

FINANCIAL STATEMENTS OF COMPANIES

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"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 | <p>Dividend to be declared / paid out of</p> <ol style="list-style-type: none"> Profits of the company for that year or previous years but after providing depreciation as per Schedule II or 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; color: red;"><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:
 - a) it is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle;
 - b) it is held primarily for the purpose of being traded;
 - c) it is expected to be realized within twelve months after the reporting date; or
 - d) 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:
 - a) it is expected to be settled in the company's normal operating cycle;
 - b) it is held primarily for the purpose of being traded;
 - c) it is due to be settled within twelve months after the reporting date; or
 - a) 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):
 - a) the number and amount of shares authorised;
 - b) the number of shares issued, subscribed & fully paid, and subscribed but not fully paid;
 - c) par value per share;
 - d) a reconciliation of the number of shares o/s at the beginning & at the end of the period;
 - e) 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) List of Shareholders holding more than 5% shares
 - g) 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:

1) 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 provision is made with respect to liability incurred by entering into a contractual obligation, movements in provision during year should be shown separately

2) 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.

3) Details as wilful defaulter (where company declared wilful defaulter by bank or financial institution , details to be given like: date, amount & nature of defaults)

4) Relationship with struck off companies

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 *(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 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 2

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 3

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. How loan will be classified in Financial Statements of Sumedha Ltd. for year ended 31st March, 2021.

Question 4

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 5

Pg no. _____

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 6

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 7 (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 8 — (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 9 *(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.

Question 10 *(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 | | 5,00,000 |
| Equity Capital | | 8,05,000 |
| Purchases – Wines, Cigarettes, Cigars, etc. | 45,800 | |
| – Foodstuffs | 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.

Question 11 *(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 |

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

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

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 | | |
| | | | :Short-term | 4,500 | |
| Salaries and wages | | 40,200 | :Long-term | 21,000 | 25,500 |
| General Charges | | 16,500 | Unclaimed Dividend | | 3,000 |
| Stores and Spare Parts Consumed | | 45,000 | Deposits (unsecured) | | |
| Building | | 1,01,000 | Short -Term | 1,500 | |
| Plant and Machinery | | 70,400 | Long -Term | 3,300 | 4,800 |
| Furniture | | 10,200 | Trade Payables | | 3,27,000 |
| Motor Vehicles | | 40,800 | | | |
| 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:

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

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 | 2,10,000 |
| 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.

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.

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.

Question 7 (RTP May 2020) / (RTP Nov 2023) (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

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.

Question 9 *(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 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.

Question 10 (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 11 (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.

Question 12 - (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) Money received against share warrant.

Question 13 - (Inter May 2023) (10 Marks) Pg no. _____

The following balances are extracted from the books of Traveise Limited as on 31st March 2023:

| Particular | Amount ₹ | |
|---|-----------|-----------|
| | Debit | Credit |
| 7% Debentures | | 48,45,000 |
| Plant & Machinery (at cost) | 37,43,400 | |
| Trade Receivables | 35,70,000 | |
| Land | 97,37,000 | |
| Debenture Interest | 3,39,150 | |
| Bank Interest | 13,260 | |
| Sales | | 47,22,600 |
| Transfer Fees | | 38,250 |
| Discount received | | 66,300 |
| Purchases | 28,86,600 | |
| Inventories 1.04.2022 | 4,97,250 | |
| Factory Expenses | 2,58,060 | |
| Rates, Taxes and Insurance | 65,025 | |
| Repairs | 1,49,685 | |
| Sundry Expenses | 1,27,500 | |
| Selling Expenses | 26,520 | |
| Directors Fees | 38,250 | |
| Interest on Investment for the year 2022-2023 | | 55,000 |

| | | |
|----------------------------|--|----------|
| Provision for depreciation | | 5,96,700 |
| Miscellaneous receipts | | 1,42,800 |

Additional information:

(i) Closing inventory on 31.03.2023 is ₹ 4,76,850.

(ii) Miscellaneous receipts represent cash received from the sale of the Plant on 01.04.2022. The cost of the Plant was ₹ 1,65,750 and the accumulated depreciation thereon is ₹ 24,865.

(iii) The Land is re-valued at ₹ 1,08,63,000.

(iv) Depreciation is to be provided on Plant & Machinery at 10% p.a. on cost.

(v) Make a provision for income tax @ 25%.

(vi) The Board of Directors declared a dividend of 10% on Equity shares on 4th April, 2023.

You are required to prepare a Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 for the year ended 31.03.2023. (Ignore previous year figures)

Question 14 *(Inter Nov 2023) (20 Marks)*

Pg no. _____

The following is the Trial Balance of Falgun Ltd., as on 31st March, 2023:

| Particulars | Debit Amount (₹) | Credit Amount (₹) |
|--|------------------|-------------------|
| Equity Share Capital (Fully paid-up shares of ₹100 each) | | 10,00,000 |
| 10% Preference Share Capital of Face Value ₹ 100 each | | 4,00,000 |
| General Reserve | | 2,85,000 |
| 2,000 10% Debentures of ₹ 100 each | | 2,00,000 |
| Securities Premium Account | | 50,000 |
| Land (at Cost) | 7,00,000 | |
| Plant and Machinery | 14,70,000 | |
| Furniture | 4,00,000 | |
| Provision for Depreciation - Plant and Machinery | | 3,00,000 |
| Provision for Depreciation - Furniture | | 1,90,000 |
| Trade Receivables | 3,10,000 | |
| Trade Payables | | 72,000 |
| Cash-in-Hand | 1,34,000 | |
| Cash-at-Bank | 3,05,000 | |
| Bank Over Drafts from Nationalized bank (Long Term) (Secured by Hypothecation of Stocks) | | 2,00,000 |
| 6% Secured Loan from State Finance Corporation (repayable after 3 years) (Secured by Hypothecation of Plant and Machinery) | | 4,50,000 |
| Unclaimed Dividend | | 23,000 |
| Loan from Director (Short Term) | | 1,00,000 |
| Adjusted Purchases | 2,25,000 | |
| Closing Stock | 1,12,000 | |
| Sales | | 8,46,000 |
| Carriage Inward | 17,200 | |
| Miscellaneous Expenses | 10,200 | |
| Selling and Distribution Expenses | 46,600 | |
| Depreciation | 1,80,000 | |
| Salaries | 72,000 | |
| Director's Fees | 40,000 | |
| Travelling Expenses (include ₹ 50,000/- for foreign tour) | 1,30,000 | |
| Profit and Loss Account | | 40,000 |

| | | |
|-----------------|-----------|-----------|
| Office Expenses | 28,000 | |
| Rent Received | | 24,000 |
| Total | 41,80,000 | 41,80,000 |

Additional Information:

- (i) Authorized Capital — divided into –
 - a) 20,000 equity shares of ₹ 100 each.
 - b) 10,000 10% preference shares of ₹ 100 each
- (ii) Equity shares include, 2,500 equity shares issued for consideration other than cash.
- (iii) The company has had land professionally valued and decides to include it in the Balance sheet at its valuation of ₹ 8,50,000.
- (iv) It is proposed to capitalize part of the undistributed profits by making bonus issue to the shareholders by allocating one equity share of ₹ 100 each for every 5 shares held.
- (v) Trade Receivables of ₹ 46,000 are due for more than six months. There is no doubtful amount.
- (vi) Depreciation expenses include depreciation of ₹ 1,10,000 on Plant and Machinery and that of ₹ 70,000 on Furniture.
- (vii) Cash-at-Bank include ₹ 55,000 with Desire Bank Ltd., which is not scheduled Bank.
- (viii) Miscellaneous expenses included ₹ 5,000 being audit fees paid to auditors.
- (ix) Bills Receivables for ₹ 35,000 maturing on 31st July, 2023 has been discounted.
- (x) Balance of secured loan from State Finance Corporation is inclusive of ₹ 36,000 for interest accrued but not due.
- (xi) Director's declared final dividend 8% on 6th April, 2023, transferring any amount that may be required from General Reserve. Ignore Taxation.
- (xii) Interest on debenture for the year is outstanding as on 31st March, 2023.

You are required to prepare Balance Sheet as on 31st March, 2023 and Statement of Profit and Loss with Notes to Accounts for the year ending 31st March, 2023 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures. (Ignore taxation). (All workings should form part of the answer)

FINANCIAL STATEMENTS OF COMPANIES

Solution 1

Amount that can be drawn from reserves for (10% dividend on ₹ 50,00,000 i.e. ₹ 5,00,000)

Profits available

Current year profit ₹ 1,42,500

Amount which can be utilized from reserves (₹ 5,00,000 – 1,42,500) ₹ 3,57,500

Conditions as per Companies (Declaration of dividend out of Reserves) Rules 2014:

Condition I

Since 10% is lower than the average rate of dividend (12%), 10% dividend can be declared.

Condition II

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10% of paid up capital plus free reserves i.e. ₹ 7,50,000 [10% of (50,00,000 + 25,00,000)]

Condition III

The balance of reserves after withdrawal ₹ 21,42,500 (₹ 25,00,000 - ₹ 3,57,500) should not fall below 15 % of its paid up capital i.e. ₹ 7,50,000 (15% of ₹ 50,00,000)

Since all the three conditions are satisfied, the company can withdraw ₹ 3,57,500 from accumulated reserve (as per Declaration and Payment of Dividend Rules, 2014).

Solution 2

Haria Chemicals Ltd. Balance Sheet as at 31st March, 2022

| | Note No. | ₹ |
|---|----------|------------------|
| Equity and Liabilities | | |
| (1) Shareholders' fund: | | |
| (a) Share Capital | 1 | 25,00,000 |
| (b) Reserves and Surplus | 2 | 7,40,000 |
| (2) Non Current Liabilities | | |
| (a) Long term borrowings | 3 | 11,45,000 |
| (3) Current Liabilities | | |
| (a) Trade payables | | 2,81,000 |
| Total | | 46,66,000 |
| Assets | | |
| (1) Non Current Assets | | |
| Property, Plant & Equipment & Intangible Assets | | |
| (a) Property, Plant & Equipment | 4 | 30,05,000 |
| (b) Intangible assets (Goodwill) | | 2,65,000 |
| (2) Current assets | | |
| (a) Inventories | | 8,23,000 |
| (b) Trade receivables | | 4,40,000 |
| (c) Cash and cash equivalents | 5 | 53,000 |
| (d) Short term loans and advances | 6 | 80,000 |
| Total | | 46,66,000 |

Statement of Profit and Loss for the year ended 31st March, 2022

| | Note No. | ₹ |
|---------------------------------------|----------|------------------|
| Revenue from operations | | 42,68,000 |
| Other income | 7 | 56,000 |
| Total A | | 43,24,000 |
| Expenses | | |
| Purchase of stock in trade | | 23,19,000 |
| Change in inventory of finished goods | 8 | (1,43,000) |

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| | | |
|---------------------------|----|------------------|
| Employee benefit expenses | 9 | 9,00,000 |
| Finance cost | 10 | 1,71,000 |
| Other expenses | 11 | 4,76,000 |
| Total B | | 37,23,000 |
| Profit before tax (A-B) | | 6,01,000 |
| Provision for tax | | ---- |
| Profit for the period | | 6,01,000 |

Notes to Accounts

| | | | |
|-----|---|--------------------|---------------------|
| 1. | Share capital | | |
| | <u>Authorized:</u> | | |
| | Equity share capital of ₹10 each | | <u>25,00,000</u> |
| | <u>Issued and Subscribed:</u> | | |
| | 2,50,000 Equity share capital of ₹10 each | | 25,00,000 |
| | | | 25,00,000 |
| 2. | Reserves and Surplus | | |
| | Balance as per last balance sheet | | 1,39,000 |
| | Balance in profit and loss account | | 6,01,000 |
| | | | 7,40,000 |
| 3. | Long term Borrowings | | |
| | 11% Debentures | | 5,00,000 |
| | Bank loans | | 6,45,000 |
| | | | 11,45,000 |
| 4. | Property, Plant & Equipment | | |
| | | Gross Block | Depreciation |
| | | | Net Block |
| | Freehold land | 15,46,000 | 15,46,000 |
| | Furniture | 2,00,000 | 2,00,000 |
| | Fixtures | 3,00,000 | 3,00,000 |
| | Plant & Machinery | 8,60,000 | 1,46,000 |
| | Tools & Equipment | 2,45,000 | 2,45,000 |
| | Total | 31,51,000 | 1,46,000 |
| | | | 30,05,000 |
| 5. | Cash and cash equivalents | | |
| | Current account balance | | 45,000 |
| | Cash | | 8,000 |
| | | | 53,000 |
| 6. | Short-term loans and Advances | | |
| | Loan to directors | | 80,000 |
| | | | 80,000 |
| 7. | Other Income | | |
| | Rent received | | 46,000 |
| | Transfer fees | | 10,000 |
| | | | 56,000 |
| 8. | Changes in inventory of finished goods, WIP & Stock in trade | | |
| | Opening inventory | 6,80,000 | |
| | Closing inventory | <u>(8,23,000)</u> | (1,43,000) |
| 9. | Employee benefit expense | | |
| | Wages | | 9,00,000 |
| 10. | Finance cost | | |
| | Interest of bank loans | | 1,16,000 |
| | Debenture interest | | 55,000 |
| | | | 1,71,000 |

| | | | |
|-----|-----------------------|--|-----------------|
| 11. | Other Expenses | | |
| | Consumables | | 84,000 |
| | Preliminary expenses | | 10,000 |
| | Bad debts | | 35,000 |
| | Discount | | 40,000 |
| | Rentals | | 25,000 |
| | Commission | | 1,20,000 |
| | Advertisement | | 20,000 |
| | Dealers' aids | | 21,000 |
| | Transit insurance | | 30,000 |
| | Trade expenses | | 37,000 |
| | Distribution freight | | 54,000 |
| | | | 4,76,000 |

Solution 3

Oliva Company Ltd. Statement of Profit & Loss for the year ended 31.03.2022

| | Particulars | Note | Amount |
|-----|---|------|------------------|
| I | Revenue from operations | | 17,10,000 |
| II | Other income (3,900 + 300) | | 4,200 |
| III | Total Income (I + II) | | 17,14,200 |
| IV | Expenses: | | |
| | Cost of materials consumed | 10 | 12,64,200 |
| | Purchases of inventory –in-trade | | -- |
| | Changes in inventories of finished goods, work-in-progress and inventory-in-trade | 11 | (13,500) |
| | Employee benefit expenses | 12 | 44,700 |
| | Finance costs | | -- |
| | Depreciation and amortization expenses | | 18,240 |
| | Other expenses | 13 | 3,51,510 |
| | Total Expenses | | 16,65,150 |
| V | Profit before tax | | 49,050 |
| | Tax expenses (40% of 49,050) | | 19,620 |
| | Profit (Loss) for the period | | 29,430 |

Balance Sheet for the year ended 31.3.2022

| | Particulars | Note | Amount |
|----|--|------|-----------------|
| I | Equity and Liabilities | | |
| | (1) Shareholders' funds | | |
| | a) Share Capital | | 3,15,000 |
| | b) Reserves and surplus | 1 | 47,430 |
| | (2) Non-Current liabilities | | |
| | a) Long-term borrowings | 2 | 23,300 |
| | (3) Current Liabilities | | |
| | a) Short-term borrowings | 3 | 7,000 |
| | b) Trade payables | | 3,27,000 |
| | c) Other current liability | 4 | 75,000 |
| | d) Short term provision | 5 | 19,620 |
| | | | 8,14,350 |
| II | Assets | | |
| | (1) Non Current assets | | |
| | a) Property, Plant & Equipment & Intangible Assets | | |

| | | | |
|--|----------------------------------|---|-----------------|
| | (i) Property, Plant & Equipment | 6 | 2,04,160 |
| | b) Non-current investments | | 7,500 |
| | (2) Current assets | | |
| | a) Current investments | | 4,500 |
| | b) Inventories | 7 | 85,800 |
| | c) Trade receivables | | 2,38,500 |
| | d) Cash and cash equivalents | | 2,71,100 |
| | e) Short-term loans and advances | 8 | 2,490 |
| | f) Other current assets | 9 | 300 |
| | | | 8,14,350 |

Notes to accounts

| No. | Particulars | | Amount | Amount |
|-----|---|---------------|-----------------|-----------|
| 1. | Reserve & Surplus: | | | |
| | Profit and Loss Account: Balance b/f | | 45,000 | |
| | Net Profit for the year | | 29,430 | |
| | Less: Interim Dividend | | <u>(27,000)</u> | 47,430 |
| 2. | Long term borrowings: | | | |
| | Secured loans (21,000 less current maturities 1,000) | | 20,000 | |
| | Fixed Deposits: Unsecured | | <u>3,300</u> | 23,300 |
| 3. | Short term borrowings: | | | |
| | Secured loans | | 4,500 | |
| | Fixed Deposits – Unsecured | | 1,500 | |
| | Current maturities of long term borrowings | | <u>1,000</u> | 7,000 |
| 4. | Other Current liabilities | | | |
| | Unclaimed Dividend | | 3,000 | |
| | Expenses Payable (67,500 + 4,500) | | <u>72,000</u> | 75,000 |
| 5. | Short term provision: | | | |
| | Provision for Income tax | | | 19,620 |
| 6. | Property, Plant & Equipment | | | |
| | Building | 1,01,000 | | |
| | Less: Depreciation | <u>2,020</u> | 98,980 | |
| | Plant & Machinery | 70,400 | | |
| | Less: Depreciation | <u>7,040</u> | 63,360 | |
| | Furniture | 10,200 | | |
| | Less: Depreciation | <u>1,020</u> | 9,180 | |
| | Motor vehicles | 40,800 | | |
| | Less: Depreciation | <u>8,160</u> | <u>32,640</u> | 2,04,160 |
| 7. | Inventory: | | | |
| | Raw Material | | 25,800 | |
| | Finished goods | | <u>60,000</u> | 85,800 |
| 8. | Short term Loans & Advances: | | | |
| | General Charges prepaid | | | 2,490 |
| 9. | Other Current Assets: | | | |
| | Interest accrued | | | 300 |
| 10. | Cost of material consumed: | | | |
| | Opening inventory of Material & Stores | 30,000 | | |
| | Add: Purchased | 12,15,000 | | |
| | Stores & spare parts consumed | <u>45,000</u> | 12,90,000 | |
| | Less: Closing inventory | | <u>(25,800)</u> | 12,64,200 |

| | | | | |
|-----|---|--|----------|----------|
| 11. | Changes in inventory of Finished Goods & WIP | | | |
| | Opening inventory : | | | |
| | Finished Goods | | 46,500 | |
| | Less: Closing inventory: | | | |
| | Finished Goods | | (60,000) | (13,500) |
| 12. | Employees Benefit expense: | | | |
| | Salary & Wages (40,200 + 4,500) | | | 44,700 |
| 13. | Other Expenses: | | | |
| | Manufacturing Expenses (2,70,000 + 67, 500) | | 3,37,500 | |
| | General Charges (16,500-2,490) | | 14,010 | 3,51,510 |

Solution 4

Ring Ltd.

Profit and Loss Statement for the year ended 31st March, 2022

| | Particulars | Note No. | (₹) |
|-----|--|----------|------------------|
| I | Revenue from operations | | 10,40,000 |
| II | Other income | | 24,000 |
| III | Total Income (I + II) | | 10,64,000 |
| IV | Expenses: | | |
| | Cost of Purchase [4,20,000+1,60,000] | | 5,80,000 |
| | Changes in inventories [20,000-1,80,000] | | (1,60,000) |
| | Employee Benefits Expenses | | 1,20,000 |
| | Finance Costs | | 56,000 |
| | Depreciation and Amortisation Expenses | | 40,000 |
| | Other Expenses | 10 | 1,24,000 |
| | Total Expenses | | 7,60,000 |
| V | Profit before tax (III-IV) | | 3,04,000 |
| VI | Tax Expenses @30% | | (91,200) |
| VII | Profit for the period | | 2,12,800 |

Balance Sheet of Ring Ltd. As at 31st March, 2022

| | Particulars | Note No. | ₹ |
|-----|--|----------|------------------|
| I. | Equity and Liabilities | | |
| | (1) Shareholders' Funds | | |
| | a) Share Capital | 1 | 4,00,000 |
| | b) Reserves and Surplus | 2 | 3,42,800 |
| | (2) Non-Current Liabilities | | |
| | a) Long-term Borrowings (14% Debentures) | | 4,00,000 |
| | (3) Current Liabilities | | |
| | a) Trade Payable (Sundry Creditors) | | 1,84,000 |
| | b) Other Current Liabilities | 3 | 42,000 |
| | c) Short-Term Provisions | 4 | 91,200 |
| | Total | | 14,60,000 |
| II. | Assets | | |
| | (1) Non-Current Assets | | |
| | a) Property, Plant & Equipment & Intangible Assets | | |
| | (i) Property, Plant & Equipment | 5 | 5,70,000 |
| | b) Non-current Investments | | 2,40,000 |
| | (2) Current Assets | | |
| | a) Inventories | 6 | 2,26,000 |
| | b) Trade Receivables | 7 | 2,40,000 |

| | | |
|--------------------------------|---|------------------|
| c) Cash and Cash equivalents | | 60,000 |
| d) Short Term Loans & Advances | 8 | 1,20,000 |
| e) Other Current Assets | 9 | 4,000 |
| Total | | 14,60,000 |

Note: There is a contingent liability for bills discounted but not yet matured amounting ₹ 20,000.

Notes to Accounts:

| | | |
|-----|--|------------------|
| 1. | Share Capital | |
| | <u>Authorized Capital</u> | |
| | 10,000 Equity shares of ₹100 each | <u>10,00,000</u> |
| | <u>Issued capital</u> | |
| | 4,000 Equity shares of ₹100 each | <u>4,00,000</u> |
| | <u>Subscribed Capital and fully paid</u> | |
| | 4,000 Equity Shares of ₹100 each | 4,00,000 |
| | | 4,00,000 |
| 2. | Reserve and Surplus | |
| | General Reserve [80,000 + 21,280] | 1,01,280 |
| | Balance of Statement of Profit & Loss Account | |
| | Opening Balance 50,000 | |
| | Add: Profit for the period <u>2,12,800</u> | |
| | 2,62,800 | |
| | <u>Appropriations</u> | |
| | Transfer to General Reserve @10% (21,280) | <u>2,41,520</u> |
| | | 3,42,800 |
| 3. | Other Current Liabilities | |
| | Unclaimed Dividend | 10,000 |
| | Outstanding expenses | 4,000 |
| | Interest accrued on debentures | 28,000 |
| | | 42,000 |
| 4. | Short-term provision | |
| | Provision for Tax | 91,200 |
| | | 91,200 |
| 5. | Property, Plant & Equipment | |
| | Buildings 5,80,000 | |
| | Less: Provision for Depreciation <u>(1,00,000)</u> | 4,80,000 |
| | Plant and Equipment 2,00,000 | |
| | Less: Provision for Depreciation <u>(1,10,000)</u> | 90,000 |
| | | 5,70,000 |
| 6. | Inventories | |
| | Closing Stock of Finished Goods 1,80,000 | |
| | Loose Tools <u>46,000</u> | 2,26,000 |
| 7. | Trade Receivables | |
| | Sundry Debtors 2,50,000 | |
| | Less: Provision for Doubtful Debts <u>(10,000)</u> | 2,40,000 |
| 8. | Short Term Loans & Advances | |
| | Advance Payment of tax | 1,20,000 |
| | | 1,20,000 |
| 9. | Other Current Assets | |
| | Interest accrued on investments | 4,000 |
| | | 4,000 |
| 10. | Other Expenses | |
| | Rent | 52,000 |

| | |
|--|-----------------|
| Miscellaneous Expenses | 36,000 |
| Directors Fees | 20,000 |
| Bad Debts | 12,000 |
| Provision for Doubtful Debts (4% of ₹ 2,50,000 less ₹6,000) | 4,000 |
| | 1,24,000 |

Note: The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2022. Such dividend will be disclosed in notes only.

Solution 5

Pioneer Ltd. Balance Sheet as on 31st March, 2022

| | Particulars | Note | ₹ |
|----|---|------|------------------|
| | Equity and Liabilities | | |
| 1. | Shareholders' funds | | |
| | (a) Share capital | 1 | 9,99,000 |
| | (b) Reserves and Surplus | 2 | 2,96,700 |
| 2. | Non-Current liabilities | | |
| | (a) Long-term borrowings | 3 | 2,63,500 |
| 3. | Current liabilities | | |
| | (a) Trade Payables | | 2,00,000 |
| | (b) Other current liabilities | 4 | 67,500 |
| | (c) Short-term provisions | 5 | 68,000 |
| | Total | | 18,94,700 |
| | Assets | | |
| 1. | Non-current assets | | |
| | (a) Property, Plant & Equipment & Intangible Assets | | |
| | Property, Plant & Equipment | 6 | 11,25,000 |
| 2. | Current assets | | |
| | (a) Inventories | 7 | 2,50,000 |
| | (b) Trade receivables | 8 | 2,00,000 |
| | (c) Cash and cash equivalents | 9 | 2,77,000 |
| | (d) Short-term loans and advances | | 42,700 |
| | Total | | 18,94,700 |

Notes to accounts

| | | | ₹ |
|----|---|-----------|-----------------|
| 1. | Share Capital | | |
| | Equity share capital | | |
| | Issued & subscribed & called up | | |
| | 10,000 Equity Shares of ₹100 each (Of the above 2,000 shares have been issued for consideration other than cash) | 10,00,000 | |
| | Less: Calls in arrears | (1,000) | 9,99,000 |
| | Total | | 9,99,000 |
| 2. | Reserves and Surplus | | |
| | General Reserve | | 2,10,000 |
| | Surplus (Profit & Loss A/c) | | 86,700 |
| | Total | | 2,96,700 |

| | | | |
|----|---|------------|------------------|
| 3. | Long-term borrowings | | |
| | Secured | | |
| | Term Loans | | |
| | Loan from State Financial Corporation (1,50,000-7,500) (Secured by hypothecation of Plant and Machinery) | | 1,42,500 |
| | Unsecured | | 1,21,000 |
| | Total | | 2,63,500 |
| 4. | Other current liabilities | | |
| | Interest accrued but not due on loans (SFC) | | 7,500 |
| | Dividend Payable | | 60,000 |
| | Total | | 67,500 |
| 5. | Short-term provisions | | |
| | Provision for taxation | | 68,000 |
| | Total | | 68,000 |
| 6. | Property, Plant & Equipment | | |
| | Land | | 2,00,000 |
| | Buildings | 4,00,000 | |
| | Less: Depreciation | (50,000) | 3,50,000 |
| | Plant & Machinery | 7,00,000 | |
| | Less: Depreciation | (1,75,000) | 5,25,000 |
| | Furniture & Fittings | 62,500 | |
| | Less: Depreciation | (12,500) | 50,000 |
| | Total | | 11,25,000 |
| 7. | Inventories | | |
| | Raw Material | | 50,000 |
| | Finished goods | | 2,00,000 |
| | Total | | 2,50,000 |
| 8. | Trade receivables | | |
| | Debts outstanding for a period exceeding six months | | 52,000 |
| | Other Debts | | 1,48,000 |
| | Total | | 2,00,000 |
| 9. | Cash and cash equivalents | | |
| | Cash at bank | | |
| | with Scheduled Banks | 2,45,000 | |
| | with others (Perfect Bank Ltd.) | 2,000 | 2,47,000 |
| | Cash in hand | | 30,000 |
| | Total | | 2,77,000 |

Notes: There is a contingent liability for bills discounted but not yet matured amounting ₹ 2,75,000.
 Estimated amount of contract remaining to be executed on capital account & not provided for 1,50,000*
 *It has been assumed that the company had given this contract for purchase of machinery.

Solution 6

Prashant Ltd. Balance Sheet as on 31st March, 2022

| Particulars | Note No. | ₹ |
|------------------------------------|----------|-----------|
| I. Equity and Liabilities | | |
| (1) Shareholder's Funds | | |
| a) Share Capital | 1 | 14,95,000 |
| b) Reserves and Surplus | 2 | 3,76,800 |
| (2) Non-current liabilities | | |
| a) Long-term borrowings | 3 | 3,65,000 |

| | | |
|--|---|------------------|
| (3) Current Liabilities | | |
| a) Trade Payables | | 2,67,000 |
| b) Other current liabilities | 4 | 10,000 |
| c) Short-term provision | 5 | 72,000 |
| Total | | 25,85,800 |
| II. Assets | | |
| (1) Non-current assets | | |
| a) Property, Plant & Equipment & Intangible Assets | | |
| i) Property, Plant & Equipment | 6 | 15,95,000 |
| (2) Current assets | | |
| a) Inventories | | 3,15,000 |
| b) Trade Receivables | 7 | 2,95,000 |
| c) Cash & bank balances | 8 | 3,22,300 |
| d) Short-term loans and advances | | 58,500 |
| Total | | 25,85,800 |

Notes to Accounts

| Sr. No. | Particulars | | ₹ |
|----------|--|-----------------|------------------|
| 1 | Share Capital | | |
| | Equity share capital | | |
| | Issued & subscribed & fully paid up | | |
| | 1,50,000 Equity Shares of ₹10 each | | |
| | (of the above 10,000 shares have been issued for consideration other than cash) | 15,00,000 | |
| | Less: Calls in arrears | <u>(5,000)</u> | 14,95,000 |
| 2 | Reserves and Surplus | | |
| | General Reserve | 2,70,000 | |
| | Profit & Loss balance | <u>1,06,800</u> | 3,76,800 |
| 3 | Long-term borrowings | | |
| | Secured | | |
| | Loan from State Financial Corporation (2,10,000-10,000) (Secured by hypothecation of Plant and Machinery) | 2,00,000 | |
| | Unsecured Loan | <u>1,65,000</u> | 3,65,000 |
| 4 | Other current liabilities | | |
| | Interest accrued but not due on loans (SFC) | | 10,000 |
| 5 | Short-term provisions | | |
| | Provision for taxation | | 72,000 |
| 6 | Property, Plant & Equipment | | |
| | Land | | 5,50,000 |
| | Building | 5,50,000 | |
| | Less: Depreciation(b.f.) | <u>(65,000)</u> | 4,85,000 |
| | Plant & Machinery | 6,25,000 | |
| | Less: Depreciation (b.f.) | <u>(65,000)</u> | <u>5,60,000</u> |
| | | | 15,95,000 |
| 7 | Trade receivables | | |
| | Debts outstanding for a period exceeding six months | 55,000 | |
| | Other Debts | 2,40,000 | 2,95,000 |
| 8 | Cash and bank balances | | |
| | Cash and cash equivalents | | |
| | Cash at bank (includes 15,000 with non scheduled bank) | 2,85,000 | |
| | Cash in hand | 37,300 | 3,22,300 |

Solution 7

Alpha Ltd.
Balance Sheet as on 31st March, 2022

| Particulars | Notes | ₹ |
|--|-------|------------------|
| Equity and Liabilities | | |
| (1) Shareholders' funds | | |
| a) Share capital | 1 | 49,95,000 |
| b) Reserves and Surplus | 2 | 14,83,500 |
| (2) Non-current liabilities | | |
| a) Long-term borrowings | 3 | 13,17,500 |
| (3) Current liabilities | | |
| a) Trade Payables | | 8,00,000 |
| b) Other current liabilities | 4 | 37,500 |
| c) Short-term provisions | 5 | 6,40,000 |
| d) Short-term borrowings | | 2,00,000 |
| Total | | 94,73,500 |
| Assets | | |
| (1) Non Current assets | | |
| a) Property, Plant & Equipment & Intangible Assets | | |
| (i) Property, Plant & Equipment | 6 | 56,25,000 |
| (2) Current assets | | |
| a) Inventories | 7 | 12,50,000 |
| b) Trade receivables | 8 | 10,00,000 |
| c) Cash and cash equivalents | 9 | 13,85,000 |
| d) Short-term loans and advances | | 2,13,500 |
| Total | | 94,73,500 |

Notes to accounts

| | Particulars | | ₹ |
|----|---|---------------|------------------|
| 1. | Share Capital | | |
| | Equity share capital | | |
| | Issued & subscribed & called up | | |
| | 50,000 Equity Shares of ₹100 each | 50,00,000 | |
| | (of the above 10,000 shares have been issued for consideration other than cash) | | |
| | Less: Calls in arrears | (5,000) | 49,95,000 |
| | Total | | 49,95,000 |
| 2. | Reserves and Surplus | | |
| | General Reserve | 10,50,000 | |
| | Add: Current year transfer | <u>20,000</u> | 10,70,000 |
| | Profit & Loss balance | | |
| | Profit for the year | 4,33,500 | |
| | Less: Appropriations: | | |
| | Transfer to General reserve | (20,000) | 4,13,500 |
| | Total | | 14,83,500 |
| 3. | Long-term borrowings | | |
| | Secured Term Loan | | |
| | State Financial Corporation Loan (7,50,000-37,500) | | 7,12,500 |
| | (Secured by hypothecation of plant and machinery) | | |
| | Unsecured Loan | | 6,05,000 |
| | Total | | 13,17,500 |

| | | | |
|----|---|------------|------------------|
| 4. | Other current liabilities | | |
| | Interest accrued but not due on loans (SFC) | | 37,500 |
| 5. | Short-term provisions | | |
| | Provision for taxation | | 6,40,000 |
| 6. | Property, Plant & Equipment | | |
| | Land and Building | 30,00,000 | |
| | Less: Depreciation | (2,50,000) | 27,50,000 |
| | Plant & Machinery | 35,00,000 | |
| | Less: Depreciation | (8,75,000) | 26,25,000 |
| | Furniture & Fittings | 3,12,500 | |
| | Less: Depreciation | (62,500) | 2,50,000 |
| | Total | | 56,25,000 |
| 7. | Inventories | | |
| | Raw Materials | | 2,50,000 |
| | Finished Goods | | 10,00,000 |
| | Total | | 12,50,000 |
| 8. | Trade receivables | | |
| | Debts outstanding for a period exceeding six months | | 2,60,000 |
| | Other Debts | | 7,40,000 |
| | Total | | 10,00,000 |
| 9. | Cash and cash equivalents | | |
| | Cash at bank | | |
| | With Scheduled Banks | 12,25,000 | |
| | With others (Omega Bank Ltd.) | 10,000 | 12,35,000 |
| | Cash in hand | | 1,50,000 |
| | Total | | 13,85,000 |

Note: The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2022. Such dividend will be disclosed in notes only.

Solution 8

SR Ltd. Balance Sheet as on 31st March, 2022

| Particulars | Notes | ₹ |
|--|-------|--------------------|
| Equity and Liabilities | | |
| (1) Shareholders' funds | | |
| a) Share capital | 1 | 79,85,000 |
| b) Reserves and Surplus | 2 | 30,21,000 |
| (2) Non-current liabilities | | |
| a) Long-term borrowings | 3 | 42,66,000 |
| (3) Current liabilities | | |
| a) Trade Payables | | 8,13,000 |
| b) Other current liabilities | 4 | 2,04,000 |
| c) Short-term provisions | 5 | 3,80,000 |
| d) Short-term borrowings | 6 | 9,40,000 |
| Total | | 1,76,09,000 |
| Assets | | |
| (1) Non Current assets | | |
| a) Property, Plant & Equipment & Intangible Assets | | |
| (i) Property, Plant & Equipment | 7 | 92,00,000 |
| (2) Current assets | | |

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| | | |
|----------------------------------|----|--------------------|
| a) Inventories | 8 | 58,00,000 |
| b) Trade receivables | 9 | 17,50,000 |
| c) Cash and cash equivalents | 10 | 4,84,000 |
| d) Short-term loans and advances | | 3,75,000 |
| Total | | 1,76,09,000 |

Notes to accounts

| | Particulars | | ₹ |
|----|--|-------------------|------------------|
| 1. | Share Capital | | |
| | Equity share capital : Issued & subscribed & called up | | |
| | 1,60,000 Equity Shares of ₹50 each (of the above 50,000 shares have been issued for consideration other than cash) | 80,00,000 | |
| | Less: Calls in arrears | (15,000) | 79,85,000 |
| | Total | | 79,85,000 |
| 2. | Reserves and Surplus | | |
| | General Reserve | 9,41,000 | |
| | Add: Current year transfer | <u>35,000</u> | 9,76,000 |
| | Profit & Loss balance | | |
| | Profit for the year | 5,80,000 | |
| | Less: Transfer to General reserve | <u>(35,000)</u> | 5,45,000 |
| | Securities Premium | | 15,00,000 |
| | Total | | 30,21,000 |
| 3. | Long-term borrowings | | |
| | Secured: Term Loan | | |
| | Loan from Public Finance Corporation [repayable after 3 years (26,30,000 - 1,34,000 for interest accrued but not due)] (Secured by hypothecation of plant and machinery) | | 24,96,000 |
| | Unsecured Loan | | |
| | Bank Loan (Nixes Bank) (13,80,000-4,80,000) | 9,00,000 | |
| | Loan from Directors | 8,50,000 | |
| | Others | <u>20,000</u> | 17,70,000 |
| | Total | | 42,66,000 |
| 4. | Other current liabilities | | |
| | Interest accrued but not due on borrowings | 1,34,000 | |
| | Unpaid dividend | <u>70,000</u> | 2,04,000 |
| 5. | Short-term provisions | | |
| | Provision for taxation | | 3,80,000 |
| 6. | Short-term borrowings | | |
| | Loan from Naya bank (Secured) | 1,16,000 | |
| | Loan from Directors | 48,000 | |
| | Others | 2,96,000 | |
| | Loan from Nixes bank repayable within one year | <u>4,80,000</u> | 9,40,000 |
| 7. | Property, Plant & Equipment | | |
| | Land | | 25,00,000 |
| | Building | 32,00,000 | |
| | Less: Depreciation | <u>(2,00,000)</u> | 30,00,000 |
| | Plant & Machinery | 30,00,000 | |
| | Less: Depreciation | <u>(6,00,000)</u> | 24,00,000 |
| | Furniture & Fittings | 16,50,000 | |
| | Less: Depreciation | <u>(3,50,000)</u> | 13,00,000 |
| | Total | | 92,00,000 |

| | | | |
|-----|---|---------------|------------------|
| 8. | Inventories | | |
| | Raw Materials | | 13,00,000 |
| | Finished Goods | | 40,00,000 |
| | Loose tools | | <u>5,00,000</u> |
| | Total | | 58,00,000 |
| 9. | Trade receivables | | |
| | Debts outstanding for a period exceeding six months | | 4,86,000 |
| | Other Debts | | 12,64,000 |
| | Total | | 17,50,000 |
| 10. | Cash and cash equivalents | | |
| | Cash at bank | | |
| | With Scheduled Banks | 3,58,000 | |
| | With others | <u>56,000</u> | 4,14,000 |
| | Cash in hand | | 70,000 |
| | Total | | 4,84,000 |

Contingent Liabilities and Commitments (to the extent not provided for)

Contingent Liabilities: Bills discounted but not matured 1,60,000

Solution 9

H Ltd
Balance Sheet as at 31st March 2021

| Particulars | Note No. | Amount in (₹) |
|----------------------------------|----------|------------------|
| Equity and Liabilities | | |
| I. Shareholders' Funds | | |
| a. Share Capital | 1 | 13,00,000 |
| b. Reserves and Surplus | 2 | 53,91,900 |
| II. Non-Current Liabilities | | |
| a. Long Term Borrowings | 3 | 4,00,000 |
| III. Current Liabilities | | |
| a. Trade Payables | 4 | 10,40,000 |
| b. Other Current Liabilities | 5 | 70,000 |
| Total | | 82,01,900 |
| Assets | | |
| I. Non-Current Assets | | |
| (i) PPE & Intangible Assets | | |
| a. Property, Plant and Equipment | 6 | 40,61,000 |
| b. Intangible Assets | 7 | 10,00,000 |
| II. Current Assets | | |
| a. Inventories | | 9,50,000 |
| b. Trade Receivables | | 19,60,000 |
| c. Cash and Cash equivalents | | 2,30,900 |
| Total | | 82,01,900 |

Statement of Profit and Loss for the year ended 31st March 2021

| Particulars | Note No | Amount in (₹) |
|-------------------------------|---------|------------------|
| I. Revenue from operations | | 60,00,000 |
| Total Income | | 60,00,000 |
| II. Expenses | | |
| Purchases (adjusted) | | 22,32,100 |
| Finance Costs | 8 | 36,000 |
| Depreciation and Amortization | 9 | 3,17,000 |
| Other Expenses | 10 | 32,30,000 |

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| | | |
|-------------------------------------|--|------------------|
| Total Expenses | | 58,15,100 |
| Profit/(Loss) for the period | | 1,84,900 |

Notes to Accounts**(Amount in ₹)**

| | | | |
|----------|--|-------------------|-------------------|
| 1 | Share Capital | | |
| | Authorized Capital | | |
| | 5,000, 6% Preference shares of ₹ 100/- each | | 5,00,000 |
| | 10,000 Equity Shares of ₹100/- each | | 10,00,000 |
| | | | 15,00,000 |
| | Issued & Subscribed Capital | | |
| | 5,000, 6% Preference shares of ₹100/- each | | 5,00,000 |
| | 8,000, Equity shares of ₹100/- each | | 8,00,000 |
| | Total | | 13,00,000 |
| 2 | Reserves & Surplus | | |
| | Capital Reserve (100 X (90-40)) | | 5,000 |
| | Revaluation Reserve (36,00,000-24,00,000) | | 12,00,000 |
| | General Reserve | | 40,00,000 |
| | Surplus | 1,84,900 | |
| | Add: Balance from previous year | 72,000 | |
| | Less: Dividends declared | <u>(70,000)</u> | |
| | Profit/(Loss) carried forward to Balance Sheet | | 1,86,900 |
| | Total | | 53,91,900 |
| 3 | Long-Term Borrowings | | |
| | Secured | | |
| | 9% Debentures | | 4,00,000 |
| 4 | Trade Payables | | 10,40,000 |
| 5 | Other Current Liabilities | | |
| | Dividend Payable | | |
| | Preference Dividend | | 30,000 |
| | Equity Dividend | | <u>40,000</u> |
| | Total | | 70,000 |
| 6 | Property, Plant and Equipment | | |
| | <u>Land</u> | | |
| | Opening balance | 24,00,000 | |
| | Add: Revaluation Adjustment | <u>12,00,000</u> | |
| | Closing Balance | | 36,00,000 |
| | <u>Plant and Machinery</u> | | |
| | Opening Balance | 7,70,000 | |
| | Less: Disposed off | (1,00,000) | |
| | Depreciation | <u>(2,09,000)</u> | |
| | Closing Balance | | 4,61,000 |
| | Total | | 40,61,000 |
| 7 | Intangible Assets | | |
| | Goodwill | | 12,50,000 |
| | Less: Amortized (1/5th) | | <u>(2,50,000)</u> |
| | Total | | 10,00,000 |
| 8 | Finance Costs | | |
| | Debenture Interest | | 36,000 |
| 9 | Depreciation and Amortization | | |
| | Plant and Machinery | | 67,000 |
| | Goodwill | | <u>2,50,000</u> |
| | Total | | 3,17,000 |

| | | | |
|-----------|-------------------------------------|----------|------------------|
| 10 | Other Expenses | | |
| | Factory Expenses | | 15,00,000 |
| | Selling Expenses | | 14,00,000 |
| | Administrative Expenses | | 3,00,000 |
| | Loss on sale of Plant and Machinery | | |
| | Book Value (1,00,000-30,000) | 70,000 | |
| | Less: Sale Value | (40,000) | 30,000 |
| | Total | | 32,30,000 |

Note:

The financial statements given in the above answer include adjustment for dividend declared on 31st March, 2021, strictly, as per the information given in the question. However, practically dividends are declared in the annual general meetings which take place after the reporting date.

Solution 10

“Current maturities of long term borrowing are shown under ‘short term borrowings’ and not under ‘Other current Liabilities’ as per amendment to Schedule III. Hence the statement given in the question is not valid.

Solution 11**Balance Sheet of Anmol Ltd. as at 31st March, 2022**

| Particulars | Note No | ₹ |
|---|---------|--------------------|
| Equity and Liabilities | | |
| 1. Shareholders' funds | | |
| a. Share capital | 1 | 10,00,000 |
| b. Reserves and Surplus | 2 | 24,76,462 |
| 2. Non-current liabilities | | |
| a. Long-term borrowings | 3 | 85,00,000 |
| 3 Current liabilities | | |
| a. Short term borrowings (Installment of term loan falling due in one year) | | 17,00,000 |
| b. Trade Payables | 4 | 56,33,875 |
| c. Other current liabilities | 5 | 1,76,500 |
| d. Short term provisions (provision for tax) | | 1,16,988 |
| Total | | 1,96,03,825 |
| ASSETS | | |
| 1. Non-current assets | | |
| a. PPE | 6 | 1,11,70,700 |
| 2. Current assets | | |
| a. Inventories | | 11,37,500 |
| b. Trade receivables | 7 | 61,51,250 |
| c. Cash and bank balances | 8 | 11,06,875 |
| d. Short term loans & advances (Advance tax paid) | | 37,500 |
| Total | | 1,96,03,825 |

Statement of Profit and Loss of Anmol Ltd. for the year ended 31st March, 2022

| | Particulars | Notes | Amount |
|------|----------------------------------|-------|--------------------|
| I. | Revenue from operations | | 1,25,87,000 |
| II. | Other income (Commission income) | | 72,500 |
| III. | Total Income (I + II) | | 1,26,59,500 |
| IV. | Expenses: | | |
| | Purchases of Inventory-in-Trade | | 82,95,000 |

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| | | | |
|------|--|----|--------------------|
| | Changes in inventories of finished goods work-in-progress and Inventory-in-Trade | 9 | (2,12,500) |
| | Employee benefits expense | 10 | 14,28,500 |
| | Finance costs (interest on term loan) | | 8,05,000 |
| | Depreciation | | 7,80,300 |
| | Other operating expenses | 11 | 10,95,250 |
| | Total expenses | | 1,21,91,550 |
| V. | Profit (Loss) for the period (III - IV) | | 4,67,950 |
| VI. | (-) Tax (25%) | | <u>(1,16,988)</u> |
| VII. | PAT | | 3,50,962 |

Notes to accounts

| | | | ₹ |
|----------|--|-------------------|---------------------------|
| 1 | Share Capital | | |
| | Equity share capital | | |
| | Authorized: 2,00,000 equity shares of ₹ 10 each | | <u>20,00,000</u> |
| | Issued & subscribed: 1,00,000 equity shares of ₹ 10 each | | 10,00,000 |
| 2 | Reserves and Surplus | | |
| | General Reserve | 10,00,000 | |
| | Add: current year transfer | <u>1,00,000</u> | 11,00,000 |
| | Profit & Loss balance | | |
| | Opening balance: Surplus P & L A/c | 8,75,500 | |
| | Profit for the year | 3,50,962 | |
| | Less: Appropriations: | | |
| | Transfer to General reserve | <u>(1,00,000)</u> | 11,26,462 |
| | Securities premium | | 2,50,000 |
| 3 | Long-term borrowings | | 24,76,462 |
| | Term loan from public sector bank (Secured by hypothecation) | | 1,02,00,000 |
| | Less: Installment of Term loan falling due within one year | | <u>(17,00,000)</u> |
| | Total | | <u>85,00,000</u> |
| 4 | Trade payables | | |
| | Trade payables | 55,08,875 | |
| | Bills payable | <u>1,25,000</u> | 56,33,875 |
| 5 | Other current liabilities | | |
| | Rent outstanding | 20,000 | |
| | Wages and Salaries Outstanding | <u>1,56,500</u> | 1,76,500 |
| 6 | PPE (Note 2) | | |
| | Land | | 24,00,000 |
| | Factory Buildings | | 33,21,200 |
| | Plant & Machinery | | 47,81,250 |
| | Furniture & Fittings | | <u>6,68,250</u> |
| | Total | | <u>1,11,70,700</u> |
| 7 | Trade receivables | | |
| | Debtors Outstanding for period exceeding 6 months | 85,600 | |
| | Other debts | 63,89,400 | |
| | Less: Provision for doubtful debt | <u>(3,23,750)</u> | 61,51,250 |
| 8 | Cash and bank balances | | |
| | Cash and cash equivalents | | |
| | Bank balance | 9,75,000 | |
| | Cash on hand | <u>1,31,875</u> | 11,06,875 |

| | | | |
|-----------|--|-------------|------------------|
| 9 | Changes in Inventories | | |
| | Opening Inventory | 9,25,000 | |
| | Less: Closing Inventory | (11,37,500) | |
| | Change | | (2,12,500) |
| 10 | Employee benefit expense | | |
| | Wages and Salaries | 12,72,000 | |
| | Add: Wages and Salaries Outstanding | 1,56,500 | 14,28,500 |
| 11 | Other operating expenses | | |
| | Rent | 2,20,000 | |
| | Add: outstanding | 20,000 | 2,40,000 |
| | Rates and Taxes | | 50,000 |
| | Selling & Distribution expenses | | 4,36,000 |
| | Bad debts | | 38,500 |
| | Provision for Doubtful Debts (3,23,750-25,000) | | 2,98,750 |
| | Director's fee | | 32,000 |
| | Total | | 10,95,250 |

Note:

- 1) The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2022. Such dividends will be disclosed in notes only.

2) Calculation of depreciation:

| | Book value | Accumulated depreciation | WDV | Current year Depreciation | Current year WDV |
|----------------------|-------------------|---------------------------------|--------------|----------------------------------|-------------------------|
| Land | 24,00,000 | - | 24,00,000 | - | 24,00,000 |
| Factory building | 36,80,000 | 1,84,000 | 34,96,000 | 1,74,800 | 33,21,200 |
| Plant & Machinery | 62,50,000 | 9,37,500 | 53,12,500 | 5,31,250 | 47,81,250 |
| Furniture & Fittings | 8,25,000 | 82,500 | 7,42,500 | 74,250 | 6,68,250 |
| | | | Total | 7,80,300 | 1,11,70,700 |

Solution 12

- Current Liabilities/ Other Current Liabilities
- Shareholders' Fund / Reserve & Surplus
- Current liabilities/Other Current Liabilities
- Contingent Liabilities and Commitments
- Shareholders' Fund / Share Capital
- Shareholders' Fund / Money received against share warrants

Solution 13

Statement of Profit and Loss of Travese Limited.
For the year ended 31st March, 2023

| | Particulars | Notes | Amount |
|------|--|--------------|---------------|
| I. | Revenue from operations | 1 | 47,22,600 |
| II. | Other income | 2 | 1,61,465 |
| III. | Total Income (I + II) | | 48,84,065 |
| IV. | Expenses: | | |
| | Purchases of Inventory-in-Trade | | 28,86,600 |
| | Changes in inventories of finished goods, work-in- progress and Inventory-in-Trade | 3 | 20,400 |
| | Finance costs | 4 | 3,52,410 |

| | | | |
|-----|--|---|-------------------|
| | Depreciation and amortization expenses | 5 | 3,57,765 |
| | Other expenses | 6 | 6,65,040 |
| | Total expenses | | <u>42,82,215</u> |
| V. | Profit (Loss) for the period (III - IV) before tax | | 6,01,850 |
| VI | Provision for tax | | <u>(1,50,463)</u> |
| VII | Profit for the period | | <u>4,51,387</u> |

Notes to accounts

| | | | ₹ |
|----------|---|-------------------|-----------------|
| 1 | Revenue from operations | | |
| | Sale | | 47,22,600 |
| 2 | Other Income | | |
| | Transfer fees | | 38,250 |
| | Discount received | | 66,300 |
| | Interest on Investment | | 55,000 |
| | Profit on sale of plant | | <u>1,915</u> |
| | Total | | <u>1,61,465</u> |
| 3 | Changes in inventories of finished goods, work-in- progress and Inventory-in-Trade | | |
| | Opening Inventory | 4,97,250 | |
| | Less: Closing Inventory | <u>(4,76,850)</u> | <u>20,400</u> |
| | Total | | <u>20,400</u> |
| 4 | Finance costs | | |
| | Interest on Debentures | | 3,39,150 |
| | Bank Interest | | <u>13,260</u> |
| | Total | | <u>3,52,410</u> |
| 5 | Depreciation and Amortization expenses | | |
| | Depreciation on Plant & Machinery (10% x (37,43,400 - 1,65,750) | | 3,57,765 |
| 6 | Other expenses | | |
| | Factory expense | | 2,58,060 |
| | Rent, Taxes and Insurance | | 65,025 |
| | Repairs | | 1,49,685 |
| | Sundry expenses | | 1,27,500 |
| | Selling expenses | | 26,520 |
| | Director's fees | | <u>38,250</u> |
| | Total | | <u>6,65,040</u> |

Note: The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of financial statements) as per accounting standards. Hence, it is not recognized in the financial statement for the year ending 31st March 2023. Such dividend will be disclosed in notes only.

Solution 14

Statement of Profit and Loss of Falgun Ltd. for the year ended 31st March, 2023

| | Particulars | Notes | ₹ |
|------|---|-------|-----------------|
| I. | Revenue from operations | | 8,46,000 |
| II. | Other income (Rent income) | | 24,000 |
| III. | Total Income (I + II) | | 8,70,000 |
| IV. | Expenses: | | |
| | Cost of materials consumed / Cost of purchases | 9 | 2,42,200 |
| | Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade | | - |

| | | | |
|----|---|----|-----------------|
| | Employee benefits expense | 10 | 72,000 |
| | Finance costs (Interest on debentures) | 11 | 20,000 |
| | Depreciation and amortization expenses | 12 | 1,80,000 |
| | Other expenses | 13 | 2,54,800 |
| | Total expenses | | 7,69,000 |
| V. | Profit (Loss) for the period (III - IV) | | 1,01,000 |

Balance Sheet of Falgun Ltd. as at 31st March, 2023

| Particulars | Note No | ₹ |
|-----------------------------------|---------|------------------|
| Equity and Liabilities | | |
| 1. Shareholders' funds | | |
| a. Share capital | 1 | 14,00,000 |
| b. Reserves and Surplus | 2 | 6,26,000 |
| 2. Non-current liabilities | | |
| a. Long-term borrowings | 3 | 8,14,000 |
| 3. Current liabilities | | |
| a. Short term borrowings | 4 | 1,00,000 |
| b. Trade Payables | | 72,000 |
| c. Other current liabilities | 5 | 79,000 |
| Total | | 30,91,000 |
| ASSETS | | |
| 1. Non-current assets | | |
| a. Property, plant and equipment | 6 | 22,30,000 |
| 2. Current assets | | |
| a. Inventories | | 1,12,000 |
| b. Trade receivables | 7 | 3,10,000 |
| c. Cash and bank equivalents | 8 | 4,39,000 |
| Total | | 30,91,000 |

Note: There is a Contingent Liability for bills discounted but not yet matured amounting ₹ 35,000.

Notes to accounts:

| | | ₹ |
|----------|--|-------------------------|
| | Share Capital | |
| 1 | Authorised capital: | |
| | 10,000, 10% preference shares of ₹ 100 | 10,00,000 |
| | 20,000 Equity shares of ₹ 100 each | <u>20,00,000</u> |
| | | <u>30,00,000</u> |
| | Issued and subscribed capital: | |
| | 4,000, 10% preference shares of ₹ 100 each fully paid | 4,00,000 |
| | 10,000 Equity shares of ₹ 100 each, fully paid | <u>10,00,000</u> |
| | (of the above 2,500 shares have been issued for consideration other than cash) | <u>14,00,000</u> |
| 2 | Reserves and Surplus | |
| | Securities premium | 50,000 |
| | Revaluation reserve | 1,50,000 |
| | General Reserve | <u>2,85,000</u> |
| | Surplus (Profit & Loss balance) | |
| | Opening balance | 40,000 |
| | Profit for the year | <u>1,01,000</u> |
| | Total | <u>6,26,000</u> |

| | | | |
|-----------|--|------------|------------------|
| 3 | Long-term borrowings | | |
| | <u>Debentures</u> | | |
| | 2,000 10% Debentures of ₹ 100 each | 2,00,000 | |
| | <u>Secured: Term Loans</u> | | |
| | 6% Loan from State Finance Corporation [repayable after 3years (₹ 4,50,000 - ₹ 36,000 for interest accrued but not due)] (secured by hypothecation of Plant and machinery) | 4,14,000 | |
| | <u>Others</u> | | |
| | Bank overdraft from Nationalized bank (secured by hypothecation of stocks) | 2,00,000 | |
| | Total | | 8,14,000 |
| 4 | Short-term borrowings | | |
| | Loan from Directors | | 1,00,000 |
| 5 | Other current liabilities | | |
| | Unclaimed dividend | 23,000 | |
| | Interest on Debentures | 20,000 | |
| | Interest accrued but not due on loans (SFC) | 36,000 | 79,000 |
| 6 | Property, plant and equipment | | |
| | Land | 7,00,000 | |
| | Add: Revaluation Adjustment | 1,50,000 | 8,50,000 |
| | Plant & Machinery | 14,70,000 | |
| | Less: Provision for depreciation | (3,00,000) | 11,70,000 |
| | Furniture | 4,00,000 | |
| | Less: Provision for depreciation | (1,90,000) | 2,10,000 |
| | Total | | 22,30,000 |
| 7 | Trade receivables | | |
| | Debts outstanding for a period exceeding six months | | 46,000 |
| | Other Debts | | 2,64,000 |
| | | | 3,10,000 |
| 8 | Cash and cash equivalents | | |
| | Cash at bank with Scheduled Banks (3,05,000-55,000) | 2,50,000 | |
| | with others | 55,000 | |
| | Cash in hand | 1,34,000 | 4,39,000 |
| 9 | Cost of materials consumed/Cost of purchases | | |
| | Adjusted purchases | 2,25,000 | |
| | Carriage inward | 17,200 | 2,42,200 |
| 10 | Employee benefit expense | | |
| | Salaries | | 72,000 |
| 11 | Finance cost | | |
| | Debenture interest | | 20,000 |
| 12 | Depreciation and amortization expenses | | |
| | Plant and Machinery | 1,10,000 | |
| | Furniture | 70,000 | 1,80,000 |
| 13 | Other expenses | | |
| | Misc. expenses (10,200-5,000) | 5,200 | |
| | Audit fee | 5,000 | |
| | Selling & Distribution expenses | 46,600 | |
| | Director's fee | 40,000 | |
| | Travelling expenses (including foreign tour) | 1,30,000 | |
| | Office expenses | 28,000 | 2,54,800 |

Notes:

1. The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2023. Such dividends will be disclosed in notes only.
2. Since Bonus issue is in proposal state, no adjustment has been made in the given answer.