

15. COMPANY FINAL ACCOUNTS

MODEL WISE ANALYSIS OF PAST EXAM PAPERS OF IPCC

MODEL NO.	N - 11	M - 12	N - 12	M - 13	N - 13	M - 14	N - 14	M - 15	N - 15	M - 16	N - 16
Model – 1	-	-	16	-	16	8	10	-	-	-	-
Model – 2	5	-	-	-	-	-	-	-	-	-	-
Model – 3	-	-	-	-	-	-	-	-	-	-	-
Model – 4	-	-	-	-	-	-	-	-	-	-	-

Model – 1 : Financial Statements

Model – 2 : Managerial Remuneration

Model – 3 : Others

Model – 4 : Theory

THEORY

AREAS COVERED IN THIS CHAPTER:

- A) Meaning
- B) Know how to maintain books of accounts
- C) Computation of Managerial remuneration
- D) Dividend Distribution rules
- E) Preparation and Presentation of Financial Statements
- F) Accounting treatment of Provision for taxation
- A) **MEANING:** The word 'company' derived from the Latin word 'com' i.e. with or together and 'panis' i.e. Bread. As per section 2(20) of the Companies Act, 2013, "Company" means a company incorporated under this Act or under any previous company law.
- B) **MAINTENANCE OF BOOKS OF ACCOUNTS:**
 - a) As per Section 128 of the Companies Act, 2013, Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company , and
 - b) Such books shall be kept on accrual basis and according to the double entry system of accounting:
 - c) Section 128(5) further states that the books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.
- C) **COMPUTATION OF MANAGERIAL REMUNERATION:**
 - a) Managerial Remuneration is calculated as a percentage on profit.

b) Managerial remuneration payable by a company is governed by various sections (Sec.197, 198) of the Companies Act, 2013 and Schedule – V under the Companies Act, 2013.

c) **Overall Limit:** As per Sec. 197, total managerial remuneration payable by a public company, to its directors, including managing director and whole time director, and its manager in respect any financial year shall not exceed 11% of net profits.

- i) Net profit basing on which the remuneration is payable shall be computed in the manner laid down in Sec. 198
- ii) For calculation of Net profits, the remuneration of the directors shall not be deducted from the gross profits.
- iii) With the approval of central government, the company in general meeting may authorize the payment of remuneration exceeding 11%.

d) **Individual Limits:** As per Sec. 197 of Companies Act 2013

- i) The remuneration payable to any one managing director or whole time director or manager shall not exceed 5% of net profits.
- ii) If there is more than one such director remuneration shall not exceed 10% of net profits to all such directors and manager taken together.
- iii) The remuneration payable to directors who are neither managing directors nor whole time directors shall not exceed:
 - 1% of net profits—If there is a managing director or whole time director or manager.
 - 3% of net profits – In any other case

e) **Provisions of Schedule V of the Companies Act,2013:**
It consists of totally four parts.

Part – I deals with the conditions to be fulfilled for the appointment of a Managing Director (or) Whole time Director (or) Manager without approval of the Central Government.

Part – II deals with remuneration payable to managerial person by companies having profits and having no profits or inadequate profits.

Part – III specifies the provisions applicable to part I and II.

Part – IV deals with the Central Government power to relax any rules.

f) **Part – II of Schedule - V consists of five sections:**

Section – I: Remuneration payable by companies having profits:
This section specifies that remuneration is payable by companies having profits will be subject to the provisions of Sec. 197

Section – II: Remuneration payable by companies having no profits or inadequate profit without central government approval:

	Where the effective capital* is	Maximum Managerial remuneration payable
1.	Negative or less than 5 crores	30 lakhs
2.	5 crores and above but less than 100 crores	42 lakhs
3.	100 crores and above but less than 250 crores	60 lakhs
4.	250 crores and above	60 lakhs plus 0.01% of the effective capital in excess of Rs.250 crores.

Notes:

1. Above limits shall be doubled if special resolution is passed by shareholders
2. It is hereby clarified that for a period less than one year, the limits shall be pro-rated.

3. * Effective Capital:

Explanation I - For the purposes of Section II of this Part,

Paid-up share capital (excluding share application money or advances against shares)	XXX
Add: Share premium	XXX
Reserves and surplus (excluding revaluation reserve)	XXX
Long-term loans and deposits repayable after one year (Note)	XXX
Less: Investments (Other than investments held by an investment company)	XXX
Accumulated losses	XXX
Preliminary expenses not written off	XXX
Effective Capital	XXX

Note: Long-term loans do not include working capital loans, over drafts, interest due on loans unless funded, bank guarantee, etc., and other short-term arrangements.

g) Sec 198: Ascertainment of profit for managerial remuneration:

Items to be included in profits	Items to excluded from profits
1. Bounties and subsidies received from any Government or any public authority constituted or authorized in this behalf by any government	1. Premium on shares or debentures 2. Profit on sale of forfeited shares 3. Profits of capital nature including those from the sale of the undertaking of the company. 4. Profits of capital nature from the sale of any immovable property or fixed assets. 5. Any change in carrying amount of an asset or of a liability recognized in equity reserves including surplus in profit and loss account on measurement of the asset or liability at fair value.

Items to be / not to be deducted from Profit for Computing Manager's Remuneration

Items to be deducted from profit	Items not to be deducted from profit
1. All the usual working charges; 2. Directors' remuneration* 3. Bonus or Commission paid or payable to any person employed or engaged by the company; 4. Excess Profit Tax and Business Tax; 5. Interest on Debentures, Mortgages, Loans and Advances 6. Expenses of Repairs not of Capital Nature 7. Contribution to bona fide Charitable and other funds made by Board of Directors, but in case the aggregate of such contributions in any financial year exceed 5% of its average net profits for the three immediately preceding financial years then prior permission of the company in General Meeting is required. 8. Depreciation to the extent specified in Sec.123 ;	1. Income-tax and super tax paid by the company or any other tax on the income of the company 2. Capital Losses 3. Any Compensation, Damages or payments made voluntarily and not paid due to any legal liability 4. Any change in carrying amount of an asset or of a liability recognized in equity reserves including surplus in profit and loss account on measurement of the asset or liability at fair value.

<p>9. Past losses arising after 1st April,2013 to the extent not already deducted in any subsequent year;</p> <p>10. Any compensation or damages to be paid due to any legal liability including the one arising from a breach of contract;</p> <p>11. Any sum paid by way of insurance to cover any liability discussed in above clause</p> <p>12. Bad debts written off or adjusted during the accounting year</p>	
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Although it is given that Directors Remuneration is an item to be deducted from Gross profit but in order to calculate the net profit for the purpose of Managerial remuneration which is payable as per the provisions, it should not be deducted there from. In case already deducted from gross profit it should be added back to net profit given.

Notes:

1. "Remuneration" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income Tax Act, 1961 and includes reimbursement of any Direct Taxes to the managerial person.
2. A director may receive a fee for each meeting of the board or a committee thereof, attended by him. But the remuneration referred to above shall not include such fees. It should be noted here that no fee is payable to whole – time director or managing director for attending the meeting of the board or committee thereof.
3. The provision of this Section shall not apply to a private company unless it is a subsidiary of a public company.
4. The amount of depreciation to be deducted shall be the amount of depreciation on assets as shown by the books of the company at the end of financial year as per part 'C' of Schedule – II of the Companies Act, 2013.
5. If any asset is sold or discarded before depreciation has been provided in full, the excess, if any, of the written down value over sale proceeds or scrap value shall be written off in the financial year in which it is sold or discarded.

D) DIVIDEND DISTRIBUTION RULES:

1. **Meaning of Dividend:**
 - a. Dividend ordinarily means that portion of divisible profits or reserves which is distributed among the shareholders of a company according to the no. of shares held by each of them and the rights attached thereto.
 - b. Such a distribution may involve payment of cash i.e. Dividend or may not i.e. in the form of Bonus shares.
2. **Sources for Dividend Distribution:** As per Section 123 (1) dividend shall be declared or paid by a company for any financial year only out of the following:
 - a. Out of the profits of the company for that financial year arrived at after providing for depreciation in accordance with the provisions of section 123(2), or
 - b. Out of the profits for any previous financial years arrived at after providing for depreciation in accordance with the provisions of that sub section and remaining undistributed i.e. Reserves subject to fulfillment of conditions in Companies (Declaration and payment of Dividend) Rules,2014 or
 - c. Out of both the above;
 - d. Out of the moneys provided by the Central Government or any State Government for the payment of dividend by the Company in pursuance of any guarantee given by that government.

3. Interim Dividend:

- a. The term "Dividend" includes interim dividend as per Section 2(35) of the Companies Act, 2013.
- b. As per Section 124(3), the Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.
- c. 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.

4. Companies (Declaration and Payment of Dividend) Rules, 2014:

- a. The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year. Provided that this rule shall not apply to a company, which has not declared any dividend in each of the three preceding financial year.
- b. The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- c. The amount so drawn shall first be utilized 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.
- d. The balance of reserves after such withdrawal shall not fall below fifteen per cent of its paid up share capital as appearing in the latest audited financial statement.
- e. No company shall declare dividend unless carried over previous losses and depreciation not provided in previous year are set off against profit of the company of the current year.
- f. The loss or depreciation, whichever is less, in previous years is set off against the profit of the company for the year for which dividend is declared or paid.

5. Transfer to Reserves:

- a. The Board of Directors are free and can appropriate a part of the profits to the credit of a reserve or reserves as per section 123 (1) of the Companies Act, 2013.
- b. Appropriation of a part of profit is sometimes made under law.

For example, under the Banking Regulation Act, a fixed percentage of the profit of a banking company must first be transferred to the General Reserve before any dividend can be distributed.

- c. Apart from appropriations aforementioned, it may also be necessary to provide for losses and arrears of depreciation and to exclude capital profit, as mentioned earlier, to arrive at the amount of divisible profit.

6. Meaning of Capital reserve:

- a. It is the reserve which does not include any amount regarded as free for distribution through the Profit and Loss account.
- b. Securities Premium and Capital Redemption Reserve Account should not be credited to capital reserve; these accounts have to be kept separate.
- c. Only profits or a surplus of a capital nature can be credited to such a reserve. For instance:
 - i. Profit prior to incorporation.

- ii. Capital profit on sale of fixed assets when these are not available for distribution as dividends in the circumstances mentioned below :
 - Where the profit on sale of a fixed asset has not been realized; or
 - Where the profit on sale of fixed assets though realized is likely to be wiped out by the deficiency on revaluation of other assets; or
 - Where the Articles of Association do not permit distribution of such profit as a dividend.
- iii. The excess of the value of net assets over the price paid for the acquisition of a business.
- iv. Profit on re-issue of forfeited shares.
- v. The credit balance in the Capital Reduction Account

7. Dividend on preference shares:

- a. Holders of preference shares are entitled to receive a dividend at a **fixed rate** before any dividend is declared on equity shares.
- b. But such a right can be exercised subject to there being profits and the Directors recommending payment of the dividend.

8. Dividend on partly paid shares:

- a. **Provision in Articles:** Dividend is payable depending on the provision in this regard that there may be in the Articles.
- b. **No Such Provision:**
 - i. In such a case the amount of dividend payable will be **calculated on the amount paid up on shares**, and while doing so, the dates on which the amounts were paid must be taken into account.
 - ii. Amount of dividend payment will have to be **calculated on nominal portion** of the amount paid up on those shares.
 - iii. If and so long as **nothing is paid upon any of the shares** in the company, dividends may be declared and paid according to the nominal amounts of the shares.
 - iv. In the case of **fresh issue** of capital, the holders thereof, unless precluded by the terms of issue, are entitled to receive dividend **pari passu** with the shares already issued.

9. Calls in Advance: Calls paid in advance do not rank for payment of dividend.

10. Payment of Dividend:

- a. As per Section 124 of the Companies Act, 2013 where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount to a special account called the **Unpaid Dividend Account**.
- b. If it remains unpaid or unclaimed for a period of seven years from the date of such transfer then the amount shall be transferred by the company along with interest accrued, if any, thereon to the Fund "Investor Education and Protection Fund" established under section 125.

11. Dividend distribution tax:

- a. DDT is chargeable on any amount declared, distributed or paid as dividends (whether interim or otherwise).

- b. The dividends chargeable to DDT may be out of the current profits or accumulated profits.
- c. The rate of DDT is fifteen per cent (excluding surcharge of 12% plus secondary and higher education cess is (2+1) 3%).
- d. DDT shall be payable even if no income-tax is payable by the domestic company on its total income.
- e. DDT is payable to the credit of the Central Government within 14 days of declaration, distribution or payment whichever is earliest.
- f. According to GAAP, the provision for dividend is recognised in the financial statements of the year to which the dividend relates.
- g. In view of this, DDT on dividend, being directly linked to the amount of the dividend concerned, should also be reflected in the accounts of the same financial year even though the actual tax liability in respect thereof may arise in a different year.
- h. With effect from 1st Oct, 2014 dividend and income distribution tax is leviable on gross dividend / income and not on the net dividend / income distributed to shareholders and unit holders as per Income- tax Act, 1961.

Example: X Ltd., a domestic company, has distributed on 5th April 2015, dividend of Rs. 230 lakh to its shareholders. Compute the Dividend Distribution tax payable by X Ltd.

Answer:

Calculation of Corporate dividend tax

Particulars	Rs. in lakh
Dividend distributed by X Ltd.	230
Add: Increase for the purpose of grossing up of dividend (15 X230/100-15)	<u>40.58</u>
Gross dividend	<u>270.59</u>
Dividend distribution tax @ 15% [15% of Rs. 270.59 lakh]	40.59
Add: Surcharge@12%	<u>4.88</u>
	45.47
Add: Education cess@2% and SHEC@1%	<u>1.36</u>
Dividend Distribution tax	46.83

12. Disclosure and Presentation of DDT in Financial Statements

E) PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS:

1. Final Accounts:

Under Section 129 of the Companies Act, 2013, at the annual general meeting of a company, the Board of Directors of the company shall lay financial statements before the company, Financial Statements as per Section 2(40) of the Companies Act, 2013, inter-alia include –

- a. a Balance Sheet as at the end of the financial year;
- b. a Profit and Loss Account, or in the case of a company carrying on any activity not for profit, an Income and Expenditure account for the financial year;
- c. Cash Flow Statement for the financial year;
- d. a Statement of Changes in Equity, if applicable; and
- e. any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

2. 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.

3. Provisions Applicable:
Except in case of Companies for which Specific Act is applicable, all other Companies shall prepare and present 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

4. Points to be kept in mind:

- a. Requirements of Schedule III to the Companies Act;
- b. Other statutory requirements;
- c. Accounting Standards issued by the Institute of Chartered Accountants of India on different accounting matters and notified by the Central Government (AS 1 to AS 32);
- d. Statements and Guidance Notes issued by the Institute of Chartered Accountants of India; which are necessary for understanding the accounting treatment / valuation / disclosure suggested by the ICAI.
- e. The Electricity Act, 2003 does not specify any format for presentation of Financial Statements. Therefore, Schedule III of the Companies Act, 2013 is followed by Electricity Companies in preparation of their financial statements.

5. Schedule III:
It consists of general instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Company.

- a. The disclosure requirements specified in Part – I and Part II of this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the notes to accounts in addition to the requirements set out in this Schedule.
- b. Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (a) narrative descriptions or desegregations of items recognized in those statements and (b) information about items that do not qualify for recognition in this statements.
- c. Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-reference to any related information in the notes to accounts.
- d. Depending upon the turnover of the company, the figures appearing in the Finance Statements may be rounded off as below:

Turnover	Rounding off
i) Less than one hundred crore rupees	To the nearest hundreds, lakhs of

	millions, or decimals thereof
ii) one hundred crore rupees or more	To the nearest, lakhs, millions or crore, or decimals thereof

Once a unit measurement is used, it should be used uniformly in the financial statements.

e. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

6. Form of preparing a Balance Sheet:

Line items, sub-line items and sub-totals shall be presented as addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry / sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

PART – I – Form of BALANCE SHEET

Name of the Company : _____

Balance Sheet as at : _____

		Particulars	Notes No.	Figures as at the end of current reporting period	Figures as at the end of the previous reporting period
		1	2	3	4
1	a b c	EQUITY AND LIABILITIES: Shareholder's funds Share capital Reserves and Surplus Money received against share warrants			
		Share application money pending allotment			
		Non-current liabilities Long term borrowings Deferred tax liabilities (Net) Other long term liabilities Long term provisions			
4	a b c d	Current liabilities Short term borrowings Trade Payable Other current liabilities Short – term provisions			
		TOTAL			
	a i ii iii iv b c	ASSETS: Non-current assets Fixed assets Tangible assets Intangible assets Capital Work – in progress Intangible assets under development Non current investments Deferred tax assets (Net)			

	d		Long term loans and advances Other non-current assets			
2	a		Current Assets			
	b		Current Investments			
	c		Inventories			
	d		Trade receivables			
	e		Cash and cash equivalents			
	f		Short – term loans and advances			
			Other current assets	TOTAL		

7. General instructions on preparation of Balance Sheet:

a) Share Capital:

- i) The number and amount of shares authorized;
- ii) The number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
- iii) Par value per share;
- iv) A reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period.
- v) The rights, preference and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital.
- vi) Shares in the company held by each shareholder holding more than 5 percent shares specifying the number of shares held;
- vii) Shares reserved for issue under options and contracts / commitments for the sale of shares / disinvestments, including the terms and amounts.
- viii) For the period of five years immediately preceding the date as at which the Balance Sheet is prepared:
 - Aggregate number and class of shares allotted as fully paid up pursuant to contracts without payment being received in cash.
 - Aggregate number and class of shares allotted as fully paid up by way of bonus shares.
 - Aggregate number and class of shares bought back.
- ix) Calls unpaid (showing aggregate value of calls unpaid by directors and officers)
- x) Forfeited shares (amount originally paid up)

b) Reserves and Surplus:

- i) Reserves and surplus shall be classified as:
 - Capital Reserve;
 - Capital Redemption Reserve;
 - Securities Premium Reserve;
 - Debentures Redemption Reserve;
 - Revaluation Reserve
 - Share Options Outstanding Account.
 - Other Reserves – (specify the nature and purpose of each reserve and the amount in respect thereof);

- Surplus i.e. balance in Statement of Profit & Loss disclosing allocation and appropriations such as dividend, bonus shares and transfer to / from reserves etc. (Additions and deductions since last balance sheet to be shown under each of the specified heads)
- ii) A reserve specifically represented by earmarked investments shall be termed as a 'fund'.
- iii) Debit balance of statements of profit and loss shall be shown as negative figure under the head 'Surplus', Similarly, the balance of 'Reserves' and '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.

c) **Long – term Borrowings:**

- i) Long – term borrowings shall be classified as:
 - Bonds / debentures
 - Term loans
 - From banks
 - From other parties
 - Deferred payment liabilities.
 - Deposits
 - Loans and advances from related parties
 - Long term maturities of finance lease obligations.
 - Other loans and advances (specify nature)
- ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- iii) Where loans have been guaranteed by directors and others, the aggregate amount of such loans under each head shall be disclosed.
- iv) Terms of repayment of term loans and other loans shall be stated.
- v) Period and amount of continuing default as on the balance sheet date in repayment of loans and interest shall be specified separately in each case.

d) **Other Long Term Liabilities:**
Other Long term Liabilities shall be classified as:

- i) Trade payable
- ii) Others

e) **Long – term provisions:**
The amounts shall be classified as:

- i) Provision for employee benefits
- ii) Others (specify nature)

f) **F. Short – term borrowings:**

- i) Short – term borrowings shall be classified as:
 - Loans repayable on demand
 - From banks
 - From Other parties
 - Loans and from related parties
 - Deposits
 - Other loans and advances (specify nature).
- ii) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
- iii) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.

iv) Period and amount of default as on the balance sheet date in repayment of loans and interest shall be specified separately in each case.

g) Other Current liabilities:

The amounts shall be classified as:

- i) Current maturities of long term debt;
- ii) Current maturities of finance lease obligations;
- iii) Interest accrued but not due on borrowings;
- iv) Interest accrued and due on borrowings;
- v) Income received in advance
- vi) Unpaid dividends

vii) Applications money received for allotment of securities and due for refund and interest accrued thereon. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other current liabilities'.

viii) Unpaid matured deposits and interest accrued thereon.

ix) Unpaid matured debentures and interest accrued thereon.

x) Other payments (specify nature)

xi) Interest on debentures

h) H. Short - term provisions

The amounts shall be classified as:

- i) Provision for employee benefits
- ii) Others (specify nature)

i) Tangible Assets:

i) Classification shall be given as:

- Land.
- Buildings.
- Plant and Equipment.
- Furniture and Fixtures.
- Vehicles.
- Office equipment.
- Others (specify nature).

ii) Assets under lease shall be separately specified under each class of asset.

iii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.

iv) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

j) Intangible assets:

i) Classification shall be given as:

- Goodwill.
- Brands/trademarks.
- Computer software.
- Mastheads and publishing titles.

- Mining rights.
- Copyrights, and patents and other intellectual property, rights, services and operating rights.
- Recipes, formulae designs and prototypes.
- Licenses and franchise.
- Others (specify nature).

ii) A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related amortization and impairment losses/reverse shall be disclosed separately.

iii) Where sums have been written off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

k) Non-current investments

i) Non-current investments shall be classified as trade investments and other investments further classified as:

- Investment property;
- Investments in Equity Instruments;
- Investments in preference shares
- Investments in Government or trust securities;
- Investments in debentures or bonds;
- Investments in Mutual Funds;
- Investments in partnership firms
- Other non-current investments (specify nature)

Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

ii) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof.

iii) The following shall also be disclosed:

- Aggregate amount of quoted investments and market value thereof;
- Aggregate amount of unquoted investments;
- Aggregate provision for diminution in value of investment

I) Long –term loans and advances

i) Long-term loans and advances shall be classified as:

- Capital Advances;
- Security Deposits;
- Loans and advances to related parties (giving details thereof);
- Other loans and advances (specify nature).

ii) The above shall also be separately sub-classified as:

- Secured, considered good;
- Unsecured, considered good;
- Doubtful.

iii) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

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

m) Other non-current assets:
Other non-current assets shall be classified as:

- i) Long Term Trade Receivables (including trade receivables on deferred credit terms);
- ii) Others (specify nature)
- iii) Long term Trade Receivables, shall be sub-classified as:
 - - ▶ Secured, considered good;
 - ▶ Unsecured considered good;
 - ▶ Doubtful
 - Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
 - 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

n) Current Investments

i) Current investments shall be classified as:

- Investments in Equity Instruments;
- Investment in Preference Shares
- Investments in government or trust securities;
- Investments in debentures or bonds;
- Investments in Mutual Funds;
- Investments in partnership firms
- Other investments (specify nature).

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Under each classification, details shall be given of names of the bodies corporate (indicating separately whether such bodies are (i) subsidiaries, (ii) associates, (iii) joint ventures, or (iv) controlled special purpose entities) in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

ii) The following shall also be disclosed:

- The basis of valuation of individual investments
- Aggregate amount of quoted investments and market value thereof
- Aggregate amount of unquoted investments;
- Aggregate provision made for diminution in value of investments.

o) Inventories

i) Inventories shall be classified as:

- Raw materials;
- Work-in-progress;

- Finished goods;
- Stock-in-trade (in respect of goods acquired for trading);
- Stores and spares;
- Loose tools;
- Others (specify nature).

ii) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

iii) Mode of valuation shall be stated

p) Trade Receivables:

- i) Aggregate amount of Trade Receivables outstanding for a period exceeding six months from the Date they are due for payment should be separately stated.
- ii) Trade receivables shall be sub-classified as:
 - Secured, considered good;
 - Unsecured considered good;
 - Doubtful.
- iii) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
- iv) 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.
- v) Bills receivable

q) Cash equivalents:

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

r) Short-term loans and advances:

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

companies respectively in which any is a partner or a director a member shall be separately stated.

- s) **Other current assets (specify nature):** This is an all-inclusive heading which incorporates current assets that do not fit into any other asset categories
- t) **Contingent liabilities and commitments:**
(To the extent not provided for)
 - i) Contingent liabilities shall be classified as:
 - Claims against the company not acknowledged as debt;
 - Guarantees;
 - Other money for which the company is contingently liable
 - ii) Commitments shall be classified as:
 - Estimated amount of contracts remaining to be executed on capital account and not provided for;
 - Uncalled liability on shares and other investments partly paid
 - Other commitments (specify nature).
- u) The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.
- v) Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.
- w) If, in the opinion of the Board, any of the assets other than fixed assets and non-current investments do not have a value on realization in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

PART – II – FORM OF STATEMENT OF PROFIT AND LOSS:

Name of the Company : _____

Profit and Loss Statement for the year ended : _____

Particulars Note No.		Figures for the current reporting period	Figures for the previous reporting period
I	Revenue from operations	xxx	xxx
II	Other Income	xxx	xxx
III	Total Revenue (I + II)	xxx	xxx
IV	Expenses:		
	Cost of materials consumed	xxx	xxx
	Purchases of Stock in Trade	xxx	xxx
	Changes in inventories of finished goods	xxx	xxx
	Changes in Work in progress and stock-in-Trade		
	Employee benefits expense		
	Finance costs		
	Depreciation and amortization expenses		
	Other expenses		
	Total Expenses		
V	Profit before exceptional and extraordinary items		

	and tax (III -IV)	xxx	xxx
VI	Exceptional items	xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)	xxx	xxx
VIII	Extraordinary items	xxx	xxx
IX	Profits before tax (VII - VIII)	xxx	xxx
X	Tax Expense:		
	(1) Current tax	xxx	xxx
	(2) Deferred tax	xxx	xxx
XI	Profit (Loss) for the period (IX - X)	xxx	xxx
XII	Earnings per equity share:		
	(1) Basic	xxx	xxx
	(2) Diluted	xxx	xxx

8. General instructions on preparation of Profit & Loss Statement:

- In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from
 - Sale of products;
 - Sale of services;
 - Other operating revenues;

Less:

 - Excise duty.
- In respect of a finance company, revenue from operations shall include revenue from:
 - Interest; and
 - Other financial services

Revenue under each of the above heads shall disclose separately by way of notes to accounts to the extent applicable.
- Finance Costs:**
Finance costs shall be classified as:
 - Interest expense;
 - Other borrowing costs;
 - Applicable net gain/loss on foreign currency transactions and translation.
- Other Income:**
Other income shall be classified as:
 - Interest Income (in case of a company other than a finance company);
 - Dividend Income;
 - Net gain/loss on sale of investments
 - Other non-operating income (net of expenses directly attributable to such income)
- Additional Information:**
A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:
 - Employee Benefits Expense [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].

- ▶ Depreciation and amortization expense;
- ▶ Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher;
- ▶ Interest Income;
- ▶ Interest Expense;
- ▶ Dividend Income;
- ▶ Net gain/loss on sale of investments;
- ▶ Adjustments to the carrying amount of investments;
- ▶ Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);
- ▶ Payments to the auditor as
 - auditor,
 - for taxation matters,
 - for company law matters,
 - for management services,
 - for other services,
 - for reimbursement of expenses;
- ▶ Details of items of exceptional and extraordinary nature;,,

(ii) Prior period items;

(iii)

- ▶ In the case of manufacturing companies,
 - Raw materials under broad heads.
 - Goods purchased under broad heads.
- ▶ In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.
- ▶ In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.

(iv) In the case of all concerns having works in progress, works-in-progress under broad heads.

(v) Expenditure incurred on each of the following items, separately for each items:

- ▶ Consumption of stores and spare parts.
- ▶ Power and fuel
- ▶ Rent
- ▶ Repairs to buildings
- ▶ Repairs to machinery
- ▶ Insurance
- ▶ Rates and taxes, excluding, taxes on income.
- ▶ Miscellaneous expenses

(vi)

- ▶ Dividends from subsidiary companies
- ▶ Provisions for losses of subsidiary companies

Note: Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements.

Example 1:

In the financial statements of the financial year 2014-15, Alpha Ltd. has mentioned in the notes to accounts that during financial year, 24,000 equity shares of Rs. 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:

Schedule III has come into force for the Balance Sheet and Profit and Loss Account prepared for the financial year commencing on or after 1st April, 2014. As per Part I of the Schedule III, a company shall, inter-alia, disclose in notes to accounts for the period of 5 years immediately preceding the balance sheet date (31st March, 2015 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, nondisclosure of source from which bonus shares have been issued does not violate the Schedule III to the Companies Act.

Example 2:

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 for which WIP have been completed at the beginning and at the end of the accounting period should be disclosed in the statement of profit and loss. Therefore, the non-disclosure in the financial statements by the company may not amount to violation of Schedule III if the differences between opening and closing WIP are not material.

6. ACCOUNTING TREATMENT OF PROVISION FOR TAX:

- i) Provision for tax for current year is deducted from profit before tax to arriving profit / (loss) for the period, in profit and loss statement
- ii) Provision for tax has to be shown as a sub line item of Short Term Provisions under the head current liabilities.
- iii) Advance tax, TDS is shown as a sub-line item of Short Term Loans and Advances under the head Current Assets.
- iv) Short provision of Income tax for previous year has to be deducted from profit before tax to arrive profit / (loss) for the period in profit and loss statement. No impact in current year Balance Sheet.
- v) Excess provision of Income tax for previous year has to be added to profit before tax to arrive profit / (loss) for the period in profit and loss statement. No impact in current year Balance Sheet.
- vi) Advance tax and TDS (Debit Balance) are usually adjusted against the income tax liability at the time of settlement of liability for income tax.
- vii) The payment of income tax against demand, which the company wants to file an appeal, should be treated like payment of advance tax till the appeal is pending.

Journal Entries

S. No.	Particulars
1	On Making Provision for Tax for current year: Profit & Loss A/c Dr. To Provision for Tax A/c

2	On Adjustment of short or Excess Provision for tax for previous years:	
	a) In case of Short Provision	
	Profit & Loss (Appropriation) A/c	Dr. [With short provision]
	To Provision for tax A/c	
	b) In case of Excess Provision	
	Provision for Tax A/c	Dr. [With excess provision]
	To Profit and Loss (appropriation) A/c	
3	Converting provision into liability on settlement:	
	Provision for Tax A/c	Dr.
	To Income Tax payable A/c	
4	On Adjustment of Advance tax and T.D.S. (Dr. Balance):	
	Income Tax Payable A/c	Dr. [With Actual Settled Liability]
	Income Tax Refund Due A/c	Dr. [With Refund, if any Due]
	To Advance Tax A/c	
	To T.D.S. A/c	
5	On Payment of Balance of tax payable (if any):	
	Income Tax Payable A/c	Dr.
	To Bank A/c	
6	On Receipt of Income tax Refund Due (if any):	
	Bank A/c	Dr.
	To Income Tax Refund Due A/c	

What are the qualitative characteristics of the financial statements which improve the usefulness of the information furnished therein?

Solution:

The qualitative characteristics are attributes that improve the usefulness of information provided in financial statements. Since financial statements are prepared within the framework of accounting concepts their general format and representation is uniform. However, in spite of such uniformity, the financial statements should observe and maintain the following qualitative characteristics as far as possible within limits of reasonable cost/ benefit.

- Understandability:** The financial statements should present information in a manner as to be readily understandable by the users with reasonable knowledge of business activities and basic accounting terms. It is not right to think that more disclosures are always better.
- Relevance:** The financial statements should contain relevant information only. Information, which is likely to influence the economic decisions by the users, is said to be relevant. Such information may help the users to evaluate past, present or future events or may help in confirming or correcting past evaluations. The relevance of a piece of information should be judged by its materiality. A piece of information is said to be material if its omission or misstatement can influence economic decisions of a user. An example of materiality may be the non availability of balance confirmation from a major debtor or the fact that old unsettled insurance claims are shown as recoverable instead being written off.
- Reliability:** To be useful, the information must be reliable; that is to say, they must be free from material error and bias. The information provided are not likely to be reliable unless:
 - Transactions and events reported are faithfully represented.
 - Transactions and events are reported in terms of their substance and economic reality not merely on the basis of their legal form. This principle is called the principle of 'substance over form'.
 - The reporting of transactions and events are neutral, i.e. free from bias.
 - Prudence is exercised in reporting uncertain outcome of transactions or events.

- e. Reliability increases with increasing objectivity and diminishing subjectivity in comments.
- 4. **Comparability:** Comparison of financial statements is one of the most frequently used and most effective tools of financial analysis. The financial statements should permit both inter-firm and intra-firm comparison. One essential requirement of comparability is disclosure of financial effect of change in accounting policies. The criterion of comparability lies in uniformity of format and uniformity in accounting policies so that apples are compared always with apples.
- 5. **True and Fair View:** Financial statements are required to show a true and fair view of the performance, financial position and cash flows of an enterprise. The framework does not deal directly with this concept of true and fair view, yet the application of the principal qualitative characteristics and of appropriate accounting standards normally results in financial statements portraying true and fair view of all relevant financial information about an enterprise.
- 6. **Neutrality:** To be reliable, the information contained in financial statement must be neutral, that is free from bias.

PROBLEMS FOR CLASSROOM DISCUSSION

Problem 1: (PRINTED SOLUTION AVAILABLE) Accounting treatment for provision for tax, Advance tax and TDS: An Extract from the Trial Balance of Bharat Tulsian Ltd. as on 31st March. 2003 is given below:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Provisions for Income Tax (on 1.4.2002)	-	2,20,000
Advance Payment of Income Tax	4,10,000	-
Tax Deducted at Source (On 31.3.2003)		
- From Salaries paid	-	10,000
- From Interest on Debentures	-	23,000
Tax Deducted At Source (2001 -2002)		
- On Interest received	3,000	-
Tax Deducted at Source (2002 - 2003)		
- On interest Received	9,000	-
Profit & Loss Account	-	1,00,000

Additional Information:

1. Advance Payment of Tax Includes Rs.2,37,000 for 2001 – 2002
2. No effect has been given for the income tax assessment of 2001 – 2002, completed during the year resulting in a gross tax demand of Rs.2,48,000. The company did not want to file an appeal against the assessment made.
3. Provision for Income Tax is to be made for 2002 – 2003 @ 50%
4. Net profit before tax for 2002-2003 is Rs.5,44,000

Required: Give the necessary journal entries and prepare Provision for Tax Account, Tax payable Account and Profit and Loss Account. How the relevant items will appear in the Balance Sheet as at 31st March 2003?

(Solve problem no 1 & 2 of assignment problems as rework)

(Ans.: Tax Expenses for year 2001-2002 is Rs.28,000, Tax expenses for year 2002-2003 Rs.2,72,000)

Note: _____

Problem 2: (PRINTED SOLUTION AVAILABLE) Appropriation of Profits:

Part I: The Articles of Association of Samson Ltd. Provide the following:

1. That 25% of the net profit of each year shall be transferred to reserve fund.
2. That an amount equal to 10% of equity dividend shall be set aside for staff bonus.
3. That the balance available for distribution shall be applied:
 - a) In paying 15% 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 2/3 as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 14% on preference shares after making provisions (i), (ii) and (iii) mentioned above. The company has issued 12,000, 15% cumulative participating preference shares of Rs.100 each fully paid and 75,000 equity shares of Rs.10 each fully paid up.

The profit for the year ended 2013-14 was Rs.10,00,000 and balance brought from previous year Rs.1,50,000. Provide Rs. 37,500 for depreciation and Rs.1,20,000 for taxation before making other appropriations. Show net balance of Profit and Loss Account after making above adjustments. (M14)(Ans.: Net profit Rs.8,42,500 & Balance carried forward to balance sheet Rs.1,68,000)

(Solve problem no. 3 of assignment problems as rework)

Note: _____

Problem 3: Managerial Remuneration with adequate profits: The following is the Draft Profit & Loss A/c of Mudra Ltd., the year ended 31st March, 2015:

Particulars	Amount	Particulars	Amount
To Administrative, Selling and distribution expenses	8,22,542	By Balance b/d	5,72,350
To Directors fees	1,34,780	By Balance from Trading A/c	40,25,365
To Interest on debentures	31,240	By Subsidies received from Govt.	2,73,925
To Managerial remuneration	2,85,350		
To Depreciation on fixed assets	5,22,543		
To Provision for Taxation	12,42,500		
To General Reserve	4,00,000		
To Investment Revaluation Reserve	12,500		
To Balance c/d	14,20,185		
	48,71,640		48,71,640

Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 5,75,345.

You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

(SM) (Ans: Profit u/s 198- Rs. 27,35,383)

Maximum Managerial remuneration - Rs. 3,00,892

(Solve problem no. 4, 5 of assignment problems as rework)

Note: _____

Problem 4: Managerial Remuneration with Inadequate profits: The following extract of Balance Sheet of X Ltd. was obtained:

Balance Sheet (Extract) as on 31st March, 2015

Particulars	Amount
Liabilities:	
Authorized capital:	
20,000, 14% preference shares of Rs.100	20,00,000
2,00,000 Equity shares of Rs.100 each	2,00,00,000
	<u>2,20,00,000</u>
Issued and subscribed capital:	
15,000, 14% preference shares of Rs.100 each fully paid	15,00,000
1,20,000 Equity shares of Rs.100 each, Rs.80 paid-up	96,00,000
Share suspense account	20,00,000
Reserves and surplus:	
Capital reserves (Rs. 1,50,000 is revaluation reserve)	1,95,000
Securities premium	50,000
Secured loans:	
15% Debentures	65,00,000
Unsecured loans:	
Public deposits	3,70,000
Cash credit loan from SBI (short term)	4,65,000
Current Liabilities:	
Trade Payables	3,45,000
Assets:	
Investment in shares, debentures, etc.	75,00,000
Profit and Loss account	15,25,000

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per the provisions of Schedule V. Would your answer differ if X Ltd. is an investment company?

(SM)

(Ans: Where X Ltd. is a non-investment Company (Rs. 90,40,000, Where X Ltd. is an investment Company Rs. 1,65,40,000)

(Solve problem no. 6 of assignment problems as rework)

Note: _____

Problem 5: Declaration of dividend out of reserves: BHARAT Ltd. provides you the following information:

Year	Dividend	Paid up capital
2003-2004	10%	Rs.1,00,000
2004-2005	7%	Rs.1,00,000
2005-2006	7%	Rs.1,00,000

Equity share capital Rs. 1,00,000

Reserve as on 01.04.2006 Rs.50,000

Loss after charging depreciation for the year 2006-2007 Rs.6,000

Depreciation for year 2006-2007 Rs.6,000

Required: X Ltd. desires to declare dividend for the loss year 2006-2007. Can it do so? If yes, at what rate, it may declare dividend?

(Solve problem no 7 of assignment problems as rework)

Note: _____

Problem 6: Dividend Distribution Rules: Due to inadequacy of profits during the year ended 31st March, 2015, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilized from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

Particulars	Rs.
17,500 9% Preference shares of Rs.100 each, fully paid up	17,50,000
8,00,000 Equity shares of Rs.10 each, fully paid up	80,00,000
General Reserves as on 1.4.2014	25,00,000
Capital Reserves as on 1.4.2014	3,00,000
Revaluation Reserves as on 1.4.2014	3,50,000
Net profit for the year ended 31st March, 2015	3,00,000

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

(SM)

(Ans: Amount can be utilized from reserves Rs. 6,57,500)

Note: _____

Problem 7: Dividend Distribution Tax: X Ltd. proposed to distribute dividend amounting to Rs. 425 lacs for the year ended 31st March, 2015. The Dividend Distribution tax liability (@ 17.304%) arises as per Income-tax Act, 1961. In this case, calculate the grossing-up of dividend and separately disclosed the charge for DDT in the 'Notes to Accounts' of 'Reserves and Surplus'.

(SM) (Ans: DDT Rs. 86.52 lacs.)

(Solve problem no. 8 of assignment problems as rework)

Note: _____

Problem 8: Dividend Distribution: The following items were extracted from the Balance Sheet of Xansa Ltd. as on 1st April, 2014:

Particulars	Rs.
13½% Preference Share capital	4,00,000
Equity Share Capital fully paid up	10,00,000
Securities Premium	7,00,000
15% Debentures	10,00,000

Profit before interest on debentures and before payment of tax @ 30% is Rs. 11,50,000 for the year ended 31st March, 2014.

The Board of Directors of the Company proposed to declare a dividend of 15% on equity capital. The company also decided to transfer creation of general reserve @ 5% of net profit (i.e. Rs. 7,00,000). Corporate dividend tax is payable @ 17.304%.

Pass the necessary Journal entries to incorporate the Board's recommendations and show how the items concerned would be shown on the liabilities side of the Balance Sheet of Xansa Ltd. as on 31st March, 2014.

(PM) (Ans.: Total of reserves and surplus – Rs.11,54,470)

Note: _____

Problem 9: Treatment for redemption of preference shares: The balance sheet of XYZ Ltd. as at 31st December, 2013 inter alia includes the following:

	Rs.
50,000 8% Preference shares of Rs. 100 each Rs. 70 paid up	35,00,000
1,00,000 Equity shares of Rs. 100 each fully paid up	1,00,00,000
Securities premium	5,00,000
Capital redemption reserve	20,00,000
General reserve	50,00,000

Under the terms of their issue, the preference shares are redeemable on March 31, 2014 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 50,000 equity shares of Rs. 100 each at Rs. 20 being payable on application, Rs. 35 (including Rs. 10 premium) on allotment and the balance on May 1, 2014. The issue was fully subscribed and allotment made on May 1, 2014. The monies due on allotment were received by March 30, 2014.

The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013. The company decided to make the minimum utilisation of general reserve.

You are asked to pass the necessary journal entries and show the relevant extracts from the Balance Sheet as on March 31, 2014 with the corresponding figures as on 31st December, 2013.

(PM) (Ans.: Transfer to capital redemption reserve Rs. 27,50,000)

Note: _____

Problem 10: Preparation of Financial Statements: From the following particulars furnished by Elegant Ltd., prepare the Balance Sheet as on 31st March 2014 as required by Part I, revised Schedule III of the Companies Act.

Particulars	Debit Rs.	Credit Rs.
Equity Share Capital (Face value of Rs. 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
Stock:		
Raw Materials	2,50,000	
Finished Goods	10,00,000	12,50,000
Provision for Taxation		6,40,000
Sundry Debtors	10,00,000	
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
Sundry Creditors (for Goods and Expenses)		10,00,000

The following additional information is also provided:

- 10000 Equity shares were issued for consideration other than cash.
- Debtors of Rs. 2,60,000 are due for more than 6 months.
- The cost of the Assets were:

Building Rs. 30,00,000, Plant & Machinery Rs. 35,00,000 and Furniture Rs. 3,12,500

4. The balance of Rs. 7,50,000 in the Loan Account with State Finance Corporation is inclusive of Rs. 37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery.

5. Balance at Bank includes Rs. 10,000 with Global Bank Ltd., which is not a Scheduled Bank. (PM) (Ans: Total of Balance sheet Rs.94,73,500)
(Solve problem no. 9,10 of assignment problems as rework)

Note: _____

Problem 11: (PRINTED SOLUTION AVAILABLE): Preparation of Financial Statements:

Provisional Balance Sheet of P Ltd. as at 31st March, 2014 was as under:

Liabilities	Amount	Amount	Assets	Amount
Share Capital:			Fixed Assets (at cost less depreciation)	7,00,000
50,000 equity shares of Rs. 10 each, Rs. 7 per share called up	3,50,000		Cash & Bank balances	2,00,000
Less: Calls in arrear on 10,000 shares @ Rs. 2 per share	<u>(20,000)</u>		Other Current assets	6,00,000
	3,30,000			
Add: Calls in advance on 40,000 shares @ Rs. 3 per share	<u>1,20,000</u>	4,50,000		
20,000, 10% Redeemable preference shares of Rs. 10 each, fully paid up		2,00,000		
Reserves & Surplus:				
General Reserve		3,00,000		
Profit & Loss Account		2,70,000		
Trade payables		2,80,000		
		15,00,000		15,00,000

Calls in arrear are outstanding for 6 months. Calls in advance were also received 6 months back.

Interest @ 10% p.a. on calls in advance and 12% p.a. on calls in arrear are allowed/charged.

The Board of Directors have recommended that:

1. Dividend for the year 2013-14 be allowed @ 20% on equity shares.
2. Money on calls in advance be refunded. Calls in Arrear with interest received.
3. The preference shares, which are redeemable at a premium of 10% any time after 31st March, 2014 may be redeemed by issue of 10% Debentures of Rs. 100 in cash.

Show Journal Entries to give effect to the above proposals including payment and receipt of cash and redraft the Statement of Profit and Loss and Balance Sheet of P Ltd. (PM)

(Ans: Profit after tax Rs.2,65,200, Balance Sheet Total 13,95,200)

Note: _____

Problem 12: (PRINTED SOLUTION AVAILABLE) Preparation of Financial Statements:

The following balances have been extracted from the books of DOW Books Limited as on 31st March, 2015.

Debit	Rs.	Credit	Rs.
Cash in hand	3,800	Share Capital	90,000

Cash at Bank	12,600	9% Debentures	30,000
Bills Receivable	4,000	Sundry Creditors	29,000
Investments	1,000	Profit and Loss A/c	2,000
Security Deposit	400	Secured Loan from bank against stock	50,000
Advances	8,500	Gross profit	1,75,000
Debtors	75,000	Share Suspense	3,000
Land and Buildings	1,05,000	Liabilities for expenses	12,000
Furniture	4,500	Sale of Furniture	300
Motor Car	25,000	Bills Payable	3,100
Closing Stock	95,000	Miscellaneous Receipts	425
Establishment expenses	35,200		
Repairs and renewals	2,600		
Motor Car Expenses	4,200		
Travelling and Conveyance	1,600		
Printing and Stationary	900		
Telephone	1,200		
Debentures Interest	2,025		
Commission on sales	3,200		
Advertisement	3,500		
Managing Director's remuneration	3,600		
Directors fees	2,000		
	3,94,825		3,94,825

The following further particulars are available:

1. Amount of share capital has been arrived at as follows -
9,200 equity shares of Rs.10 each, fully called up 92,000
Less: Calls-in-arrears @ Rs.2 on 1,000 shares 2,000
90,000
2. The profit and loss Account balance has been arrived at after charging Rs.5,000 on account of short provision of taxation for the earlier year.
3. A bank advice, for debit of Rs.710 on account of interest on loan upto 31st March 2015, was received on 5th April, 2015 the loan having been taken on 1st March, 2015.
4. The Bank Statement shows a wrong credit of Rs.3,000 on 16th March 2015, the same being detected and adjusted by the Bank on 30th April 2015.
5. The 1,000 shares, on which calls were forfeited by the Board and Share Suspense represents the amount received on their reissue, as fully paid, by Board's resolution.
6. Sale of furniture represents disposals, during the year, of a few old items of furniture having a written down value of Rs.400 on 30th Sept. 2014, against their original cost of Rs.800.
7. Cost of land Rs.30,000 is included in the amount of land and buildings.
8. Sundry debtors, which are all unsecured and considered good, include Rs.10,000 due for more than six months.
9. Advertisement charges include materials of Rs.1,500
10. Advances include Rs.3,000 paid for a new telephone installed during the year under the OYT Scheme, of which an amount of Rs.150 has been set off against the current year's bills.
11. Amount of Rs.2,000 and Rs.1,200 debited to purchases and wages respectively, were for making new furniture during the year.
12. Investment represents purchase of 200 equity shares of Rs.10 each, Rs.5 per share called and paid up.
13. Charge depreciation on the closing written down amount of -

Buildings @ 2.5% ; Furniture @ 10% ; Motor Car @ 20%

14. Original costs of fixed assets were -

Buildings Rs.1,00,000 ; Furniture Rs.9,000 ; Motor Car Rs.35,000

15. The Managing Directors is entitled to 5% of the annual net profits as his remuneration, subject to a minimum of Rs.300 per month. The net profits, for this purpose, are to be taken without charging income-tax and his remuneration itself.

16. Bills discounted not matured Rs.1,500

17. Provision for income tax is to be made, for the year, of Rs.65,000.

18. The following appropriations have been proposed by the Board of Directors out of the profit for the year -

a) Transfer of Rs.20,000 to General Reserve b) Dividend of 12% on the paid up capital

19. Debentures were issued two years back, and are not secured.

You are required to prepare the profit and Loss for the year ended 31st March, 2015 and the Balance as on that date. Ignore previous year's figures. (SM)

(Ans.: Total of Balance Sheet is 3,31,345)

Note: _____

Problem 13: (PRINTED SOLUTION AVAILABLE) Preparation of Financial Statements:
You are required to prepare a Profit and Loss Account and Balance Sheet from the following Trial Balance extracted from the books of the International Hotels Ltd., on 31st March, 2015.

Particulars	Debit	Credit
Authorized Capital divided into 5,000 6% Preference Shares of Rs.100 each and 10,000 equity shares of Rs.100 each		15,00,000
Subscribed Capital:		
5,000 6% Preference Shares of Rs.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 Coolage	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, 2014:		
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 Rs.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
Wages and Salaries Outstanding	1,280	
Stock on 31st March, 2015:		
Wines Cigarettes and Cigars, etc.	22,500	
Foodstuffs	16,400	
Depreciation:		
Furniture and Fittings @ 5% p.a.: Land & Buildings @ 2% p.a.		

The Equity capital on 1st April, 2014 stood at Rs.7,20,000, that is 6,000 shares fully paid and 2,000 shares Rs.60 paid. The directors made a call of Rs.40 per share on 1st October 2014. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs.90 per share as fully paid. The Directors proposed to declare a dividend of 8% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.

(SM) (Ans: Net profit for the period Rs.22,245)

(Solve problem no. 11, 12 of assignment problems as rework)

Note: _____

ASSIGNMENT PROBLEMS

Problem 1: An extract of a Trial Balance of CODIG Ltd. as at 31st March, 2003 is as under:

Name of Account	Dr. (Rs.)	Cr. (Rs.)
Advance Income tax for 2001-2002	2,20,000	
Advance Income tax for 2002-2003	2,30,000	
Provision for Income Tax 2001-2002		2,00,000

Adjustments:

1. The Income Tax assessment for 2001-2002 completed during the year showed gross tax demanded of Rs.2,40,000 but no effect has been given for this in the account.
2. Provision for Income tax is to be made for Rs.2,10,000 for 2002-2003.

Required: Show journal entries and relevant extract in the Final Accounts.

(Ans: Total Of (Provision Tax A/C Is 45,000, Income Tax Payable A/C 24,000, Advance Tax 45,000))

Problem 2: Accounting for Provision for taxation and advance tax: The Trial balance of CANIH Ltd. as at 31st March, 2013 shows the following items:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Advance payment of income tax	2,20,000	-
Provision for income tax for the year ended 31.3.2012	-	1,20,000

The following further information's are given:

1. Advance payment of income tax includes Rs.1,40,000 for 2011–2012
2. Actual tax liability for 2011-2012 amount to Rs.1,52,000 and no effect for the same has so far been given in accounts.
3. Provision for income tax has been to be made 2012-2013 for Rs.1,60,000

Required: Prepare a) provision for income tax account, b) advance payment of income – tax account, (c) liabilities for taxation account and also show, how the relevant items will appear in the profit and loss account and balance sheet of the company. (N98)

(Ans.: Total of provision of income tax a/c is Rs.3,12,000)

Problem 3: Appropriations of profit:

Part I: The Articles of Association of S Ltd. Provide the following:

1. That 20% of the net profit of each year shall be transferred to reserve fund.
2. That an amount equal to 10% of equity dividend shall be set aside for staff bonus.
3. 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 2/3 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 Rs.100 each fully paid and 70,000 equity shares of Rs.10 each fully paid up.

The profit for the year ended 31st March, 2008 was Rs.10,00,000 and balance brought from previous year Rs.80,000. Provide Rs. 31,200 for depreciation and Rs.80,000 for taxation before making other appropriations. Prepare Profit and Loss Account.

(N08, M14 Similar Problem) *(Ans.: Balance carry to balance sheet is Rs.1,56,000)*

Problem 4: Computation of Managerial Remuneration: The following is statement of profit and loss of Mundra Ltd., the year ended 31st march, 2011.

Name of the Company : Mundra Ltd

Profit and Loss Statement for the year ended: 31st March, 2011

	Particulars	Note no	Rs.
	Revenue from operations		40,25,365
	Other Income	1	2,73,925
	Total Revenue		42,99,290
I	Expenses:		
	Employee benefits expense	2	3,52,100
	Finance costs	3	31,240
	Depreciation and amortization expenses	4	5,22,543
	Other expenses	5	89,0572

	Total Expenses		17,96,455
II	Profit in the current year before tax (I-II)		25,02,835
	(-) Provision for tax		(1242500)
	Profit in the current year after tax		12,60,335
	Add: last year profit		5,72,350
	Less: transfer to reserves		(4,00,000)
	Less: investment allowance reserve		(12,500)
	Profit transfer to balance sheet		14,20,185

Note to Accounts:

Particulars	Rs.
1. Other Income:	
(a) Subsidies received from Govt.	2,32,560
(b) Interest on Investments	15,643
(c) Transfer fee	722
(d) Profit on sale of Machinery:	
Amount realized 55,000	
Written down value 30,000	25,000
	TOTAL
	2,73,925
2. Employee benefits Expense:	
(a) Director fee	66,750
(b) Managerial remuneration	2,85,350
	TOTAL
	3,52,100
3. Finance Costs:	
(a) Interest on debentures	31,240
4. Depreciation and amortization expenses	5,22,543
5. Other Expenses:	
(a) Donation to charitable funds	25,500
(b) Compensation for breach of contract	42,530
(c) Administration & selling	8,22,542
	TOTAL
	8,90,572

Additional Information:

- Original Cost of the machinery sold was Rs.40,000
- Depreciation on fixed assets as per the Companies Act, 2013 was Rs.5,75,345.

You are required to comment on the managerial remuneration in the following situation:

- There is only one whole time director;
- There are two whole time directors.
- There are two whole time directors, a part time director and a manager.

(N98 Similar Problem) (Ans.: Net Profit Rs.27,20,383)

Problem 5: Managerial Remuneration with adequate profits: The Managing Director of Anil Ltd. is entitled to 5% of the annual net profits, as his remuneration, subject to a minimum of Rs. 25,000 per month. The net profits, for this purpose, are to be taken without charging income-tax and his remuneration itself. During the year, Anil Ltd. made net profit of Rs. 43,00,000 before charging MD's remuneration, but after charging provision for taxation of Rs. 17,20,000. Compute remuneration payable to the Managing Director. (MTP – Sep - 15)

(Ans: Managerial Remuneration Rs.3,01,000)

Problem 6: Managerial Remuneration with Inadequate profits: Calculate the Maximum remuneration payable to the managing director based on effective capital of a non-investing company for the year, from the information given below:

	(Rs. In '000)
1. Profit for the year	3,000
2. Paid up capital	18,000
3. Reserves & Surplus	7,200
4. Securities premium	1,200
5. Long term loans	6,000
6. Investments	3,600
7. Preliminary Expenses not written off	3,000
8. Remuneration paid to the managing director during the year	600

(Nov - 2011) (Ans: Maximum Remuneration Rs. 12,00,000)

Problem 7: TUSHAR Ltd. provides you the following information:

1. Equity shares of Rs.10 Each on 31.03.2002	Rs.100 lakh
2. Free Reserves as on 31.03.2001	Rs.20 lakhs
3. Loss for the year ending 31.03.2002	Rs.1 lakhs
4. Rates of equity Dividend for the past eight years immediately preceding the year 2001– 2002:	

1	2	3	4	5	6	7	8
6%	5%	4%	8%	7%	9%	10%	11%

The management recommends a dividend of 8% on equity share capital. As an expert comment upon the management's decision. *(Ans: Actual permissible rate of dividend 4%)*

Problem 8: Dividend Distribution Tax: A company provided Rs.10,00,000 for dividend payment. Is the corporate Dividend tax payable in this case? If yes, please compute corporate dividend and disclose as it would appear in Profit and Loss Account of the company. **(N09)**

(Ans: DDT Rs. 2,03,576.47)

Problem 9: Preparation of Financial Statements: On 31st March, 2015 Bose and Sen Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 2015:

Credit Balances:

Particulars	Amount
Equity shares capital, fully paid shares of Rs. 10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation (Secured by hypothecation of Plant & Machinery Repayable within one year Rs. 2,00,000)	10,50,000
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	3,25,500
Proposed Dividend	4,20,000
Provision for Dividend Distribution Tax	71,400
	1,33,63,000

Debit Balances:

Particulars	Amount
Calls in arrear	7,000
Land	14,00,000

Buildings	20,50,000
Plant and Machinery	36,75,000
Furniture & Fixture	3,50,000
Inventories: 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 in respect of the above balances:

1. 4,20,000 fully paid equity shares were allotted as consideration for land & buildings.
2. Cost of Building Rs. 28,00,000
3. Cost of Plant & Machinery Rs. 49,00,000
Cost of Furniture & Fixture Rs. 4,37,500
4. Trade receivables for Rs. 3,80,000 are due for more than 6 months.
5. The amount of Balances with Bank includes Rs. 18,000 with a bank which is not a scheduled Bank and the deposits of Rs. 5 lakhs are for a period of 9 months.
6. Unsecured loan includes Rs. 2,00,000 from a Bank and Rs. 1,00,000 from related parties.

You are not required to give previous year figures. You are required to prepare the Balance Sheet of the Company as on 31st March, 2015 as required under Schedule III of the Companies Act, 2013.

(PM)(Ans: Balance Sheet Total 1,32,62,900)

Problem 10: From the following particulars furnished by Pioneer Ltd., prepare the Balance Sheet as at 31st March, 2012 as required by part I, schedule III of the Companies Act, 2013. Give notes at the foot of the Balance Sheet as may be found necessary.

Particulars	Debit	Credit
Equity Capital (Face value of Rs.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 Material	<u>50,000</u>	2,50,000
Provision for Taxation		68,000
Sundry Debtors	2,00,000	
Advances	42,700	
Proposed Dividend		60,000
Profit and Loss Account		1,00,000
Cash Balance	30,000	

Cash at Bank	2,47,000	
Preliminary Expenses	13,300	
Loans (Unsecured)		1,21,000
Sundry Creditors (For Goods and Expenses)		2,00,000
	19,09,000	19,09,000

The following additional information is also provided:

1. Miscellaneous expenses included Rs.5,000 audit fees and Rs.700 for out of pocket expenses paid to the auditors.
2. 2,000 Equity Shares were issued for consideration other than cash.
3. Debtors of Rs.52,000 are due for more than six months.
4. **The cost of assets:**

Buildings Rs.4,00,000 ; Plant and Machinery Rs.700,000 ; Furniture Rs.62,500

5. The Balance of Rs.1,50,000 in the loan account with State Finance Corporation is inclusive of Rs.7,500 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.
6. Balance at Bank includes Rs.2,000 with Perfect Bank Ltd., which is not a Scheduled Bank.
7. Bills receivable for Rs.2,75,000 maturing on 30th June, 2012 have been discounted.

The company had contract for the erection of machinery at Rs.1,50,000 which is still incomplete.

(Nov - 2013 Similar Problem, SM) (Ans: Total of balance sheet Rs.18,94,700

Problem 11: Preparation of Financial Statements: You are required to prepare financial statements from the following trial Balance of Haria Chemicals Ltd. for the year ended 31st March, 2015.

Haria Chemicals Ltd.
Trial Balance as at 31st March, 2015

Particulars	Rs.	Particulars	Rs.
Stock	6,80,000	Equity Share Capital (Shares of Rs.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 and Loss A/c	1,39,000
Rentals	25,000	Depreciation provision:	
Current account	45,000	Machinery	1,46,000
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 aid	21,000		
Transit insurance	30,000		
Trade expenses	72,000		
Distribution freight	54,000		
Debentures interest	20,000		
	85,35,000		85,35,000

Additional information:

1. Closing stock on 31.03.2015: Rs.8,23,000. (SM) (Ans.: Total of Balance Sheet is Rs.46,66,000)

Problem 12: The following are the balances from the Ledger of Mount View Hotel Ltd., on 31st March 2012:

Particulars	Rs.
Share Capital – Credit Balance on 1 st January, 2012	56,685
Preliminary Expenses	7,500
Freehold Premises	46,800
Furniture and Fittings	8,934
Glass and China	1,101
Linen	840
Cutlery and Plate	390
Rates, Taxes and Insurance	1,713
Salaries	2,400
Wages	4,305
Stock on 31st March, 2011:	
Wines, Rs.1,239; Spirits, Rs.378; Beer, Rs.165;	1,782
Minerals, Rs.147; Cigars and Cigarettes, Rs.114;	261
Sundry Provisions and Stores, Rs.183; Coal, Rs.150	333
Purchases:	
Meat, Rs.3,627; Fish and Poultry Rs.3,960	7,587
Sundry Provisions and Stores, Rs.5,220	5,220
Wines Rs.1,881 ; Spirits Rs.2,190; Beer Rs.1,152	5,223
Minerals, Rs.1,050; Cigars and Cigarettes, Rs.240	1,290
Laundry	951
Coal and Gas	2,160
Electric Light	1,128
General Expenses	1,710
Sales:	
Wines, Rs.3,870, Spirits Rs.4,335, Beer Rs.1,863	10,068
Minerals Rs.2,160, Cigars and Cigarettes Rs.390	2,550
Meals	23,829
Rooms	9,375
Fires in Bedrooms	582
Washing Charges	219
Repairs, Renewals and Depreciation:	

Premises Rs.348, Furniture and Fittings Rs.660	1,008
Glass and China Rs.609, Linen Rs.390	999
Cutlery and Plate	207
Cash Book – Debit Balance:	
In Bank	2,148
On hand	219
Visitors Accounts unpaid	489
Sundry Creditors	3,390

Stocks on 31st March, 2012 were valued as follows:

Wines Rs.1,197, Spirits Rs.333, Beer Rs.174;

Minerals Rs.357, Cigars and Cigarettes Rs.69;

Sundry Provisions and Stores Rs.141, Coal Rs.99

The Manager is entitled to a commission of 5% of the net profits after charging his commission. The authorized share capital is 10,000 shares of Rs.10 each of which 5,700 shares were issued, the whole of the amount being called up. The final call on 210 shares @ Rs.1.50 per share unpaid; the directors forfeited these shares at their meeting held on 15th March, 2012.

The tax liability is estimated at Rs.4,300 and the directors propose to declare a dividend at the rate of 6 per cent. Prepare the Final Accounts for presentation to the shareholders.

(May - 2009 Similar Problem, SM)

(Ans.: Managerial commission – Rs. 510, Total Balance Sheet is 70,791, Trial Balance Total 106698.)

ABC ANALYSIS

	A Category	B Category	C Category
Class Room Problems	3, 4, 5, 6, 9,10	1, 2, 8, 11, 12, 13	7
Assignment Problems	4, 5, 6, 8	1, 2, 3, 9,10,11	7,12

Verified by: Hari Narayana Sir,

G.V.Shiva rao Sir,

Executed by: Rajasekhar Sir

THE END