹ 1,56,500 are outstanding as on 31st March, 2022.
3. Provide Depreciation @ 10% per annum on Plant and Machinery, 10% on Furniture and Fittings and 5% on Factory Building on written down value basis.
4. Closing Stock as on 31st March, 2022 is ₹ 11,37,500.
5. Make a provision for Doubtful Debt @ 5% on Debtors.
6. Make a provision of 25% for Corporate Income Tax.
7. Transfer ₹ 1,00,000 to General Reserve.
8. Term Loan from Public Sector Bank is secured against Hypothecation of Plant and Machinery. Installment of Term Loan falling due within one year is ₹ 17,00,000.
9. Trade Receivables of ₹ 85,600 are outstanding for more than six months.
10. The Board declared a dividend @10% on Paid up Share Capital on 5th April, 2022.

You are required to prepare Balance Sheet as on 31st March 2022 and Statement of Profit and Loss with Note to Accounts for the year ending 31st March, 2022 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures.

(Ans: Profit 3,50,962; Balance Sheet Total 1,96,03,825)