



Work Book

Corporate Accounting

Intermediate

Paper

10



The Institute of Cost Accountants of India

Statutory Body under an Act of Parliament

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WORKBOOK

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INTERMEDIATE

Paper 10

SYLLABUS 2022



The Institute of Cost Accountants of India

CMA Bhawan, 12, Sudder Street, Kolkata - 700 016

www.icmai.in

First Edition : March 2025

Published by :

Directorate of Studies
The Institute of Cost Accountants of India
CMA Bhawan, 12, Sudder Street, Kolkata - 700 016
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Preface

The landscape of professional education is undergoing a profound transformation, driven by the evolving demands of a globally integrated economy. In this dynamic environment, it is imperative to equip students not only with technical knowledge but also with the analytical skills and professional acumen essential for success.

Effective learning extends beyond theoretical understanding—it necessitates the development of strong conceptual foundations, critical thinking abilities, and disciplined study habits. These attributes are cultivated through continuous practice and engagement with thought-provoking academic material. To facilitate this process, the curriculum, instructional methods, and assessments must be designed to provide comprehensive, structured, and intellectually stimulating learning experiences.

Building on the success of the previous editions, we are pleased to present the new edition of our ‘Workbook’ in an e-distributed format. This edition has been meticulously developed to enhance students’ comprehension and application of key concepts. Each chapter is structured to offer a seamless learning experience and integrating practical illustrations in a phased manner to align with the evolving regulatory framework.

We are confident that this new edition will continue to serve as a valuable academic resource, empowering students to achieve their professional aspirations with confidence and competence. The Directorate of Studies, The Institute of Cost Accountants of India

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Accounting for Shares and Debentures [Study Material - Module 1]

ILLUSTRATION: 1 (FORFEITURE OF SHARES)

SDF Limited forfeited 360 equity shares of ₹100 each, which were issued at a discount of 5% for non – payment of allotment money of ₹40 per share. First and final call on this shares @ ₹20 per share was not made 250 out of forfeited shares were re-issued at ₹90 per share as fully paid. Pass necessary journal entries in the books of the company.

Solution:

Journal Entries in the books of SDF Ltd

Date	Particulars	Debit (₹)	Credit (₹)
Date of Forfeiture	Equity Share Capital A/c Dr. (360 Shares × 80) To Discount on issue of Shares A/c (360 × 5) To Equity share allotment A/c (360 × 40) To Share Forfeited A/c (360 × 35) (Being 360 Equity shares forfeited due to non-payment of allotment money)	28,800	1,800 14,400 12,600
Date of Reissue	Bank A/c (250 shares × 90) Dr. Discount on issue of Shares A/c (250 × 5) Dr. Shares Forfeited A/c [250 × (10-5)] Dr. To Equity Share Capital A/c (Being reissue of 500 forfeited shares at ₹90 per shares As fully paid up)	22,500 1,250 1,250	25,000
Date of Transfer	Shares Forfeited A/c (Note 02) Dr. To Capital Reserve A/c (Being profit on re-issued shares is transferred to Capital reserve)	7,500	7,500

Working Notes



WN 01: Analysis of data:

Particulars	Amount (₹)
(a) Face value per share	100
(b) Less: Discount per share @ 5% (100 × 5%)	(5)
(c) Issue price per share (a - b)	95
(d) Less: Allotment money due not received	(40)
(e) Less: First and Final call not made	(20)
(f) Application money per share received (c-d-e)	35

WN 02: Calculation of amount transferred to Capital reserve:

Particulars	Amount (₹)
(a) Amount forfeited on 250 shares [250 shares × 35 per share]	8,750
(b) Less: discount on re – issue [250 shares × 5 per share]	(1,250)
(c) Amount to be transferred to Capital reserve (a - b)	7,500

Note: - Treatment of Discount on re-issue of shares:

- Discount on re-issue of forfeited shares to the extent of original discount should be debited to discount on issue of shares account.
- Excess discount on re-issue should be debited to shares forfeited account.

ILLUSTRATION:2 (BUYBACK OF SHARES)

Z Co. Ltd decided to buyback 5,000 equity shares of ₹10 each. It sold investments (Face value) ₹35,000 for ₹47,500. It bought 5,000 equity shares in the open market for ₹45,000 out of free reserves. The Shares bought back were cancelled. The expenses of buyback were ₹500. Pass necessary journal entries in the book of Z Co. Ltd. to record the above transactions.

Solution:

Journal Entries in the books of Z Co. Ltd.

Particulars	Debit (₹)	Credit (₹)
Bank A/c Dr. To Investment A/c To Profit on sale of Investment A/c (Being sale of investment at profit)	47,500	35,000 12,500
Equity Share Capital A/c Dr. To Equity Shareholder A/c To Capital reserve A/c (Being transfer of equity share capital to shareholders account and profit on purchase of Own shares)	50,000	45,000 5,000



Particulars		Debit (₹)	Credit (₹)
Free Reserves A/c To Capital Redemption reserve A/c (Being the nominal value of shares purchased out of free reserves is transferred to CRR)	Dr.	50,000	50,000
Buyback expenses A/c To Bank A/c (Being expenses of buyback)	Dr.	500	500
Profit on sale of investment A/c To Profit and loss A/c (Being transfer of profit on sale of investment to P&L account)	Dr.	12,500	12,500
Profit & Loss A/c To Buyback expenses A/c (Being transfer of buyback expenses to P&L Account)	Dr.	500	500

ILLUSTRATION: 3 (ISSUE OF DEBENTURES)

SDF Ltd. made the following issue of debenture in May 2025:

- 1000, 11% debenture of ₹100 each was issued to a creditor who supplied a machine for ₹90,000.
- 1500, 11% debentures of ₹100 each at a premium of 5%.
- 500, 11% debentures of ₹100 each to the bankers as collateral security for a loan of ₹35,000.

Pass journal entries to record the above transactions in the books of SDF Ltd.

Solution:

Journal Entries in the books of SDF Ltd

Date	Particulars		Debit (₹)	Credit (₹)
May 25	Machine Vendor Account	Dr.	90,000	
	Discount on issue of debenture Account (1,00,000 – 90,000) To 11% Debenture Account (2000 × 100) (Being issue of debentures to the vendor to settle amount due on account of Machinery purchase)	Dr.	10,000	1,00,000
	Bank Account (1,500 × 100 × 105%) To 11% Debentures A/c (1,500 × 100) To Security Premium A/c (1,500 × 5) (Being issue of 3000 debentures of ₹100 each at premium of 5%)	Dr.	1,57,500	1,50,000 7,500



Date	Particulars	Debit (₹)	Credit (₹)
	Debenture Suspense A/c Dr. To 11% Debenture A/c (500 × 100) (Being issue of 1000 debentures of ₹100 each issued as collateral security to banker)	50,000	50,000

ILLUSTRATION: 4 (REDEMPTION OF DEBENTURES)

Shyam Limited. Issued 5,000 debentures of ₹10 each redeemable at the end of 10 years, but reserves the right to redeem earlier from the end of 3rd year. The company decides at the end of 5th year to redeem 1,000 debentures out of its profits.

Pass necessary journal entries in the books of Shyam limited on redemption of debentures.

Solution:

Journal Entries in the books of Shyam Limited

Date	Particulars	Debit (₹)	Credit (₹)
5th year end	Debentures A/c (1,000 × 10) Dr. To Debentures Holders A/c (Being amount due on redemption)	10,000	10,000
	Debentures Holders A/c Dr. To Bank A/c (Being payment made to debenture holders on redemption)	10,000	10,000
	P&L Appropriation A/c Dr. To Debenture Redemption Reserve A/c (Being transfer to DRR is made as per SEBI guidelines)	10,000	10,000

ILLUSTRATION: 5 (FORFEITURE AND RE-ISSUE OF SHARES)

The issued share capital of KGF Ltd. consists of 50,000 equity shares of ₹.10 each fully paid up. The company offers to its shareholders shares on rights basis in the ratio of 1:1; the shares of ₹.10 each being offered at a premium of ₹.10 per share. Half of the price was payable with the application and the balance was payable on allotment, distribution being as follows:

	With application (₹.)	On allotment (₹.)
Share Capital	5	5
Share Premium	5	5

All the shareholders accepted the offer. One shareholder holding 150 share paid the full offer price with his application. Another shareholder holding 100 shares failed to pay the allotment money and his shares were subsequently forfeited. Later, the shares were re-issued as fully paid up for ₹. 2,000 cash.

Journalise the above mentioned transactions.

Solution:

Journal Entries in the books of KGF Limited

Date	Particulars	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Equity Share Application A/c To Calls – in – Advance A/c (Application money received on 50,000 equity shares @ ₹.10 each and Allotment money on 150 shares @ ₹.10 each received in advance)	5,01,500	5,00,000 1,500
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Application money on 50,000 equity shares transferred @ ₹.5 each to share capital A/c and @ ₹.5 each to Security Premium A/c)	5,00,000	2,50,000 2,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Security Premium A/c (Allotment made for 50,000 Equity Shares and the amount due transferred to Equity Share Capital A/c and Security Premium A/c as per Resolution.....dated.....)	5,00,000	2,50,000 2,50,000
	Bank A/c Dr. Calls-in-Advance A/c Dr. To Equity share Allotment A/c (Allotment money received on 49,750 Equity Shares @ ₹.10 each and the Allotment received in advance on 150 shares @ ₹.10 each transferred to Share Allotment A/c)	4,97,500 1,500	4,99,000
	Equity Share Allotment A/c [100 × ₹.10] Dr. Security Premium A/c [100 × ₹.5] Dr. To Equity Share Allotment A/c To Forfeited Shares A/c [100 × ₹.5] (200 Shares of ₹.10 each, forfeited for non-payment of allotment money including premium due @ ₹.5 each as per Resolution..... dated.....)	1,000 500	1,000 500



Date	Particulars	Debit (₹)	Credit (₹)
	Bank A/c Dr. To Equity Share Capital A/c To Security Premium A/c (200 forfeited shares of ₹.10 each re-issued at a premium of ₹. 10 each)	2,000	1,000 1,000
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Profit on re-issue of forfeited shares transferred to Capital Reserve)	500	500

ILLUSTRATION: 6 (UNDERWRITING OF SHARES)

SDF Ltd. has an authorized capital of ₹.100,00,000 divided into 10 lacs shares of ₹.10 each. The company issued 10,00,000 shares for subscription to the public at a premium of ₹.5 each. The entire issue was underwritten as follows:

- A – 1,20,000 shares (firm underwriting 20,000 shares)
- B – 60,000 shares (firm underwriting 8,000 shares)
- C – 20,000 shares (firm underwriting 4,000 shares)

Of the total issue, only 1,80,000 shares, including firm underwriting, were subscribed for marked application forms excluding firm underwriting were: A- 64,000 shares; B - 40,000 shares; C-16,000 shares.

Calculate the liability of each underwriter giving the benefit of firm underwriting to all.

Solution:

Working Notes:

1. Unmarked Applications:

Total subscription (excluding firm underwriting)	[1,80,000-20,000-8,000-4,000]	= 1,48,000
Less: Marked Applications (excluding firm underwriting)	[64,000+40,000+16,000]	= 1,20,000
Unmarked Applications		<u>= 28,000</u>

Shared among A, B & C as 6:3:1

A = 28,000 × 6/10	= 16,800
B = 28,000 × 3/10	= 8,400
C = 28,000 × 1/10	= 2,800
	<u>28,000</u>



Statement showing the Liability of underwriters

Particulars	A	B	C
Gross Liability	1,20,000	60,000	20,000
Less: Marked applications (excluding firm underwriting)	(64,000)	(40,000)	(16,000)
Less: Unmarked applications in the ratio of (1,80,000 – 1,20,000 or 60,000 as 6:3:1)	(36,000)	(18,000)	(6,000)
Less / Add: excess of C between A and B as 6:3	(1333)	(667)	2000
Balance	18,667	1333	Nil
Add: Firm underwriting	20,000	8,000	4,000
Net Liability (including firm underwriting)	38,667	9,333	4,000

ILLUSTRATION: 7 (UNDERWRITING OF SHARES)

A company issued 75,000 shares of ₹10 each at a premium of ₹10. The entire issue was underwritten as follows:

A - 45,000 shares (firm underwriting 6000 shares)

B - 18,750 shares (firm underwriting 2250 shares)

C - 11,250 shares (firm underwriting 7500 shares)

Total applications received by the company (excluding firm underwriting and marked applications) were 11250 shares.

The marked applications (excluding firm underwriting) were as follows:

A - 7500 shares

B - 15000 shares

C - 3750 shares

Commission payable to underwriters is at 5% of the issue price. The underwriting contract provides that credit for unmarked applications be given to the underwriters in proportion to the shares underwritten and benefit of firm underwriting is to be given to individual underwriters.

You are required to:

- Determine the liability of each underwriter (number of shares)
- Compute the amount payable or due to underwriters.



Solution:

i. Computation of Underwriter's Liability (Number of Shares):

Particulars	A	B	C
Gross Liability	45,000	18,750	11,250
Less: Marked applications	(7,500)	(15,000)	(3,750)
Less: Unmarked applications in the ratio of (45:18.75:11.25)	(6,750)	(2812.5)	(1,687.5)
Less: Firm underwriting	(6,000)	(2,250)	(7,500)
Balance	24,750	(1,312.5)	(1,687.5)
Less: Surplus of B & C distributed to A	(3,000)	1,312.5	1,687.5
Net Liability (excluding firm underwriting)	21,750	Nil	Nil
Add: Firm underwriting	6,000	2,250	7,500
Total Liability (number of shares)	27,750	2,250	7,500

ii. Computation of Amounts payable to Underwriters:

Particulars	A	B	C
(a) Liability towards shares to be subscribed @ ₹ 20 per share	5,55,000	45,000	1,50,000
(b) Less: Commission @ 5% on 75,000 shares @ ₹20	(45,000)	(18,750)	(11,250)
(c) Net Amount to be paid by Underwriters (a-b)	5,10,000	26,250	1,38,750

ILLUSTRATION: 8 (BUYBACK OF SHARES)

The following balances were shown in the Balance Sheet of SDF Ltd. as at 31st March, 2024:

Particulars	Amount (₹)
4,00,000 Equity Shares of ₹10 each fully paid up	40,00,000
25,000, 8% Preference Shares of ₹100 each ₹80 paid up	20,00,000
Capital Reserve	17,50,000
General Reserve	40,00,000
Security Premium	35,00,000
Profit & Loss Account	26,00,000

Particulars	Amount (₹)
12% Debentures	5,00,000
Non-Current Investment at cost	32,50,000
Cash and Bank	46,00,000

Additional information:

- The company passed a resolution to buy-back 20% of its equity capital @ ₹35 per share. For this purpose, it sold its investments of ₹15 lakhs for ₹14 lakhs.
- The company redeemed the preference shares at a premium of 25%.
- Included in its investments were 'Investments in own debentures' costing ₹5 lakhs (face value ₹5.75lakhs). These debentures were cancelled.

You are required to pass necessary journal entries in the books of the company for above.

Solution:

Journal Entries in the books of SDF Limited

Date	Particulars	Debit (₹)	Credit (₹)
	Bank A/c Dr. Profit & Loss A/c Dr. To Investment A/c (Being investment sold for the purpose of buy-back of Equity shares)	14,00,000 1,00,000	15,00,000
	Preference Share Final Call A/c Dr. (25,000 SH × 20) To 8% Preference Share Capital A/c (Being final call money due)	5,00,000	5,00,000
	Bank A/c Dr. To Preference Share Capital A/c (Being final call money is received)	5,00,000	5,00,000
	Security Premium A/c Dr. (25,00,000 × 25%) To Premium on Redemption of preference shares A/c (Being redemption premium on PSC is provided)	6,25,000	6,25,000



Date	Particulars	Debit (₹)	Credit (₹)
	8% Preference Share Capital A/c (25,000 SH × 100 PSH) Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being amount due on redemption of preference)	Dr. 25,00,000 Dr. 6,25,000	31,25,000
	Preference Shareholders A/c To Bank A/c (Being payment made to Preference shareholders)	Dr. 31,25,000	31,25,000
	Security Premium A/c 4,00,000 × 20% = 80,000 SH × 25 PSH To Premium on Buyback A/c (Being buyback premium is provided)	Dr. 20,00,000	20,00,000
	Equity Share Capital A/c (80,000 SH × 10) Premium on Buyback A/c To Equity Shareholders A/c (Being the amount due on buy-back of equity shares)	Dr. 8,00,000 Dr. 20,00,000	28,00,000
	Equity Shareholders A/c To Bank A/c (Being payment made for buy-back of equity shares)	Dr. 28,00,000	28,00,000
	12% Debentures A/c To Own Debentures A/c To Capital Reserve A/c (Being own debentures cancelled and resulting profit is transferred to capital reserve)	Dr. 5,75,000	5,00,000 75,000
	General Reserve A/c (25,00,000 + 8,00,000) To Capital Redemption Reserve A/c (Being face value of shares redeemed using free reserves is transferred to CRR A/c)	Dr. 33,00,000	33,00,000

**ILLUSTRATION: 9 (UNDERWRITING OF SHARES)**

D&CO. Ltd. issued 5,000 shares of ₹.20 per share. The entire was underwritten as follows: X 2,500 shares, Y: 1,500 shares, Z: 1,000 shares.

The firm underwriting was to be X 500 shares, Y 250 shares, Z 250 shares. Shares applied for were 4,500 (including firm underwriting); Marked applications being: X 1,750 shares, Y 700 shares and Z 800 shares. Calculate the liability of each underwriter.

Statement showing the Liability of underwriters

Particulars	X	Y	Z
Gross Liability	2,500	1,500	1,000
Less: Unmarked Applications [4,500 – (1,750 + 700 + 800)] or 1,250 in the ratio of 5:3:2	625	375	250
	1,875	1,125	750
Less: Marked Applications	1,750	700	800
Remaining liability	125	425	(50)
Oversubscription of Z divided between X and Y as 5:3	(31.50)	(18.50)	50
Net Liability	93.50	406.50	-
Add: Firm underwriting	500	250	250
Total liability	593.50	656.50	250

ILLUSTRATION: 10 (ISSUE AND REDEMPTION OF PREFERENCE SHARES)

SDF Ltd. has 12% redeemable preference share capital of ₹50,000 consisting shares of ₹100 each fully called and paid-up. The company wants to redeem them at 10% premium:

The ledger accounts show the following balances:

Security Premium A/c: ₹ 2,000

Profit & Loss A/c: ₹ 10,000

The company wants to make a minimum fresh issue of equity shares of ₹10 each at 5% premium for redemption of the preference shares.

You are required to:

- Ascertain the amount of fresh issue to be made by the company.
- Pass necessary journal entries regarding redemption of the preference shares and fresh issue.



Solution:

i. Calculation of Minimum amount of New Issue of Equity Shares:

Particulars	Amount (₹)
Face value of Preference shares to be redeemed (500 SH × 100 PSH)	50,000
Add: Redemption Premium (50,000 × 10%)	5,000
Total fund required for redemption of preference shares (a+b)	55,000
Less: Profit & loss Account	(10,000)
Less: Securities Premium	(2,000)
Fund required to raise by issue of new equity shares (c-d-e)	43,000
Issue price per Equity share (10 ×105%)	10.50
Number of new Equity Shares to be issued	4,095

ii. Journal Entries in the books of SDF Limited

Date	Particulars	Debit (₹)	Credit (₹)
	Bank A/c (4095 SH × 10.50) Dr. To Equity share capital A/c (4095 SH × 10) To Securities Premium A/c (4095 SH × 0.5) (Being issue of equity shares at premium)	42,997.50	40,950 2,047.5
	Securities Premium A/c (2,000 + 2,047.50) Dr. Profit & Loss A/c (5,000 -4,047.50) Dr. To Premium on Redemption of Preference Shares A/c (1,00,000 × 10%) (Being redemption premium is provided)	4,047.50 952.50	5,000
	12% Redeemable Preference Share Capital A/c Dr. Premium on Redemption of Preference shares A/c Dr. To Preference Shareholders A/c (Being amount due on Redemption of preference shares)	50,000 5,000	55,000
	Preference Shareholders A/c Dr. To Bank A/c (Being payment made on redemption)	55,000	55,000



Date	Particulars	Debit (₹)	Credit (₹)
	Profit & Loss A/c Dr. (50,000 – 40,950) To Capital Redemption Reserve A/c (Being free reserves used to redeem face value of preference shares is transferred to CRR A/c)	9,050	9,050

2

Preparation of Balance Sheet [Study Material - Module 2]

(Division I of Schedule –III)

ILLUSTRATION: 1

Prepare the balance sheet as at 31.03.2024 from the following particulars furnished by M/s MTM Ltd as per Schedule III of the companies Act, 2013.

Particulars	Amount (₹)	Particulars	Amount (₹)
Share Capital	7,50,000	Capital Redemption Reserve	20,000
Calls in Arrear	5,000	Investment in 6% Notes (Tax free)	3,00,000
Land	2,20,000	Profit and Loss account	65,000
Building	2,00,000	Cash in Hand	25,000
General Reserve	50,000	Debtor	10,000
Loan from IDBI	1,00,000	Stock	1,00,000
Sundry creditors	1,50,000	Goodwill	25,000

Solution:

Balance Sheet of MTM Ltd as on 31/03/2024

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	7,45,000	
Reserve and Surplus	2	1,35,000	
Non-Current Liabilities			
Loan from IDBI		1,00,000	
Current Liabilities:			

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Sundry Creditors		1,50,000	
Total:		11,30,000	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	3	6,70,000	
Goodwill		25,000	
Investment in 6% Government promissory notes		3,00,000	
Current Assets			
Inventory		1,00,000	
Debtors		10,000	
Cash & Cash Equivalent		25,000	
Total:		11,30,000	

Note to Balance Sheet

Note 01: Share Capital:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Paid up Capital	7,50,000	
Less: Calls in Arrears	(5,000)	
Total	7,45,000	

Note 02: Reserve and Surplus:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve	50,000	
Capital Redemption Reserve	20,000	
Profit and loss account	65,000	
Total	1,35,000	



Note 03: Property, Plant and Equipment:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land	2,20,000	
Building	2,00,000	
Plant and Machinery (Bal fig.) – Difference in assets side is assumed to be Plant and Machinery	2,50,000	
Total	6,70,000	

ILLUSTRATION: 2

Prepare the Balance sheet as at 31st March 2024 from the particulars furnished by KGF Ltd as per Schedule III of Companies Act,2013.

Particulars	Amount (₹)
Equity Share Capital	8,00,000
Calls in Arrears	800
Land	1,60,000
Building	2,80,000
Plant & Machinery	4,20,000
Furniture	40,000
General Reserve	1,68,000
Loan from IDBI	1,20,000
Loans(unsecured)	96,800
Provision for taxation	54,400
Sundry Debtors	1,60,000
Advances (Dr.)	34,160
Proposed Dividend	48,000
Profit and Loss account	80,000
Cash Balance	24,000
Cash at bank	1,97,600
Preliminary Expenses	10,640



Sundry Creditors (for goods and expenses)		1,60,000
Stock:		
Finished Goods	1,60,000	
Raw Materials	40,000	2,00,000

Adjustment:

- i. 1500 equity shares were issued for consideration other than cash.
- ii. Loan of ₹1,20,000 for IDBI is inclusive of ₹6,000 for interest accrued but not due. The loan is hypothecated by plant and machinery.
- iii. Debtors of ₹50,000 are due for more than 6 months.
- iv. The cost of assets:
 - a. Building-₹3,20,000
 - b. Plant and Machinery-₹5,60,000
 - c. Furniture -₹50,000
- v. Bank balance includes ₹2,000 with Trust Bank Ltd which is not a scheduled bank.
- vi. Bills receivables for ₹2,20,000 maturing on 30th June 2024 have been discounted.
- vii. The company had contract for the erection of machinery at ₹1,50,000 which is still incomplete.

Solution:

Balance Sheet of KGF Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	7,99,200	
Reserve and Surplus	2	2,37,360	
Non-Current Liabilities			
Loan from IDBI (1,20,000 – 6,000)		1,14,000	
Unsecured Loans		96,800	
Current Liabilities:			
Accrued Interest		6,000	
Trade Payables		1,60,000	



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Provision for taxation		54,400	
Proposed Dividend		48,000	
Total:		15,15,760	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	3	9,00,000	
Current Assets			
Sundry Debtors (50,000 overdue for more than 6 months)		1,60,000	
Advances (Dr.)		34,160	
Cash & Cash Equivalents		2,21,600	
Stock (1,60,000 + 40,000)		2,00,000	
Total:		15,15,760	

Note to Balance Sheet

Note 01: Share Capital:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Paid up Capital (80,000 shares of ₹. 10 each) (1,500 Equity Shares issued for consideration other than cash)	8,00,000	
Less: Unpaid Calls	(800)	
Total	7,99,200	

Note 02: Reserve and Surplus:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve		1,68,000	
Profit and Loss A/c	80,000		
Less: Preliminary Expenses	(10,640)	69,360	
Total		2,37,360	

Note 03: Property, Plant and Equipment:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land		1,60,000	
Building	3,20,000		
Less: Depreciation (3,20,000 – 2,80,000)	(40,000)	2,80,000	
Plant and Machinery	5,60,000		
Less: Depreciation (5,60,000 – 4,20,000)	(1,40,000)	4,20,000	
Furniture	50,000		
Less: Depreciation (50,000 -40,000)	(10,000)	40,000	
Total		9,00,000	

Note 04: Cash and Cash Equivalents:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash Balance	24,000	
Bank Balance	1,97,600	
Total	2,21,600	

ILLUSTRATION: 3

Rahul Ltd is in the midst of finalizing its accounts for the year-ended 31st March,2024. A Profit and Loss Account has been prepared in draft, the account balances as rounded off to the nearest thousands, are listed below:

Particulars	₹'000s	Particulars	₹'000s
Share Capital	50,000	Finished Goods	2,828
General Reserve	12,062	Stores and Spares	5,542
Development Rebate Reserve	12,542	Tools Jigs and Dies	18,374
Land	4,450	Cash Credit from Banks	61,344
Buildings	18,632	Acceptances	5290
Plant and Machinery	1,28,564	Sundry Creditors	12,324



Particulars	₹'000s	Particulars	₹'000s
Furniture, Fixtures and office Equipment	3,188	Other Current Liabilities	20,634
Vehicles	908	Interest Accrued but not due on Loans	1,178
Loan from State Government	1,150	Provisions for Gratuity and Pension	482
Other Secured Loans	64,920	Interest Accrued on Deposits	4
Fixed Deposits from Public	4,800	Sundry Debtors	48,462
Unsecured Loans	2,228	Cash in Hand	74
Depreciation Reserve		Bank balances	
-Building	4,386	-On Current Accounts	78
-Plant and Machinery	60,656	-On Deposit Accounts	54
-Furniture	1,136	Loans and Advances	9,036
-Vehicles	490	Preliminary Expenses	16
Raw Materials and Components	84,028	Advance Income – Tax Paid	6,978
Work-in-Progress	12,232	Capital Work-in-Progress	1,192
		Profit & Loss A/c (Profit for the year)	29,018

In arriving at the Profit for the year, the following have been charged-

Particulars	₹'000s
Depreciation	24,848
Salary and Perquisite to Managing Director	144
Directors Fee	8

The Authorized Capital is 7,00,000 Equity Shares of ₹100 each. The loan from the State Government is secured by a charge on the land, Cash Credits by hypothecation of Stocks and Book Debts and other Secured Loans on the Buildings and Plant and machinery.

The following adjustments are yet to be made-

1. Investment allowance reserve to be created ₹10,800(000's)
2. Provision to be made for Income-Tax in ₹8,800(000's)

3. Provision to be made for managing Director's Commission at 1% of the Net Profits.
4. Proposed Dividend at 10%.

Depreciation as per companies Act, is ₹20,848(000's)

Required:

Show the computation of Commission Payable to the Managing Director, and

Prepare the Balance Sheet of the Company, based on all the above.

Solution:

Balance Sheet of Rahul Ltd as at 31st March, 2024.

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	50,000	
Reserve & Surplus	2	44,474	
Non-Current Liabilities			
Long term borrowings	3	70,870	
Long term Provisions – Provision for Employee Benefit		482	
Current Liabilities:			
Short Term Borrowings	4	63,572	
Trade Payables	5	17,946	
Other Current Liabilities	6	21,812	
Short Term Provisions	7	1,822	
Total:		2,70,978	
Assets			
Non-Current Assets:			
Property, Plant and Equipment – Tangible Assets	8	89,074	
Capital WIP		1,192	
Current Assets			
Inventories	9	1,23,004	



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Trade Receivable	10	48,462	
Cash & Cash Equivalents	11	206	
Short term loans and advances		9,036	
Other Current Assets – Interest Accrued on Deposits		4	
Total:		2,70,978	

Note: Proposed Dividend = 10% of Paid up capital ₹50,000 (000s) = ₹5,000 (000s)

Dividend Per Share = 5,000(000s) / 500(000s) Shares = ₹10.00

Note:1 Share Capital

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Authorised: 7,00,000 Equity Shares of ₹100 each	70,000	
Issued and Subscribed & Paid up: 5,00,000 Equity share capital of ₹100 each	50,000	
Total	50,000	

Note: 2: Reserve and Surplus (Showing appropriations and transfers) (all figures for this year)

Particulars	Opg. Bal.	Additions	Deductions	Clg. Bal
General Reserve	12,062	Nil	Nil	12,062
Development Rebate Reserve	12,542	Nil	Nil	12,542
Investment Allowance Reserve	Nil	From P&L = 10,800	Nil	10,800
Surplus (P&L A/c)	Nil	19,886	Preliminary expenses w/off = 16 Transfer to investment Allowance Reserve =10,800	9,070
Total	24,604	30,686	10,816	44,474

Note: Preliminary expenses is not recognized as Asset as per AS-26, and is hence fully written off out of Surplus.

**Note:3: Long Term Borrowings**

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Term Loans		
(a) From banks		
(b) From Other Parties		
(i) From State Government (Secured by Land)	1,150	
(ii) From Other Parties (Secured by Building, Plant and Machinery)	64,920	
Fixed Deposits from Public	4,800	
Total	70,870	

Note:4: Short Term Borrowings

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Other Loans & Advances		
Secured – Cash Credits with Banks (Secured against Hypothecation of C/s and debtors)	61,344	
Unsecured – Other Loans	2,228	
Total	63,572	

Note:5: Trade Payables

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Acceptances / Bills Payable	5,290	
Sundry Creditors	12,324	
Dues to Managing Director	332	
Total	17,946	



Note:6: Other Current Liabilities

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest Accrued but not due on Borrowings	1,178	
Other Payables	20,634	
Total	21,812	

Note:7: Short Term Provisions

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Provision for Income tax (net of Advance Tax) (8,800 – 6,978)	1822	
Total	1,822	

Note:8: Tangible Fixed Assets

Particulars	Gross Block / cost (₹)	Depreciation	Net Block / WDV As at 31.03.2024 (₹)
Land	4,450	Nil	4,450
Building	18,632	4,386	14,246
Plant & Machinery	1,28,564	60,656	67,908
Furniture, etc.	3,188	1,136	2,052
Vehicles	908	490	418
Total	1,55,742	66,668	89,074

Note:9: Inventories

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Raw Materials and Components	84,028	
Work in Progress	12,232	
Finished Goods	2,828	
Stores and Spares	5,542	
Tools, Jigs and Dies	18,374	
Total	1,23,004	



Note:10: Trade Receivables

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Sundry Debtors	48,462	
Total	48,462	

Note:11: Cash and Cash Equivalents

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Balance with banks (78 + 54)	132	
Cash in Hand	74	
Total	206	

Further workings:

Profit & Loss Account(Extract)

Particulars	₹000's	Particulars	₹000's
To Commission to MD	332	By Profit for the year (as per Draft P&L A/c)	29,018
To Provision for Tax	8,800		
To Balance before appropriation	19,886		
Total	29,018	Total	29,018

Computation of Commission to the Managing Director

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Profit as per draft profit and loss account		29,018
Add: Depreciation charged in the Profit and Loss Account	24,848	
Salary and Remuneration to Managing Director	144	
Director Fees	8	25,000
Less: Depreciation as per companies Act		(20,848)
Profit for the purpose of Managerial Remuneration		33,170
Less: Maximum Remuneration (5%)		1658



Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Salaries and Remuneration Paid (Director's fees is Excluded for this Purpose)		(144)
Maximum Commission payable to Managing Director		1514
Commission to be Provided for at 1% of Net Profits (1% of ₹33,170)		332

Note: Since the Commission Payable is within the statutory limits, it is provided for in the books.

ILLUSTRATION: 4

Prepare Balance sheet and Statement of Profit and Loss from the following trial balance of Kapoor Ltd. for the year ended 31st March,2024.

**Kapoor Ltd.
Trial Balance as at 31st March,2024**

Particulars	Amount (₹)	Particulars	Amount (₹)
Inventory	3,40,000	Equity Share Capital (@ ₹10 each)	12,50,000
Furniture	1,00,000	11% Debentures	2,50,000
Discount	20,000	Bank loans	3,22,500
Loan to Directors	40,000	Trade payables	1,40,500
Advertisement	10,000	Sales	21,34,000
Bad debts	17,500	Rent received	23,000
Commission	60,000	Transfer fees	5,000
Materials consumed	11,59,500	Profit & Loss account	69,500
Plant and Machinery	4,30,000	Depreciation provision: Machinery	73,000
Rentals	12,500		
Current account	22,500		
Cash	4,000		
Interest on bank loans	58,000		
Preliminary expenses	5,000		
Fixtures	1,50,000		
Wages	4,50,000		

Particulars	Amount (₹)	Particulars	Amount (₹)
Consumables	42,000		
Freehold land	7,73,000		
Tools & Equipment	1,22,500		
Goodwill	1,32,500		
Trade receivables	2,20,000		
Dealer aids	10,500		
Transit insurance	15,000		
Trade expenses	18,500		
Distribution freight	27,000		
Debenture interest	27,500		
	42,67,500		42,67,500

Additional information: Closing inventory on 31-03-2024: ₹4,11,500.

Solution:

Balance Sheet of Kapoor Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	12,50,000	
Reserve & Surplus	2	3,70,000	
Non-Current Liabilities			
Long term borrowings	3	5,72,500	
Current Liabilities:			
Trade Payables		1,40,500	
Total:		23,33,000	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	4	15,02,500	



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Intangible assets (goodwill)		1,32,500	
Current Assets			
Inventories		4,11,500	
Trade Receivable		2,20,000	
Cash & Cash Equivalents	5	26,500	
Short term loans and advances	6	40,000	
Total:		23,33,000	

Profit and Loss Statement for the year ended as on 31/03/2024

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
I. Revenue from Operation		21,34,000	
II. Other Income	7	28,000	
III. Total Revenue (I + II)		21,62,000	
IV. Expenses:			
Cost of materials consumed		11,59,500	
Change in the value of inventory	8	(71,500)	
Employee benefit expenses	9	4,50,000	
Finance cost	10	85,500	
Other expenses	11	2,38,000	
Total		18,61,500	
V. Profit for the year (III – IV)		3,00,500	

Notes to Accounts

Note 01: Share Capital:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Authorised: Equity share capital of ₹ 10 each	12,50,000	
Issued and Subscribed: Equity share capital of ₹10 each	12,50,000	



Note 02: Reserve and Surplus:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Balance as per last balance sheet	69,500	
Balance in profit and loss account	3,00,500	
Total	3,70,000	

Note 03: Long Term Borrowings:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
11% Debentures	2,50,000	
Bank loans (assumed long-term)	3,22,500	
Total	5,72,500	

Note 04: PPE:

Particulars	Gross Block	Depreciation	Net Block (As at 31.03.2024) (₹)	As at 31.03.23 (₹)
Freehold land	7,73,000		7,73,000	
Furniture	1,00,000		1,00,000	
Fixtures	1,50,000		1,50,000	
Plant & Machinery	4,30,000	73,000	3,57,000	
Tools & Equipment	1,22,500		1,22,500	
Total	15,75,500	73,000	15,02,500	

Note 05: Cash and Cash Equivalent:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash and cash equivalents	22,500	
Current account balance	4,000	
Cash	Nil	
Total	26,500	



Note 06: Short – Term Loans and Advances:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Loan to directors	40,000	

Note 07: Other Income:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Rent received	23,000	
Transfer fees	5,000	
Total	28,000	

Note 08: Changes in inventory of finished goods, WIP & Stock in trade:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Opening inventory	3,40,000	
Closing inventory	4,11,500	
Total	(71,500)	

Note 09: Employee benefit expenses:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Wages	4,50,000	
Total	4,50,000	

Note 10: Finance cost:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest on bank loans	58,000	
Debenture interest	27,500	
Total	85,500	

**Note 11: Other Expenses:**

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Consumables	42,000	
Preliminary expenses	5,000	
Bad debts	17,500	
Discount	20,000	
Rentals	12,500	
Commission	60,000	
Advertisement	10,000	
Dealers aids	10,500	
Transit insurance	15,000	
Trade expenses	18,500	
Distribution freight	27,000	
Total	2,38,000	

ILLUSTRATION: 5

From the following particulars furnished by Superior Ltd, prepare the balance sheet as at 31st March, 2024 as required by Schedule III of the Companies Act. Give notes at the foot of the Balance Sheet as may be found necessary:

Particulars	(₹)	Debit (₹)	Credit (₹)
Equity Capital (Face Value of ₹100)			5,00,000
Calls in Arrears		500	
Land		1,00,000	
Building		1,75,000	
Plant and Machinery		2,62,500	
Furniture		25,000	
General Reserve			1,05,000
Loan from State Financial Corporation			75,000



Particulars	(₹)	Debit (₹)	Credit (₹)
Inventory:			
Finished Goods	1,00,000		
Raw Materials	25,000	1,25,000	
Provision for Taxation			34,000
Trade receivables		1,00,000	
Advances		21,350	
Dividend Payable			30,000
Profit and Loss Account			43,350
Cash Balance		15,000	
Cash at Bank		1,23,500	
Loans(Unsecured)			60,500
Trade payables (For Goods and Expenses)			1,00,000
		9,47,850	9,47,850

Additional information:

- i. 1,000 equity shares were issued for consideration other cash.
- ii. Trade receivables of ₹26,000 are due for more than six months.
- iii. The cost of assets:
 - Building: ₹2,00,000
 - Plant and Machinery: ₹3,50,000
 - Furniture: ₹31,250
- iv. The balance of ₹75,000 in the loan account with State Finance Corporation is inclusive of ₹3,750 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.
- v. Balance at Bank includes ₹1,000 with Solution Bank Ltd. which is not a Scheduled Bank.
- vi. The company had contract for the erection of machinery at ₹75,000 which is still incomplete.

Solution:

Balance Sheet of Superior Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity Share Capital	1	4,99,500	
Reserve & Surplus	2	1,48,350	
Non-Current Liabilities			
Long term borrowings	3	1,31,750	
Current Liabilities:			
Trade Payables		1,00,000	
Other current liabilities	4	33,750	
Short-term provisions	5	34,000	
Total:		9,47,350	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	6	5,62,500	
Current Assets			
Inventories	7	1,25,000	
Trade Receivable	8	1,00,000	
Cash & Cash Equivalents	9	1,38,500	
Short term loans and advances		21,350	
Total:		9,47,350	

Notes to Accounts

Note 01: Share Capital:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Issued and Subscribed & Called up: 5,000 Equity shares of ₹100 each (of the above 1,000 shares have been issued for consideration other than cash)	5,00,000		
Less: Calls in arrears	(500)	4,99,500	



Note 02: Reserve and Surplus:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve	1,05,000	
Surplus (Profit & Loss A/c)	43,350	
Total	1,48,350	

Note 03: Long term Borrowings:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023(₹)
Secured- Term Loans:		
Loan from State Financial Corporation (75,000 – 3,750) (Secured by hypothecation of Plant and Machinery)	71,250	
Unsecured Loans	60,500	
Total	1,31,750	

Note 04: Other Current liabilities:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest accrued but not due on loans (SFC)	3,750	
Dividend Payable	30,000	
Total	33,750	

Note 05: Short- term provisions:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Provision for taxation	34,000	
Total	34,000	

Note 06: PPE:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land		1,00,000	



Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Buildings	2,00,000		
Less: Depreciation	(25,000)(b/f)	1,75,000	
Plant & Machinery	3,50,000		
Less: Depreciation	(87,500) (b/f)	2,62,500	
Furniture & Fittings	31,250		
Less: Depreciation	(6,250) (b/f)	25,000	
Total		5,62,500	

Note 07: Inventories:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Raw Material	25,000	
Finished Goods	1,00,000	
Total	1,25,000	

Note 08: Trade receivables:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Debt outstanding for a period exceeding six months	26,000	
Other Debts	74,000	
Total	1,00,000	

Note 09: Cash and Cash Equivalents:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash and Cash equivalents			
Cash at Bank:			
With Scheduled Banks	1,22,500		
With others (Solution Bank Ltd.)	1,000	1,23,500	
Cash in hand		15,000	
Total		1,38,500	



Note: - Estimated amount of contract remaining to be excluded on capital account and not provided for ₹75,000. It has been assumed that the company had given this contract for purchase of machinery.

ILLUSTRATION:6

On 31st March,2024 Jain & Co Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March,2024:

Credit Balances:

Particulars	Amount (₹)
Equity shares capital, fully paid shares of ₹10 each	35,00,000
General Reserve	7,74,550
Loan from State Finance Corporation (Secured by hypothecation of Plant & Machinery Repayable within one year ₹1,00,000)	5,25,000
Loans: Unsecured (Long term)	4,23,500
Sundry Creditors for goods & expenses (Payable within 6 months)	7,00,000
Profit & Loss Account	3,50,000
Provision for Taxation	4,08,450
Total	66,81,500

Debit Balances:

Particulars	Amount (₹)
Calls in arrear	3,500
Land	7,00,000
Buildings	10,25,000
Plant & Machinery	18,37,500
Furniture & Fixture	1,75,000
Inventories:	
Finished goods	7,00,000
Raw Materials	1,75,000
Trade Receivables	7,00,000

Particulars	Amount (₹)
Advances: Short-term	1,49,450
Cash in hand	1,05,000
Cash at bank	8,64,500
Preliminary Expenses	46,550
Patents & Trademarks	2,00,000
Total	66,81,500

Following additional information is also provided in respect of the above balances:

- i. 2,10,000 fully paid equity shares were allotted as consideration for land & buildings.
- ii. Cost of Building ₹ 14,00,000
- iii. Cost of Plant & Machinery ₹ 24,50,000
Cost of Furniture & Fixture ₹ 2,18,750
- iv. Trade receivables for ₹1,90,000 are due for more than 6 months.
- v. The amount of Balances with Bank includes ₹9,000 with a bank which is not a scheduled Bank and the deposits of ₹2.5 lakhs are for a period of 9 months.
- vi. Unsecured loan includes ₹1,00,000 from a Bank and ₹50,000 from related parties
- vii. Entire amount of Preliminary expenses to be written off, by adjusting from opening balance of General Reserve.

Prepare the balance sheet of the company as on 31st March, 2024 as required under Schedule III to the Companies Act, 2013.

Solution:

Balance Sheet of Jain & Co Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	34,96,500	
Reserve & Surplus	2	10,78,000	
Non-Current Liabilities			
Long term borrowings	3	8,48,500	



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Current Liabilities:			
Trade Payables		7,00,000	
Short-term borrowings	4	1,00,000	
Short-term provisions	5	4,08,450	
Total:		66,31,450	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	6	37,37,500	
Intangible Assets(Patent & Trade Marks)		2,00,000	
Current Assets			
Inventories	7	8,75,000	
Trade Receivable	8	7,00,000	
Cash & Cash Equivalents	9	9,69,500	
Short term loans and advances		1,49,450	
Total:		66,31,450	

Notes to Accounts

Note 01: Share Capital:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Issued and Subscribed & Called up: 3,50,000 Equity shares of ₹10 each (Out of the above 2,10,000 shares have been issued for consideration other than cash)	35,00,000		
Less: Calls in arrears	(3,500)	34,96,500	

Note 02: Reserve and Surplus:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve	7,74,550		



Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Less: Preliminary expenses	(46,550)	7,28,000	
Surplus (Profit & Loss A/c)		3,50,000	
Total		10,78,000	

Note 03: Long term Borrowings:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Secured- Term Loans:			
Loan from State Financial Corporation (5,25,000 – 1,00,000) (Secured by hypothecation of Plant and Machinery)		4,25,000	
Unsecured Loans:			
Bank loan	1,00,000		
Loan from related parties	50,000		
others	2,73,500	4,23,500	
Total		8,48,500	

Note 04: Short term borrowings:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Current maturities of long term debt loan instalment repayable within one year	1,00,000	
Total	1,00,000	

Note 05: Short- term provisions:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Provision for taxation	4,08,450	
Total	4,08,450	



Note 06: PPE:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land		7,00,000	
Buildings	14,00,000		
Less: Depreciation	(3,75,000) (b/f)	10,25,000	
Plant & Machinery	24,50,000		
Less: Depreciation	(6,12,500) (b/f)	18,37,500	
Furniture & Fittings	2,18,750		
Less: Depreciation	(43,750) (b/f)	1,75,000	
Total		37,37,500	

Note 07: Inventories:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Raw Material	1,75,000	
Finished Goods	7,00,000	
Total	8,75,000	

Note 08: Trade receivables:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Debt outstanding for a period exceeding six months	1,90,000	
Other Debts	5,10,000	
Total	7,00,000	

Note 09: Cash and Cash Equivalents:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash and Cash equivalents		



Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash at Bank:			
With Scheduled Banks	6,05,500		
With others	9,000	6,14,500	
Cash in hand		1,05,000	
Other Bank balances: Bank deposits for period of 9 months		2,50,000	
Total		9,69,500	

ILLUSTRATION: 7

On 31st March, 2024 PQ Ltd. provides the following ledger balances after preparing its Profit & Loss Account for the year ended 31st March, 2024.

Particulars	Debit (₹)	Credit (₹)
Equity Share Capital, fully paid shares of ₹50 each		40,00,000
Calls in arrear	7,500	
Land	12,50,000	
Buildings	15,00,000	
Plant & Machinery	12,00,000	
Furniture & Fixture	6,50,000	
Security Premium		7,50,000
General reserve		4,70,500
Profit & Loss Account		2,90,000
Loan from Public Finance Corporation (Secured by Hypothecation of Land)		13,15,000
Other Long Term loans		11,25,000
Short Term Borrowings		2,30,000
Inventories:		
Finished Goods	22,50,000	
Raw materials	6,50,000	
Trade Receivables	8,75,000	



Particulars	Debit (₹)	Credit (₹)
Advances: Short Term	1,87,500	
Trade Payables		4,06,500
Provision for Taxation		1,90,000
Unpaid Dividend		35,000
Cash in Hand	35,000	
Balances with bank	2,07,000	
Total	88,12,000	88,12,000

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

- i. 25,000 fully paid equity shares were allotted as consideration for land.
- ii. The cost of assets were:

Building	₹16,00,000
Plant and Machinery	₹15,00,000
Furniture and Fixture	₹8,25,000

- iii. Trade Receivables for ₹2,43,000 due for more than 6 months.
- iv. Balances with banks include ₹28,000, the Popular bank, which is not a scheduled bank.
- v. Loan from Public Finance Corporation repayable after 3 years.
- vi. The balance of ₹13,15,000 in the loan account with Public Finance Corporation is inclusive of ₹67,000 for interest accrued but not due. The loan is secured by hypothecation of land.
- vii. Other Long term loans (unsecured) includes:

Loan taken from Nixes bank	₹6,90,000
(Amount repayable within one year)	₹(2,40,000)
Loan taken from Directors	₹4,25,000

- viii. Bill receivable for ₹80,000 maturing on 15th June,2024 has been discounted.

- ix. Short term borrowings includes:

Loan taken from Popular bank	₹58,000(secured)
Loan taken from Directors	₹24,000

- x. Transfer of ₹17,500 to general reserve has been proposed by the Board of directors out of the profits for the year.



- xi. Inventory of finished goods includes loose tools costing ₹2.5 lakhs (which do not meet definition of property, plant & equipment as per AS 10)

Prepare the Balance sheet of the Company as on 31st March 2024 under Part-I of Schedule III of the Companies Act, 2013.

Solution:

Balance Sheet of PQ Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	39,92,500	
Reserve & Surplus	2	15,10,500	
Non-Current Liabilities			
Long term borrowings	3	21,33,000	
Current Liabilities:			
Short-term borrowings	4	4,70,000	
Trade payables		4,06,500	
Other current liabilities	5	1,02,000	
Short-term provisions	6	1,90,000	
Total:		88,04,500	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	7	46,00,000	
Current Assets			
Inventories	8	29,00,000	
Trade Receivable	9	8,75,000	
Cash & Cash Equivalents	10	2,42,000	
Short term loans and advances		1,87,500	
Total:		88,04,500	



Notes to Accounts

Note 01: Share Capital:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Issued and Subscribed & Called up: 80,000 Equity shares of ₹50 each (Out of the above 25,000 shares have been issued for consideration other than cash)	40,00,000		
Less: Calls in arrears	(7,500)	39,92,500	

Note 02: Reserve and Surplus:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
General Reserve	4,70,500		
Add: Transferred from Profit and Loss account	17,500	4,88,000	
Security Premium		7,50,000	
Surplus (Profit & Loss A/c)	2,90,000		
Less: Appropriation to General Reserve (Proposed)	(17,500)	2,72,500	
Total		15,10,500	

Note 03: Long term Borrowings:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Secured- Term Loans:			
Loan from Public Finance Corporation [repayable after 3 years (₹13,15,000 – ₹ 67,000) (Secured by hypothecation of land)		12,48,000	
Unsecured Loans:			
Bank loan (Nixes Bank) (₹6,90,000 - ₹2,40,000 repayable within 1 year)	4,50,000		
Loan from Directors	4,25,000		
others	10,000	8,85,000	
Total		21,33,000	

**Note 04: Short term borrowings:**

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Loan from Popular Bank (secured)	58,000		
Loan from Nixes Bank repayable within One year (Current maturity of long term borrowing)	2,40,000		
Loan from Directors	24,000		
Others	1,48,000		
Total		4,70,000	

Note 05: Other current liabilities:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Unpaid dividend	35,000	
Interest accrued but not due on borrowings	67,000	
Total	1,02,000	

Note 06: Short-term provisions:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Provision for taxation	1,90,000	
Total	1,90,000	

Note 07: PPE:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Land		12,50,000	
Buildings	16,00,000		
Less: Depreciation	(1,00,000)(b/f)	15,00,000	
Plant & Machinery	15,00,000		
Less: Depreciation	(3,00,000)(b/f)	12,00,000	



Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Furniture & Fittings	8,25,000		
Less: Depreciation	(1,75,000)(b/f)	6,50,000	
Total		46,00,000	

Note 08: Inventories:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Raw Material	6,50,000	
Finished Goods	20,00,000	
Loose tools	2,50,000	
Total	29,00,000	

Note 09: Trade receivables:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Debt outstanding for a period exceeding six months	2,43,000	
Other Debts	6,32,000	
Total	8,75,000	

Note 10: Cash and Cash Equivalents:

Particulars		As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash and Cash equivalents			
Cash at Bank:			
With Scheduled Banks	1,79,000		
With others	28,000	2,07,000	
Cash in hand		35,000	
Total		2,42,000	

Note: There is a contingent liability amounting to ₹80,000.

**ILLUSTRATION: 8**

The following information has been extracted from the books of Shyam Ltd as at 31st March, 2024 (₹ in 000's)

Particulars	Debit (₹)	Credit (₹)
Administration Expenses	480	
Cash at Bank and on Hand	228	
Cash Received on Sale of Fittings		10
Long Term Loan		70
Investments	200	
Depreciation on Fixtures, Fittings, Tools and equipment (1st April) (Opening Balance)		260
Distribution Costs	102	
Factory Closure Costs	60	
Fixtures, Fittings, Tools and Equipment at cost	680	
Profit & Loss Account (1st April) (Opening Balance)		80
Purchase of Equipment	120	
Purchase of Goods for Resale	1710	
Sales (Net of Excise Duty)		3,000
Share capital (1,00,000 Shares of ₹10 each fully paid)		1,000
Opening Stock (1st April)	140	
Trade Creditors		80
Trade Debtors	780	
Total	4,500	4,500

Additional Information:

1. Stocks at 31st March (Valued at lower Cost or Net Realizable Value) was estimated to be worth ₹2,00,000.
2. Fixtures, Fittings, Tools and Equipment are all related administration. Depreciation is charged at a rate of 20% p.a. on cost. A full year's depreciation is charged in the year of acquisition but no depreciation is charged in the year of disposal.
3. During the year, the Company purchased ₹1,20,000 of Equipment. It also sold some Fittings (which



had originally cost ₹60,000) for ₹10,000 and for which Depreciation of ₹30,000 had been set aside.

4. Depreciation under the Income Tax Rules, 1962 is ₹1,88,000.
5. The Average Income tax for the Company is 50%. Factory Closure Cost is to be presumed as an allowable expenditure for Income Tax purpose.
6. The company proposes to pay a dividend of 20% per equity Share.
7. The company wishes to transfer 10% of Current Profits to General reserve.

Prepare Shyam Ltd's Profit & Loss Account for the year ended 31st March, 2024 and a Balance Sheet as at that date in accordance with the Companies Act, along with the Notes on Accounts containing only the significant policies.

Solution:

Balance Sheet of Shyam Ltd as at 31st March, 2024.

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	1,000	
Reserve & Surplus	2	360	
Non-Current Liabilities			
Long term borrowings – Unsecured Borrowings (assumed)		70	
Current Liabilities:			
Trade Payables		80	
Short Term Provisions		260	
Total:		1,770	
Assets			
Non-Current Assets:			
Property, Plant and Equipment – Tangible Assets	3	362	
Non-Current Investments		200	
Current Assets			
Inventories		200	
Trade Receivable		780	

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Cash & Cash Equivalents		228	
Total:		1,770	

Note: Prop. Dividend = 20% of Paid up Capital ₹10,00,000 = ₹2,00,000

Dividend Per Share = 2,00,000 / 1,00,000 shares = ₹2.

Profit and Loss Statement for the year ended as on 31/03/2024

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
I. Revenue from Operation		3,000	
II. Other Income			
III. Total Revenue (I + II)		3,000	
IV. Expenses:			
Cost of Materials Consumed			
Purchases of Stock in trade		1710	
Changes in inventory (140-200)		(60)	
Employee Benefit expenses			
Finance Cost			
Depreciation & Amortization Expenses (680 – 60 + 120) × 20%		148	
Other expenses		582	
Total		2,380	
V. Profit before exceptional and extraordinary items And tax year (III – IV)		620	
VI. Exceptional items		80	
VII. Profit before extraordinary items and tax		540	
VIII. Extraordinary item			
IX. Profit before tax		540	
X. Tax Expense:			
(a) Current Tax		260	
(b) Deferred Tax			



Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
XI. Profit / (Loss) for the period from Continuing Operation (IX – X)		280	
XII. Profit /(Loss) from discontinuing operations			
XIII. Tax Expenses from discontinuing operations			
XIV. Profit / (Loss) from discontinuing operations (after tax) (XII – XIII)			
XV. Profit / (Loss) for the period (XI + XIV)		280	
XVI. Earning per Equity Share - Basic		₹ 2.80	
XVII. - Diluted		₹ 2.80	

WN: Computation of Provision for Tax

Particulars		As at 31.03.2024 (₹)
Profit as per Profit and Loss Account		540
Add: Loss on Sale of Fittings – Short term Capital Loss	20	
Depreciation as per Books	148	168
Taxable Profit before Income Tax Depreciation		708
Less: Depreciation under Income – Tax Act		(188)
Taxable Net Profit		520
Provision for Tax @ 50%		260

Note:1: Share Capital

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Authorised:		
Issued, Subscribed & Paid up: 1,00,000 Equity Shares of ₹10 each fully paid up.	1,000	
Total	1,000	



Note:2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

Particulars	Opg.Bal	Additions	Deductions	Clg.Bal
General Reserve	Nil	28	Nil	28
Surplus (P&L A/c)	80	280	Transfer to General reserve = 28	332
Total	80	308	28	360

Note:3: Tangible Fixed Assets

Particulars	Gross Block /Cost	Depreciation	Net Block/WDV
Fixed Assets	680+120-60 = 740	260+148-30 = 378	362
Total	740	378	362

Depreciation = [(680 – 60) ×20% + (120 × 20%)] = 148

Note:4: Other Expenses

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Administration Expenses	480	
Distribution Costs	102	
Total	582	

Note:5: Exceptional Items

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Factory Closure Cost	60	
Loss on Sale of Fittings (Original Cost 60 - Depreciation 30 – 10)	20	
Total	80	

ILLUSTRATION: 9

TQM Ltd. provides the following Trial Balance as on 31.03.2024:

(₹ in'000s)

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Equity Share Capital 3,50,000 Shares of ₹10 each fully paid		17,50,000



Particulars	Dr. Balance (₹)	Cr. Balance (₹)
10% Debentures		1,50,000
Motor Van	2,00,000	
Machinery	10,00,000	
Land & Building	6,00,000	
12% Long Term Govt. Securities	1,00,000	
Sales		30,00,000
Sales Return	1,50,000	
Interest on Debentures	11,250	
Purchases	18,00,000	
Purchase Return		2,00,000
Opening Stock	1,50,000	
Discount	3,750	
Carriage Outward	75,000	
Rent & Rates	25,000	
Income from Govt. Securities		12,000
Trade Receivables	5,00,000	
Trade Payables		1,00,000
Advertisement	75,000	
Bad Debt	10,000	
Salaries	3,36,000	
Misc. Expenditure	15,000	
Contribution of P.F. & Gratuity Funds	50,000	
Cash at Bank & In hand	1,11,000	
Total	52,12,000	52,12,000

Additional Information:

- i. Closing Stock as on 31st March 2024 was ₹1,75,000.
- ii. Depreciation Rates: Motor Vehicle 10%; Machinery 20%; Land and Building 5%.



- iii. Misc. Expenditure includes ₹10,000 as audit fees.
- iv. Interest on debenture is payable quarterly and the last quarter's interest is yet to be paid.
- v. Trade receivables include a sum of ₹12,500 due from Mr. Y who has become insolvent and only 25 paise in a rupee is expected to be recoverable from him.
- vi. Create a provision for doubtful debt @ 2% on trade receivables.
- vii. Provide for income tax ₹75,000

Prepare TQM Limited's Profit and Loss Statement for the year ended 31.03.2024 and the Balance Sheet as on that date in accordance with the companies Act,2013.

Solution:

Profit and Loss Statement for the year ended as on 31/03/2024

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
I. Revenue from Operation (30,00,000 -1,50,000)		28,50,000	
II. Other Income – Income from Government securities		12,000	
III. Total Revenue (I + II)		28,62,000	
IV. Expenses:			
Purchase less returns (18,00,000 -2,00,000)		16,00,000	
Changes in inventory (1,50,000 – 1,75,000)		(25,000)	
Employee Benefit expenses	1	3,86,000	
Finance Cost	2	15,000	
Depreciation	5	2,50,000	
Other expenses	3	2,22,875	
Total		24,48,875	
V. Profit before exceptional and extraordinary items And tax year (III – IV)		4,13,125	
VI. Exceptional items		Nil	
VII. Profit before extraordinary items and tax		4,13,125	
VIII. Extraordinary item		Nil	
IX. Profit before tax		4,13,125	
X. Less: Provision for tax		(75,000)	
XI. Profit after tax		3,38,125	



Balance Sheet of TQM Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital		17,50,000	
Profit and Loss Account		3,38,125	
Non-Current Liabilities			
10% Debentures		1,50,000	
Current Liabilities:			
Trade payables		1,00,000	
Outstanding interest on debenture		3,750	
Provision for taxation		75,000	
Total:		24,16,875	
Assets			
Non-Current Assets:			
Property, Plant and Equipment	5	15,50,000	
Investment in 12% Government securities		1,00,000	
Current Assets			
Inventories		1,75,000	
Trade Receivable	4	4,80,875	
Cash & Cash equivalent		1,11,000	
Total:		24,16,875	

Notes to Accounts

Note 01: Employee Benefit Expenditure:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Salaries		3,36,000	
Contribution to P.F.		50,000	
Profit on Sale of machinery(8-4)		3,86,000	



Note 02: Finance Costs:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest on loan paid		11,250	
Add: Out-standing Interest (1,50,000 × 10%) – 11,250		3,750	
Total		15,000	

Note 03: Other Expenditure:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Discount	3,750	
Carriage	75,000	
Rent	25,000	
Advertisement	75,000	
Bad Debt	10,000	
Audit fees	10,000	
Misc. Exp write off other than audit fees	5,000	
Provision for B/D (refer Note:04)	19,125	
Total	2,22,875	

Note 04: Trade Receivable:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Total Receivable		5,00,000
Less: Provision for doubtful debts @ 2% [12500 × 0.75] + {(5,00,000 -12500) × 2%}		19,125
Total		4,80,875

Note 05: Property, Plant and Equipment:

Particulars	Motor van	Land	Plant and Machinery	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Balance	2,00,000	10,00,000	6,00,000		



Particulars	Motor van	Land	Plant and Machinery	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Less: Depreciation	(20,000) {2,00,000×10%}	(2,00,000) {10,00,000×20%}	(30,000) {6,00,000×5%}	2,50,000	
WDV of Fixed Assets	1,80,000	8,00,000	5,70,000	15,50,000	

ILLUSTRATION: 10

The Authorised Capital of Universe Ltd is ₹2,50,000 consisting of 1,000 6% Preference Shares of ₹100 each and 15000 Equity Shares of ₹10 each. The following was the Trial Balance of the Company as on 31st March: (₹).

Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Investment in Shares at cost	25,000	
Purchases	2,45,250	
Selling Expenses	39,550	
Stock as at the beginning of the year	72,600	
Salaries and Wages	26,000	
Cash in Hand	6,000	
Interim Preference Dividend for the half year to 30th September	3,000	
Discount on Issue of Debentures	1,000	
Preliminary Expenses	500	
Bills Receivable	20,750	
Interest on Bank Overdraft	3,900	
Interest on Debentures up to 30th September (1st Half Year)	1,875	
Sundry Debtors and Creditors	25,050	43,925
Freehold Property at Cost	1,75,000	
Furniture at Cost less Depreciation of ₹7,500	17,500	
6% Preference Share Capital		1,00,000
Equity Share Capital fully paid up		1,00,000
5% Mortgage Debentures secured on Freehold Properties		75,000
Income Tax paid in advance for the current year	5,000	
Dividends		2,125



Particulars	Dr. Balance (₹)	Cr. Balance (₹)
Profit and Loss A/c (Opening Balance)		14,250
Sales (Net)		3,35,175
Bank Overdraft secured by hypothecation of Stocks and Receivables		75,000
Technical Knowhow Fees at cost paid during the year	75,000	
Audit fees	2,500	
Total	7,45,475	7,45,475

Prepare the Balance Sheet and the Profit and Loss A/c as on that date after taking into account the following: -

- Closing Stock was valued at ₹71,250
- Purchase include ₹2,500 worth of goods and articles distributed among valued customers.
- Salaries and Wages include ₹1,000 being wages incurred for installation of Electrical Fittings which were recorded under "Furniture".
- Bills Receivable include ₹750 being dishonored bills.50% of which had been considered irrecoverable.
- Bills Receivable include ₹1,000 maturing after 31st March were discounted.
- Depreciation on Furniture to be charged at 10% on Written Down Value.
- ₹500 of Discount on Issue of Debentures to be written off.
- Interest on Debentures for the half year ending on 31st March was due on that date.
- Provide Provision for Taxation ₹2,000.
- Technical Knowhow Fees is to be written off over a period of 10 years. Entire Preliminary Expenses to be written off.
- Salaries and Wages include ₹5,000 being Director's Remuneration.
- Sundry Debtor include ₹3,000 Debts due for more than six months.

Solution:

Balance Sheet of Universe Ltd as on 31/03/2024

Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Equity and liabilities			
Shareholders' Funds:			
Equity Share Capital	1	2,00,000	



Particulars	Note no	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Reserve and Surplus	2	11,025	
Non-Current Liabilities			
Long term Borrowings		75,000	
Current Liabilities:			
Short term Borrowings	3	75,000	
Trade Payables – Sundry Creditors	4	43,925	
Other Current Liabilities	5	4,875	
Total:		4,09,825	
Assets			
Non-Current Assets:			
Property, Plant and Equipment /Fixed Assets	6	2,59,150	
Non- Current Investments (Shares at cost)		25,000	
Current Assets			
Inventories		71,250	
Trade Receivable	7	45,425	
Cash & Cash equivalent		6,000	
Short Term Loans and Advances – Income Tax (Paid 5,000 – Provn 2,000)		3,000	
Total:		4,09,825	

Note: - Contingent Liabilities: Bill Receivable discounted with Bank 1,000.

Profit and Loss Statement for the year ended as on 31/03/2024

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
I. Revenue from Operation		3,35,175	
II. Other Income – (Dividend Income)		2,125	
III. Total Revenue (I + II)		3,37,300	
IV. Expenses:			

Particulars	Note No	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Purchases of Stock in trade (2,45,250 – advertisement exp.2500)		2,42,750	
Changes in inventory (72,600 – 71,250)		1,350	
Employee Benefit expenses	8	20,000	
Finance Cost	9	8,650	
Depreciation & Amortization Expenses		1,850	
Other expenses	10	57,925	
Total		3,32,525	
V. Profit before exceptional and extraordinary items And tax year (III – IV)		4,775	
VI. Exceptional items		Nil	
VII. Profit before extraordinary items and tax		4,775	
VIII. Extraordinary item		Nil	
IX. Profit before tax		4,775	
X. Tax Expense:			
(a) Current Tax		2,000	
(b) Deferred Tax		Nil	
XI. Profit / (Loss) for the period from Continuing Operation (IX – X)		2,775	
XII. Profit /(Loss) from discontinuing operations		Nil	
XIII. Tax Expenses from discontinuing operations		Nil	
XIV. Profit / (Loss) from discontinuing operations (after tax) (XII – XIII)		Nil	
XV. Profit / (Loss) for the period (XI + XIV)		2,775	
XVI. Earning per Equity Share - Basic		0.28	
XVII. - Diluted		0.28	



Notes to Accounts

Note 01: Share Capital:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Issued and Subscribed & Called up:			
10,000 Equity shares of ₹10 each	1,00,000		
1,000 6% Preference Shares of ₹100 each	1,00,000		
Total		2,00,000	

Note 02: Reserve and Surplus:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Surplus (P&L A/c)	14,250		
Additions	2,775		
Less: Preference Dividend (1 Lakhs × 6%)	6,000		
Total		11,025	

Note 03: Long term Borrowings:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
5% Mortgage Debentures (Secured against Freehold Premises)	75,000		
Total		75,000	

Note 04: Short term borrowings:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Loans Repayable on Demand			
From Banks (Secured by Hypothecation of Stocks & Receivables)	75,000		
Total		75,000	

**Note 05: Other current liabilities:**

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest Accrued and due on Borrowings (5% Debentures)	1,875	
Preference Dividends Payable (Total 6,000 – Interim Dividend Paid 3,000)	3,000	
Total	4,875	

Note 06: PPE/Fixed Assets:

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Furniture (Note:1)	26,000		
Less: Depreciation [7,500 + 1,850] (Note:2)	(9,350)	16,650	
Freehold Property		1,75,000	
Note:1			
Furniture at Cost less depreciation ₹7,500 (as given in Trial Balance)	17,500		
Add: Depreciation	7,500		
Cost of Furniture	25,000		
Add: Installation Charge of Electrical Fittings wrongly included under the heading Salaries and Wages	1,000		
Total Gross Block of Furniture A/c	26,000		
Note:2			
Add: Accumulated Depreciation Account: (Opening Balance – given in Trial Balance)	7,500		
Depreciation for the year: On opening WDV at 10% i.e. (10% × 17,500)	1,750		
On additions during the year at 10% i.e. (10% × 1,000)	100		
Accumulated Depreciation at the end of the Year	9,350		
Technical Knowhow	75,000		



Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Less: Amortization	(7,500)	67,500	
Total		2,59,150	

Note 07: Trade Receivables: (assumed as Secured and Considered good)

Particulars	Amount (₹)	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Sundry Debtors:			
(a)Debt outstanding for more than six months	3,000		
(b)Other Debts (Note)	22,425		
Bills Receivable (20,750 – 750)	20,000		
Total		45,425	
Note:			
Sundry Debtors as given in Trial Balance	25,050		
Add back: Bill Receivable Dishonored	750		
Less: Bad Debt written off – 50% of ₹750	(375)		
Less: Debts due for more than 6 months (as per information given)	(3,000)		
Total of Other Debtors i.e. Debtors outstanding for less than 6 months		22,425	

Note 08: Employee Benefit Expenses:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Amount as per Trial Balance	26,000	
Less: Wages incurred for installation of Electrical Fittings to be capitalized	1,000	
Less: Director's Remuneration shown separately	5,000	
Total	20,000	

**Note 09: Finance Costs:**

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Interest on Bank Overdraft	3,900	
Interest on Debentures	3,750	
Discount on Issue of Debentures	1,000	
Total	8,650	

Note 10: Other Expenses:

Particulars	As at 31.03.2024 (₹)	As at 31.03.2023 (₹)
Payment to the Auditors	2,500	
Directors Remuneration	5,000	
Selling Expenses	39,550	
Technical Knowhow written off (75,000 / 10)	7,500	
Preliminary Expenses	500	
Advertisement (Goods and Articles Distributed)	2,500	
Bad debts (750 × 50%)	375	
Total	57,925	

3

Cash Flow Statement [Study Material - Module 3]

ILLUSTRATION: 01

Prepare Cash Flow from Investing Activities of M/s. Exide Furnishings Limited for the year ended 31-03-2024.

Particulars	Amount(₹)
Plant acquired by the issue of 8% Debentures	78,000
Claim received for loss of plant in fire	24,800
Unsecured loans given to subsidiaries	2,42,500
Interest on loan received from subsidiary companies	41,250
Pre-acquisition dividend received on investment made	31,200
Debenture interest paid	58,000
Term loan repaid	2,12,500
Interest received on investment (TDS of ₹4,100 was deducted on the above interest)	34,000
Book value of plant sold (loss incurred ₹4,800)	42,000

Solution:

Cash flow statement from Investing Activities of M/s Exide Furnishings Limited for the year ended 31.03.2024

Particulars	Amount (₹)	Amount (₹)
1. Cash flow from Investing Activities:		
Interest on Loan received	41,250	
Pre-acquisition dividend received on investment made	31,200	
Unsecured loans given to subsidiaries	(2,42,500)	



Particulars	Amount (₹)	Amount (₹)
Interest received on investments (gross value)	38,100	
TDS deducted on interest	(4,100)	
Sale of plant	37,200	
Cash used in investing activities (before extra-ordinary item)		(98,850)
Extraordinary claim received for loss of plant		24,800
Net cash used in investing activities (after extra-ordinary item)		(74,050)

ILLUSTRATION: 02

Following is the cash flow abstract of Shyam Ltd. for the year ended 31st March,2024:

Cash Flow (Abstract)

Inflows	Amount (₹)	Outflows	Amount (₹)
Opening balance:		Payment for Account Payables	45,000
Cash	5,000	Salaries and wages	12,500
Bank	35,000	Payment of overheads	7,500
Share capital – shares issued	2,50,000	Property, plant and equipment acquired	2,00,000
Collection on account of Trade Receivables	1,75,000	Debenture redeemed	25,000
Sale of Property, Plant and equipment	35,000	Bank loan repaid	1,25,000
		Taxation	27,500
		Dividends	50,000
		Closing balance:	
		Cash	2,500
		Bank	5,000
	5,00,000		5,00,000

Prepare Cash Flow Statement for the year ended 31st March,2024 in accordance with AS 3



Solution:

Cash flow statement for the year ended 31.03.2024

Particulars	Amount (₹)	Amount (₹)
Cash flow from operating Activities:		
Cash received on account of trade receivables	1,75,000	
Cash paid on account of trade payables	(45,000)	
Cash paid to employees(salaries and wages)	(12,500)	
Other cash payments (overheads)	(7,500)	
Cash generated from operations	1,10,000	
Income tax paid	(27,500)	
Net cash generated from operating activities		82,500
Cash flow from investing Activities:		
Payment for purchase of Property, plant and equipment	(2,00,000)	
Proceeds from sale of Property, plant and equipment	35,000	
Net cash used in investment activities		(1,65,000)
Cash flow from financing Activities:		
Proceeds from issue of share capital	2,50,000	
Bank loan repaid	(1,25,000)	
Debentures redeemed	(25,000)	
Dividends paid	(50,000)	
Net cash used in financing activities		50,000
Net decrease in cash and cash equivalents		(32,500)
Cash and cash equivalents at the beginning of the year		40,000
Cash and cash equivalents at the end of the year		7,500

ILLUSTRATION: 03

The following figures have been extracted from the books of Z Limited for the year ended on 31.03.2024. Prepare cash flow statement on the basis of the following information:

- a. Net profit, before adjusting income tax but after considering the following items, was ₹5 lakhs.
 - ⊙ Depreciation on Assets ₹1,25,000.



- ⊙ Discount on issue of Debenture written off ₹7,500.
 - ⊙ Interest on Debenture paid ₹87,500
 - ⊙ Book value of investment ₹75,000(Sold for ₹80,000).
 - ⊙ Interest received on investments ₹15,000
- b. Income tax paid during the year ₹2,40,000.
- c. 3,750 10% preference shares of ₹100 each were redeemed on 31.03.2024 at a premium of 5%. Further the company issued 12,500 equity shares of ₹10 each at a premium of 20% on 02.04. 2023. Dividend on preference shares were paid at the time of redemption.
- d. Dividends paid for the year 2022-2023 ₹1,25,000 and interim dividend paid ₹75,000 for the year 2023-2024.
- e. Land was purchased on 02.04.2023 for ₹60,000 for which the company issued 5,000 equity shares of ₹10 each at a premium of 20% to the land owner as consideration.
- f. Current assets and liabilities were as follows:

Particulars	31.03.2023	31.03.2024
Stock	3,00,000	3,29,500
Sundry Debtors	52,000	53,275
Cash in hand	49,075	8,825
Bills Receivable	12,500	10,000
Bills Payables	11,250	10,000
Sundry Creditors	41,500	42,825
Outstanding Expenses	18,750	20,450

Solution:

Cash flow statement for the year ended 31.03.2024

Particulars	Amount (₹)	Amount (₹)	Amount (₹)
1. Cash flow from operating Activities:			
Net Profit		5,00,000	
Add: Adjustment for non-cash expenses			
Depreciation on assets	1,25,000		
Discount on issue of debentures	7,500		
Interest on debentures	87,500	2,20,000	
Less:			



Particulars	Amount (₹)	Amount (₹)	Amount (₹)
Profit on sale of investment (80,000 – 75,000)	5,000		
Interest received on investment	15,000	(20,000)	
Operating profit before adjustment for changes in W.C.		7,00,000	
Add:			
Decrease in Bills Receivable (12,500 – 10,000)	2,500		
Increase in Sundry Creditors (42,825 – 41,500)	1,325		
Increase in Outstanding Expenses (20,450 – 18,750)	1,700	5,525	
Less:		7,05,525	
Increase in Stock (3,29,500 – 3,00,000)	29,500		
Increase in Sundry Debtors (53,275 – 52,000)	1275		
Increase in Bills Payable (11,250 – 10,000)	1250	(32,025)	
Less: Income Tax paid		(2,40,000)	
Net Cash flow from Operating Activities			4,33,500
2. Cash Flow from Investing Activities:			
Sale of investment		80,000	
Interest received on investment		15,000	95,000
3. Cash flow from Financing Activities:			
Issue of shares at premium		1,50,000	
Redemption of preference shares at 5% premium		(3,93,750)	
Preference dividend paid		(37,500)	
Interest on debenture paid		(87,500)	
Equity dividend paid(1,25,000 +75,000)		(2,00,000)	(5,68,750)
Total Cash flow(1+2+3)			(40,250)
Add: Opening cash & cash equivalent			49,075
Closing cash & cash equivalent			8,825

Notes: Purchase of land against shares has not been shown in the C/F statement as it does not amount to any inflow or outflow of cash.

**ILLUSTRATION: 04**

On the basis of the following information provided by T Ltd. Prepare a Cash Flow Statement for the year ended on 31st March 2024.

- a. T Ltd. sold all the goods for cash only and purchased the goods in credit only.
- b. The company earned a Gross Profit of ₹2,00,000 with a Gross Profit Ratio of 25%
- c. The closing inventory was higher than the opening inventory by ₹10,000.
- d. The company paid ₹2,25,000 and ₹45,000 as office expenses during the year.
- e. Balance of Suppliers accounts on 31.03.2023 were higher than the balance on 31.03.2024 by ₹15,000.
- f. Tax paid by the company amounts to ₹40,000 while provision for taxation was ₹35,000.
- g. The company repaid bank loan of ₹87,500 which included interest of ₹7,500.
- h. Dividend paid during the year ₹25,000(including dividend distribution tax).
- i. T Ltd. sold investments of ₹3,00,000 at a profit of ₹20,000.
- j. Depreciation charged on fixed assets ₹60,000.
- k. Furniture purchased during the year ₹1,00,000.
- l. Cash and Cash Equivalents as on 31.03.2023 was ₹50,000.
- m. Cash and Cash Equivalents as on 31.03.2024 was ₹2,47,500.

Solution:**Cash flow statement for the year ended 31.03.2024 – Direct Method**

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Cash received from Cash Sales	8,00,000	
Less: Payment to suppliers (WN:02)	(4,00,000)	
Wages paid	(2,25,000)	
Office expenses paid	(45,000)	
Income tax paid	(40,000)	
Net Cash flow from operating Activities		90,000
B. Cash Flow from Investing Activities:		
Sale of Investments	3,20,000	
Purchase of furniture	(1,00,000)	



Particulars	Amount (₹)	Amount (₹)
Net Cash flow from Investing Activities		2,20,000
C. Cash Flow from Financing Activities		
Bank loan repaid with interest	(87,500)	
Dividend paid with distribution tax	(25,000)	
Net Cash flow from Financing Activities		(1,12,500)
D. Net Cash flow from all activities (A + B + C)		1,97,500
E. Opening Cash and Cash Equivalent		50,000
F. Closing Cash and Cash Equivalent		2,47,500

Working Notes:

WN 01: Calculation of Value of Purchases made during the year:

- Sales Value = Gross profit / Gross profit % = 2,00,000/0.25 = 8,00,000 (All are cash sales)
- Cost of goods Sold = Sales – Gross profit = 8,00,000 – 2,00,000 = 6,00,000
- COGS = Purchases + Wages – Increase in Stock
 $6,00,000 = \text{Purchases} + 2,25,000 - 10,000$
Purchases = 3,85,000

WN 02: Payments to Creditors = Decrease in creditors + Credit purchases during the year
= 15,000 + 3,85,000 = 4,00,000

ILLUSTRATION: 05

Following are the summarized Balance Sheets of Gama Ltd.

Liabilities	31.03.23	31.03.24	Assets	31.03.23	31.03.24
Equity Share capital (₹. 10)	2,00,000	2,50,000	Land & Building	2,00,000	1,90,000
General Reserve	50,000	60,000	Plant & Machinery	1,50,000	1,69,000
Profit & Loss (cr.)	30,500	30,600	Inventory	1,00,000	74,000
Bank Loan	70,000		Trade Receivable	80,000	64,200
Trade Payable	1,50,000	1,35,200	Cash in Hand	500	600
Provision for Taxation	30,000	35,000	Cash at Bank		8,000



Liabilities	31.03.23	31.03.24	Assets	31.03.23	31.03.24
			Goodwill		5,000
	5,30,500	5,10,800		5,30,500	5,10,800

Additional information:

- i. Dividend paid during the year ₹23,000
 - ii. Net profit for the year ₹66,100
 - iii. Depreciation written-off on building ₹10,000 and on machinery ₹14,000
 - iv. Income tax paid during the year ₹28,000
 - v. The following assets of another company were purchased for a consideration of ₹50,000 and paid in shares Assets were: Inventory ₹20,000 and Machinery ₹25,000.
 - vi. Further machinery was purchased for ₹25,000 during the year. There was a sale of Machinery.
- Prepare a Cash Flow Statement as per AS 3.

Solution:

Cash flow statement for the year ended 31.03.2024 – Indirect Method

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net profit made during the year	66,100	
Add: Depreciation on building	10,000	
Add: Depreciation on Machinery	14,000	
Cash flow from operating activities before WC changes	90,100	
Adj: Changes in working capital:		
Add: Decrease in inventory [1,00,000 – (74,000 – 20,000)]	46,000	
Add: Decrease in trade receivable (80,000 – 64,200)	15,800	
Less: Decrease in Trade payable (1,50,000 – 1,35,200)	(14,800)	
Cash flow from operating activities before tax	1,37,100	
Less: Income tax paid	(28,000)	
Net Cash flows from operating Activities		1,09,100



Particulars	Amount (₹)	Amount (₹)
B. Cash Flow from Investing Activities:		
Sale of machinery (WN 01)	17,000	
Purchase of machinery	(25,000)	
Net Cash flows from Investing Activities		(8,000)
C. Cash Flow from Financing Activities		
Repayment of bank loan (70,000 – 0)	(70,000)	
Payment of dividend	(23,000)	
Net Cash flows from Financing Activities		(93,000)
D. Net Cash flow from all activities(A+B+C)		8,100
E. Opening Cash and Cash Equivalent		500
F. Closing Cash and Cash Equivalent		8,600

Working Notes:

WN 01:

Dr.		Plant and Machinery A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	1,50,000	By Depreciation	14,000		
To Equity Share Capital A/c	25,000	By Bank A/c (Sale)	17,000		
To Bank A/c	25,000	By Balance c/d	1,69,000		
	2,00,000				2,00,000

WN 02:

Dr.		Land and Building A/c		Cr.	
Particulars	Amount (₹)	Particulars	Amount (₹)		
To Balance b/d	2,00,000	By Depreciation	10,000		
		By Balance c/d	1,90,000		
	2,00,000				2,00,000

**ILLUSTRATION: 06**

The following relevant items from the Balance Sheet of CD Limited are Provided:

Particulars	Balance Sheet figures	
	31.03.2023	31.03.2024
Goodwill	45,000	37,500
Profit & Loss A/c	2,07,500	3,12,500
General Reserve	1,62,500	1,87,500
Inventories	2,07,500	2,55,000
Debtors	1,72,500	1,61,000
Prepaid Expenses	9,000	7,500
Creditors	1,17,500	1,35,000
Provision for Taxation	52,500	77,500
Provision for Doubtful Debts	8,625	7,500

Depreciation amounting to ₹71,000 and Profit on sale of Machinery amounting to ₹10,500 appeared in the Profit and Loss A/c for the year ending 31.03. 2023. During the year 2023-2024 ₹50,000 was paid as Income Tax. Prepare Net Cash flow from operating activity for the year ending 31st March, 2024

Solution:**Cash flow statement from Operating Activities for the year ended 31.03.2024**

Particulars	Amount (₹)
Net Profit before taxation and extra ordinary items: [3,12,500 – 2,07,500 = 1,05,000 + 75,000]	1,80,000
Adjustment for:	
Depreciation	71,000
Goodwill written off	7,500
Transfer to General reserve	25,000
Profit on sale of machinery	(10,500)
Operating profit before working capital Adj.	2,73,000
Increase in Inventories	(47,500)



Particulars	Amount (₹)
Decrease in Debtors	11,500
Decrease in prepaid expenses	1,500
Increase in Creditors	17,500
Decrease in provision for Doubtful debts	(1,125)
Cash generated from operations	2,54,875
Income tax paid	(50,000)
Net cash from operating Activities	2,04,875

WN 01:

Provision for Taxation

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Tax Paid)	50,000	By Balance b/d	52,500
To Balance c/d	77,500	By P&L A/c	75,000
	1,27,500		1,27,500

ILLUSTRATION: 07

Rahul Ltd. gives you the following information for the year ended 31st March,2024

- i. Sales for the year ₹24,00,000. The company sold goods for cash only.
- ii. Cost of goods sold was 75% of sales.
- iii. Closing inventory was higher than opening inventory by ₹25,000.
- iv. Trade creditors on 31.03.2024 exceed the outstanding on 31.03.2023 by ₹50,000.
- v. Tax paid during the year amounts to ₹75,000.
- vi. Amounts paid to trade creditors during the year ₹17,75,000.
- vii. Administrative and selling expenses paid ₹1,80,000.
- viii. One new machinery was acquired in December,2023 for ₹3,00,000.
- ix. Dividend paid during the year ₹60,000.
- x. Cash in hand and at Bank on 31.03.2024 ₹35,000.
- xi. Cash in hand and at Bank on 01.04.2023 ₹25,000.

Prepare Cash Flow Statement for the period ended 31.03.2024.



Solution:

Cash flow statement for the year ended 31.03.2024 –Direct Method

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Cash Sales	24,00,000	
Less: Cash paid to suppliers	(17,75,000)	
Less: Expenses paid	(1,80,000)	
Cash Generated from operations	4,45,000	
Less: Income tax paid	(75,000)	
Net Cash from operating Activities		3,70,000
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(3,00,000)	
Net Cash from Investing Activities		(3,00,000)
C. Cash Flows from Financing Activities		
Dividend Paid	(60,000)	
Net Cash from Financing Activities		(60,000)
D. Net Increase in Cash and Cash Equivalents(A+ B + C)		10,000
E. Add: Cash and Cash equivalents at the Beginning of the period		25,000
F. Cash and Cash equivalents at the End of the period		35,000

ILLUSTRATION: 08

From the following summary Cash Account of T Ltd. Prepare Cash Flow Statement for the year ended 31st March,2024 in accordance with AS-3(Revised) using the direct method. The Company does not have any cash equivalents.

Summary Cash Account for the year ended 31.03.2024

Particulars	Amount (₹'000)	Particulars	Amount (₹'000)
Balance on 01.04.2023	25	Payment to suppliers	1,000
Issue of Equity Shares	150	Purchase of Fixed Assets	100
Receipts from Customers	1,400	Overhead Expenses	100



Particulars	Amount (₹'000)	Particulars	Amount (₹'000)
Sale of Fixed Assets	50	Wages and Salaries	50
		Taxation	125
		Dividend	25
		Repayment of Bank Loan	150
		Balance as on 31.03.2024	75
	1,625		1,625

Solution:

Cash flow statement for the year ended 31.03.2024 – Direct Method

Particulars	Amount (₹'000)	Amount (₹'000)
A. Cash Flow from Operating Activities:		
Cash receipts from customers	1,400	
Cash payment to suppliers	(1,000)	
Payment of wages and salary	(50)	
Payment of overhead expenses	(100)	
Cash generated from operations	250	
Less: Income tax paid	(125)	
Net Cash from operating Activities		125
B. Cash Flows from Investing Activities		
Sale of fixed Assets	50	
Purchase of Fixed Assets	(100)	
Net Cash from Investing Activities		(50)
C. Cash Flows from Financing Activities		
Dividend Paid	(25)	
Repayment of bank loan	(150)	
Proceeds from issue of equity shares	150	
Net Cash from Financing Activities		(25)
D. Net Increase in Cash and Cash Equivalents(A+ B + C)		50



Particulars	Amount (₹'000)	Amount (₹'000)
E. Add: Cash and Cash equivalents at the Beginning of the period		25
F. Cash and Cash equivalents at the End of the period		75

ILLUSTRATION: 09

The following relevant items of cash flow statement of Gems Ltd. Prepared for the year 31st March, 2024:

Particulars	Amount (₹)	Amount (₹)
Net profit		75,00,000
Add: Sale of investment		87,50,000
Depreciation of Assets		13,75,000
Issue of preference shares		11,25,000
Loan raised		5,62,500
Decrease in stock		15,00,000
		2,08,12,500
Less:		
Purchase of Fixed Assets	81,25,000	
Decrease in Creditors	7,50,000	
Decrease in Debtors	10,00,000	
Exchange gain	10,00,000	
Profit on sale of investments	15,00,000	
Redemption of debentures	7,12,500	
Dividend paid	1,75,000	
Interest paid	1,18,125	(1,33,80,625)
		74,31,875
Add: Opening Cash and Cash Equivalent		15,42,625
Closing Cash and Cash equivalent		89,74,500

Redraft and reconstruct the cash flow statement of Gems Ltd. in proper order for the year ended 31st March, 2024 in accordance with AS-3 using indirect method.



Solution:

Cash flow statement for the year ended 31.03.2024 – Indirect Method

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net profit before Tax and Extra ordinary items:		75,00,000
Adjustment for:		
Depreciation	13,75,000	
Profit on Sale of investment	(15,00,000)	
Foreign Exchange gain	(10,00,000)	
Working Capital Adjustment:		(11,25,000)
Decrease in stock	15,00,000	
Decrease in Creditors	(7,50,000)	
Increase in Debtors	(10,00,000)	(2,50,000)
Cash from operation		61,25,000
Tax paid		Nil
Net Cash from operating Activities		61,25,000
B. Cash Flows from Investing Activities		
Sale of investments	87,50,000	
Purchase of Fixed Assets	(81,25,000)	
Net Cash from Investing Activities		6,25,000
C. Cash Flows from Financing Activities		
Loan raised	5,62,500	
Issue of Preference shares	11,25,000	
Redemption of Debentures	(7,12,500)	
Dividend paid	(1,75,000)	
Interest paid	(1,18,125)	
Net Cash from Financing Activities		6,81,875
D. Net Increase in Cash and Cash Equivalents(A+ B + C)		74,31,875
E. Add: Cash and Cash equivalents at the Beginning of the period		15,42,625
F. Cash and Cash equivalents at the End of the period		89,74,500

**ILLUSTRATION:10**

Following are the summarized Balance Sheets of Beta Ltd.

Liabilities	31.03.23	31.03.24	Assets	31.03.23	31.03.24
Equity Share Capital	5,00,000	6,25,000	Land and Building	2,50,000	2,40,000
Capital Reserve		5,000	Machinery	3,75,000	4,60,000
General Reserve	1,25,000	1,50,000	Investment	50,000	25,000
Profit & Loss Account	75,000	90,000	Stock	1,50,000	1,40,000
Long term Loan from The bank	2,50,000	2,00,000	Sundry Debtors	2,00,000	2,10,000
Sundry Creditors	2,50,000	2,00,000	Cash in Hand	1,00,000	82,500
Provision for taxation	25,000	30,000	Cash at Bank	1,50,000	2,05,000
Proposed Dividends	50,000	62,500			
	12,75,000	13,62,500		12,75,000	13,62,500

Additional information:

- Dividend of `50,000 was paid during the year ended March 31,2024.
- Machinery during the year purchased for `62,500.
- Machinery of another company was purchased for a consideration of `50,000 payables in equity shares.
- Income-tax provided during the year `22,500.
- Company sold some investment at a profit of `5,000 which was credited in Capital reserve.
- There was no sale of machinery during the year.
- Depreciation written-off on land and building `10,000.

From the above particulars, prepare a Cash Flow Statement for the year ended 31st March,2024 as per AS-3 (Indirect method).

Solution:**Cash flow statement for the year ended 31.03.2024 – Indirect Method**

Particulars	Amount (₹)	Amount (₹)
A. Cash Flow from Operating Activities:		
Net profit before Taxation (Note 1)		67,500



Particulars	Amount (₹)	Amount (₹)
Adjustment for:		
Depreciation on Machinery (Note 2)	27,500	
Depreciation on Land and Building	10,000	
Proposed Dividends (Note 4)	62,500	1,00,000
Working Capital Adjustment:		
Increase in Sundry Debtors	(10,000)	
Decrease in Stock	10,000	
Decrease in Sundry Creditors	(50,000)	(50,000)
Cash Generated from operation		1,17,500
Income Tax paid (Note 3)		(22,500)
Net Cash from operating Activities		95,000
B. Cash Flows from Investing Activities		
Purchase of Machinery (Note 2 and 6)	(62,500)	
Sale of Investment (Note 5)	30,000	
Net Cash from Investing Activities		(32,500)
C. Cash Flows from Financing Activities		
Proceeds from Issue of Shares (₹1,25,000 – 50,000)	75,000	
Repayment of Long term Loans	(50,000)	
Dividend Paid (Note 7)	(50,000)	
Net Cash from Financing Activities		(25,000)
D. Net Increase in Cash and Cash Equivalents(A+ B + C)		37,500
E. Add: Cash and Cash equivalents at the Beginning of the period		2,50,000
F. Cash and Cash equivalents at the End of the period		2,87,500

Note 01: Net Profit earned during the year 2023-24

Particulars	(₹)
Increase in Profit and Loss (Cr.) balance (₹90,000-75,000)	15,000
Add: Transfer to General Reserve	25,000



Particulars	(₹)
Add: Income- tax provided during the year	27,500
	67,500

Note 02: Machinery Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To balance b/d	3,75,000	By Depreciation (Balancing Figure)	27,500
To Bank (Purchase)	62,500	By Balance c/d	4,60,000
To Equity share capital	50,000		
	4,87,500		4,87,500

Note 03: Provision for Income-tax Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Cash (Balancing figure)	22,500	By Balance b/d	25,000
To Balance c/d	30,000	By Profit and loss A/c	27,500
	52,500		52,500

Note 04: Proposed Dividend Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c (Note 7)	50,000	By Balance b/d	50,000
To Balance c/d	62,500	By Profit and Loss A/c	62,500
	1,12,500		1,12,500

Note 05: Investment Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance c/d	50,000	By Bank (Sale of Investment)	30,000
To Capital Reserve (Profit On Sale)	5,000	By Balance c/d	25,000
	55,000		55,000

Note 06: Purchase of machinery by issue of equity shares will not be shown in the Cash Flow Statement because there will be no outflow or inflow of cash.

Note 07: It is assumed that proposed dividend of 2022-2023 has been paid in full in 2023-2024.

4

Accounts of Banking, Electricity and Insurance Companies [Study Material - Module 4]

ILLUSTRATION: 01 (BANKING COMPANY)

Given below are details of interest on advance of a Solution Bank as on 31.03.2024: (In Crore)

Particulars	Interest Earned	Interest Received
Performing Assets:		
Term Loan	60	40
Cash Credit and Overdraft	375	310
Bills Purchased and Discounted	75	75
Non-Performing Assets:		
Term Loan	37.50	2.50
Cash Credit and Overdraft	75	6
Bills Purchased and Discounted	50	10

Compute the income to be recognized for the year ended 31st March,2024.

Solution:

- **Basis of Recognition:** As per RBI Circular, Interest on non-performing assets are considered on Cash Basis and interest on performing assets are considered on Accrual Basis.
- Statement showing interest income to be recognized for the year ended 31.03.2024:

Particulars	Amount (₹)	Amount (₹)
A. Interest on Performing Assets: Accrual Basis:		
Term Loan	60	
Cash Credit and Overdraft	375	
Bills Purchased and Discounted	75	510

Particulars	Amount (₹)	Amount (₹)
B. Interest on Non-Performing Assets: Cash Basis		
Term Loan	2.50	
Cash Credit and Overdraft	6	
Bills Purchased and Discounted	10	18.50
C. Interest Income to be recognized (A+B)		528.50

ILLUSTRATION: 02 (BANKING COMPANY)

From the following information compute the amount of provisions required to be made in the Profit & Loss Account of a Solution Bank for the Year ended 31st March,2024.

- Credit outstanding for ₹40 lakhs against which the Bank holds securities worth ₹10 lakhs.50% of the above advance is covered by ECGC. The above advance has remained doubtful for more than 3years.
- Other Advances: -

Particulars	₹ In lakhs
Standard	1250
Sub-Standard	900
Doubtful:	
For one year	375
For two year	300
For three year	250
For more than 3 years	175
Loss assets	300

Solution:

- Calculation of provision on credit partly secured by ECGC**

Particulars	₹ In lakhs
Credit outstanding	40.00
Less: Realizable value of securities	(10.00)



Particulars	₹ In lakhs
Balance	30.00
Less:ECGC cover (30×50%)	(15.00)
Net unsecured balance	15.00
Amount of Provision:	
Provision on unsecured portion (15×100%)	15.00
Provision on secured portion (10 × 100%) – doubtful more than 3 years	10.00
Total provision for doubtful debts	25.00

ii. Calculation of provision on other advances:

(₹In lakhs)

Assets	Amount (a)	% of provision (b)	Provision (c = a × b)
A. Standard Assets:	1,250	0.40	5.00
B. Sub-Standard Assets:	900	15	135.00
C. Doubtful Assets:			
For one year	375	25	93.75
For two year	300	40	120.00
For three year	250	40	100.00
For More than 3 years	175	100	175.00
D. Loss Assets	300	100	300.00
Total Provision (A+B+C+D)			928.75

ILLUSTRATION: 03 (INSURANCE COMPANY)

The Revenue Account of a life insurance company shows the life assurance fund on 31st March,2024 at ₹30,10,000 before considering the following items:

- i. Claims covered under re-insurance of ₹60,000.
- ii. Bonus utilized in reduction of life insurance premium ₹22,500.
- iii. Interest accrued on securities ₹41,300.
- iv. Outstanding premium ₹30,000.
- v. Claims intimated but not admitted ₹1,50,000.

Compute the life Insurance fund after considering the above omission?



Solution:

Calculation of Adjusted Life Insurance Fund as on 31.03.2024

Particulars	Amount (₹)	Amount (₹)
Balance of Fund on 31.03.2024		30,10,000
Add: Interest accrued on securities	41,300	
Outstanding Premium	30,000	
		71,300
Less: Claim intimated but not admitted	1,50,000	
(-) Claims covered under Re-insurance	(60,000)	
Bonus in reduction of premium	22,500	
		(1,12,500)
Adjusted Balance of Life Insurance Fund as on 31/03/2024		29,68,800

ILLUSTRATION: 04 (INSURANCE COMPANY)

The Life Insurance Fund of Avni Life Insurance Co. Ltd. was ₹25 lakhs on 31.03.2024. Its actuarial valuation on 31.03.2024 disclosed a net liability of ₹21.25 lakhs. An interim bonus of ₹40,000 was paid to the policy holders during previous two years. It is now proposing to carry forward ₹75,000 and to divide the balance between policy holders and the shareholders. Show the

- Valuation Balance Sheet;
- Net profit for the two-year period; and
- Distribution of profits.

Solution:

a. Valuation Balance Sheet as on 31.03.2024

Liabilities	Amount (₹)	Assets	Amount (₹)
To Net Liability as per Actuarial Valuation	21,25,000	By Life Insurance Fund	25,00,000
To Surplus (b/f)	3,75,000		
	25,00,000		25,00,000



b. Calculation of Net profits made by Avni life insurance company for two-year period:

Particulars	Amount (₹)
(a) Surplus as per valuation balance sheet	3,75,000
(b) Add: Interim Bonus paid during the two year period	40,000
(c) Total profit made during the valuation period (a + b)	4,15,000
(d) Less: Amount to be carried forward to next year	(75,000)
(e) Profit available for distribution (c – d)	3,40,000

c. Statement showing distribution of Profit:

Particulars	Amount (₹)	Amount (₹)
(a) To Policy Holders:		
95% of profit (3,40,000 × 95%)	3,23,000	
Less: interim Bonus distributed to policy holders	(40,000)	
Amount Payable to policy holders (3,23,000 – 40,000)		2,83,000
(b) To Shareholders (3,40,000 × 5%)		17,000
(c) Total profit distributed now (a + b)		3,00,000

ILLUSTRATION: 05 (ELECTRICITY COMPANY)

From the following information compute return on equity as per Regulation 21 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations,2004:

- i. Date of commercial operation of COD = 01.04.2024
- ii. Approved opening capital cost as on 01.04.2024 = ₹15,00,000
- iii. Details of allowed additional capital expenditure:

Particulars	Amount (₹)			
	1	2	3	4
Additional Capital Expenditure	1,00,000	30,000	20,000	10,000



Solution:

Calculation of Return on Equity:

Particulars	Year 1	Year 2	Year 3	Year 4
(a) Opening Equity (Opening Capital Cost × 30%)	4,50,000 (15,00,000×30%)	4,80,000	4,89,000	4,95,000
(b) Additional Equity (Additional Expenditure × 30%)	30,000 (1,00,000×30%)	9,000 (30,000 ×30%)	6,000 (20,000×30%)	3,000 (10,000×30%)
(c) Closing Equity (a + b)	4,80,000	4,89,000	4,95,000	4,98,000
(d) Average Equity [(a+b)/2]	4,65,000	4,84,500	4,92,000	4,96,500
(e) Return of Equity (d × 14%)	65,100	67,830	68,880	69,510

ILLUSTRATION: 06 (ELECTRICITY COMPANY)

From the following information of SDF Electricity Co.Ltd., an Electricity generation Project, Compute the following:

- i. Depreciation and
- ii. Advance against depreciation up to the year 2024-2025 as per Regulation 21 of the central Electricity Regulatory Commission (Terms and Conditions of Tariff), Regulations 2004.
 - Date of Commercial Operation of COD: 1st April,2021
 - Approved Opening Capital Cost as on 1st April,2021: ₹5,00,000
 - Weighted average Rate of Depreciation: 5.20%
 - Details of allowed Additional capital, Repayment of Loan and weighted Average Rate of Interest on Loan are as follows:

Average Rate of Interest on loan are as follows:

Particulars	2021-2022	2022-2023	2023-2024
Additional capital Expenditure (Allowed)	35,000	10,000	7,500
Repayment of Loan	30,000	35,000	35,000
Weighted Average Rate of Interest on Loan	7.50%	7.60%	7.80%



Solution:

Calculation of total depreciation including Advance Against Depreciation:

Particulars	2021-2022	2022-2023	2023-2024
Opening Capital Cost	5,00,000	5,35,000	5,45,000
Additional Capital Cost	35,000	10,000	7,500
Closing Capital Cost (a + b)	5,35,000	5,45,000	5,52,500
Average Capital Cost [(a + b) /2]	5,17,500	5,40,000	5,48,750
Weighted average rate of depreciation	5.20%	5.20%	5.20%
a. Annualized depreciation	26,910	28,080	28,535
b. Advance against depreciation (AAD)	3,090	6,920	6,465
c. Total depreciation (including ADD) for tariff	30,000	35,000	35,000

Calculation of total depreciation including Advance Against Depreciation:

Particulars	2021-2022	2022-2023	2023-2024
a. Repayment of Loan (10% of Loan amount)	30,000	35,000	35,000
b. Depreciation (Excluding AAD)	26,910	28,080	28,535
c. Excess of Loan repaid over depreciation (a-b)	3,090	6,920	6,465
d. Cumulative repayment of Loan	30,000	65,000	1,00,000
e. Cumulative Depreciation (excluding AAD)	26,910	54,990	83,525
f. Cumulative repayment of loan over cumulative depreciation (d-e)	3,090	10,010	16,475
g. Advance against depreciation (AAD) (lower c or f)	3,090	6,920	6,465

ILLUSTRATION: 07 (BANKING COMPANY)

Neo Bank Ltd. informs you the following:

- i. Bill discount commission (unadjusted) ₹10,50,000.
- ii. Rebate on bills discounted as on 01.04.2023 ₹1,21,500.
- iii. Rebate on bills discounted as on 31.03.2024 ₹1,09,000.

Compute the discount to be credited to the profit and loss account of the Bank for the year ended 31.03.2024

**Solution:**

Calculation of Discount income to be credited to P&L A/c for the year ended 31.03.2024:

Particulars	Amount (₹)
(a) Discount on bills discounted during the year 23-24	10,50,000
(b) Add: Rebate on bills discounted on 1.04.2023	1,21,500
(c) Less: Rebate on bills discounted on 31.03.2024	(1,09,000)
(d) Discount income to be credited to profit and loss account (a + b – c)	10,62,500

ILLUSTRATION: 08 (BANKING COMPANY)

The following details are extracted from the books of Neo Bank Ltd, a Commercial bank as on 31st March, 2024:

Particulars	Amount in ₹ Lakh
Interest and discount received	195
Interest paid on deposits	102
Issued and subscribed capital	50
Salaries and allowances	10
Directors fee and allowances	1.5
Rent and taxes paid	4.5
Postage and telegrams	3
Statutory reserve fund	40
Commission, exchange and brokerage	10
Profit on Exchange Transaction	3.5
Profit on sale of investments	10.5
Depreciation on bank's properties	1.5
Law charges	2
Audit fee	0.5

The following further information is given:

- A customer to whom a sum of ₹50 lakhs has been advanced, has become insolvent and it is expected only 50% can be recovered from his estate.
- There were also other debts for which a provision of ₹7.50 lakh was found necessary by the auditors.
- Rebate on bills discounted on 31.03.2023 was ₹60,000 and 31.03.2024 was ₹80,000.



- iv. Provided ₹32.50 lakh for Income Tax.
- v. The directors desire to declare 10% dividend.
- vi. Provide 25% for Statutory Reserve.
- vii. Profit & Loss Account as on 31.03.2024 was NIL.

Required:

Prepare Profit and Loss Account of Neo Bank Ltd. for the year ended March 31,2024.

Solution:

Profit and Loss account of Neo Bank Ltd for the year ended 31/03/2024:

Particulars	Sch. No	Amount in ₹ Lakh
I. Income:		
Interest and Discount Earned	13	194.80
Other Income	14	24.00
Total		218.80
II. Expenditure:		
Interest Expensed	15	102.00
Operating Expenses	16	23.00
Provision and Contingencies	WN 1	65.00
Total		190.00
III. Net Profit:		
Net Profit for the Year (I – II)		28.80
Profit / Loss brought forward		0.00
Total		28.80
IV. Appropriations:		
Transfer to Statutory Reserve (28.80 × 25%)		7.20
Transfer to Other Reserve		0.00
Proposed Dividend (50 ×10%)		5.00
Balance Carried forward to Balance Sheet (B/f)		16.60
Total		28.80

Schedule to Profit and Loss Account

Schedule No 13: Interest and Discount Earned:

Particulars	Amount (₹)
Interest and discount received	195
Add: Rebate on bills discounted on 31/3/2023	0.60
Less: Rebate on bills discounted on 31/3/2024	(0.80)
Total	194.80

Schedule No 14: Other Income

Particulars	Amount (₹)
Commission, exchange and brokerage	10
Profit on Exchange Transaction	3.50
Profit on sale of investments	10.50
Total	24.00

Schedule No 15: Interest Expensed

Particulars	Amount (₹)
Interest paid on deposits	102.00
Total	102.00

Schedule No 16: Operating Expenses

Particulars	Amount (₹)
Salaries and allowances	10
Depreciation on bank's properties	1.50
Law charges	2
Audit fee	0.50
Directors fee and allowances	1.50
Rent and taxes paid	4.50
Postage and telegrams	3.00
Total	23.00



WN 01: Contingencies and Provisions:

Particulars	Amount (₹)
Provision for bad debts for insolvent customer (50 × 50%)	25.00
Provision for bad debts as suggested by Auditors	7.50
Provision for income tax	32.50
Total	65.00

ILLUSTRATION: 09 (INSURANCE COMPANY)

Prepare the fire Insurance Revenue Account of Agni Fire Insurance Ltd. as per IRDA regulations for the year ended 31st March,2024 from the following details:

Particulars	Amount (₹)
Claims Paid	3,00,000
Legal expenses regarding claim	5,000
Premiums received	6,25,000
Re-insurance Premiums paid	25,000
Commission	1,50,000
Expenses of Management	1,00,000
Provision against unexpired risk on 1st April,2023	2,87,500
Claims unpaid on 1st April,2023	25,000
Claims unpaid on 31st March,2024	40,000

Provide for Unexpired Risk @ 50% less reinsurance.

Solution:

Revenue Account of Agni Fire Insurance Ltd for the Year ended 31st March 2024

Particulars	Sch. No	Amount (₹)
I. Income:		
Net Premium earned	1	5,87,500
Interest, dividend and rent		
Other Income		
Total		5,87,500
II. Expenditure:		



Net Claims incurred	2	3,20,000
Commission	3	1,50,000
Operating expenses	4	1,00,000
Total		5,70,000
III. Operating Profit: (I – II)		17,500

Schedule to Revenue Account

Schedule No 1: Premium Earned (Net)

Particulars	Amount (₹)
Premium received	6,25,000
Less: Re-insurance premium Received on re-insurance accepted	(25,000)
Net Premium	6,00,000
Less: Adjustment for change in reserve for unexpired risks Reserve	(12,500)
Net Premium for revenue Account	5,87,500

Schedule No 2: Net Claims incurred

Particulars	Amount (₹)
Claims paid during the year	3,00,000
Add: Claims outstanding at the end of the year	40,000
Less: Claims outstanding at the beginning of the year	(25,000)
	3,15,000
Add: Legal expenses relating to claims settlement	5,000
Net Claims incurred for Revenue Account	3,20,000

Schedule No 3: Commission

Particulars	Amount (₹)
Commission paid during the year	1,50,000
Net Claims for Revenue Account	1,50,000



Schedule No 4: Operating Expenses

Particulars	Amount (₹)
Expenses of Management	1,00,000
Total	1,00,000

ILLUSTRATION: 10 (BANKING COMPANY)

From the following information for a Bank Compute the amount of discount to be transferred to the Statement of Profit and Loss.

- a. Rebate on Bills Discounted (as on 01.04.2023) ₹14,000. Discount Received ₹51,000.
- b. The following bills have been discounted during the year:

Amount of Bill	Rate of discount	Due Date (including grace days)
32,500	13% p.a.	June 14, 2024
75,000	15% p.a.	July 19, 2024
2,15,000	12% p.a.	August 30, 2024

Also pass the necessary journal entry for the unexpired discount as on 31.03.2024.

Solution:

- i. Calculation for rebate on bill discounted as on 31/03/2024:

Bill Due Date	Days after Balance sheet date i.e. 31/03/24 (a)	Bill Amount (b)	Rate of Discount (c)	Rebate on Bills $(b \times c) \times a / 366$ days
14.06.2024	$30+31+14 = 75$	32,500	13%	866
19.07.2024	$30+31+30+19 = 110$	75,000	15%	3,381
10.08.2024	$30+31+30+31+10 = 132$	2,15,000	12%	9,305
Total rebate				13,552



ii. Calculation of Amount to be credited to P/L for the year ended 31/03/2024:

Particulars	Amount (₹)
Discount earned during 2023-2024	51,000
Add: Rebate on bills discounted as on 31/03/2023	14,000
Less: Rebate on bills discounted as on 1/04/2024	(13,552)
Discount income to be credited to profit and loss account(a+b-c)	51,448

iii. Journal Entry:

Date	Particulars	Debit (₹)	Credit (₹)
	Interest and Discount A/c Dr.	13,552	
	To Rebate on Bill discounted A/c		
	(Being closing rebate on bills discounted is provided for)		13,552

5

Accounting Standards [Study Material - Module 5]

ILLUSTRATION: 01 (IND AS – 2)

In a production process, normal waste is 5% of input. 2500 MT of input were put in process resulting in a wastage of 150 MT. Cost per MT of input is 1900. The entire quantity of waste is on stock at the end. State with reference to Accounting standard, the treatment of normal loss and abnormal loss and also find out the amount of abnormal loss, if any and the value of closing inventories.

Solution:

Calculation of value of abnormal loss and closing stock

Particulars	Units (MT)	Amount (₹)
Input	2500	47,50,000 (2500 × 1900)
Less: normal loss (2500 × 5%)	(125)	-
	2375	47,50,000
Less: Abnormal loss (150 units -125 units)	(25)	(50,000)
Value of closing stock	2350	47,00,000

Note:

I. Value of normal loss is not an excludable item, because it is recoverable from good units of good output produced.

II. Abnormal loss:

Units = total wastage – normal loss.

= 150 units – 125 units

= 25 units

Value of abnormal loss = $(47,50,000 \times 25/2375) = ₹50,000$.



ILLUSTRATION: 02 (IND AS – 2)

Shivam Ltd. deals in manufacture of Products A, B, C and D respectively. It provides the following information with respect to the Closing Stock of these items for the year ended March 31,2024.

Category of Stock	Historical cost	Net Realizable Value
A	40,000	29,600
B	51,600	51,200
C	30,000	35,500
D	45,000	46,600

Compute the value of inventories to be shown in the Balance Sheet as on March 31,2024 as per requirements of Ind AS-02.

Solution:

i. As per Ind AS 2, Inventory shall be valued at lower of Cost or Net Realisable Value and Inventory valuation should be carried out item –wise.

ii. Determination of value of inventory as per Ind AS 02:

Item	Historical cost (₹)	Net Realizable Value (₹)	Value (₹)
A	40,000	29,600	29,600
B	51,600	51,200	51,200
C	30,000	35,500	30,000
D	45,000	46,600	45,000
Value of inventory to be included in balance sheet			1,55,800

ILLUSTRATION: 03 (IND AS - 2)

Miller Ltd. deals in three products M, N and O which are neither similar nor interchangeable. At the time of closing of its Financial Account for the year ended March 31,2024, Valuation of Closing Stock of the said products is to be determined. The details of Closing Stock of the three products extracted from the records of the company are as under:

Type of Product	Cost of materials	Production expenses incurred	Selling and distribution expenses to be incurred	Estimated Selling Value
M	50,000	10,000	5,000	75,000
N	25,000	2,500	2,500	25,000



Type of Product	Cost of materials	Production expenses incurred	Selling and distribution expenses to be incurred	Estimated Selling Value
O	60,000	15,000	10,000	90,000
	1,35,000	27,500	17,500	1,90,000

Compute the value of stock as per Ind AS -02 for inclusion in the financial statement as on 31.03.2024.

Solution:

i. As per Ind AS 02, Inventory shall be valued at lower of Cost or Net Realisable Value and Inventory valuation should be carried out item –wise.

ii. Determination of value of inventory as on 31/03/2024 per Ind AS 02:

Particulars	Product M	Product N	Product O	Total (₹)
(a) Cost of Inventory:				
Cost of materials	50,000	25,000	60,000	
Add: Production expenses	10,000	2,500	15,000	
Total Cost of Inventory	60,000	27,500	75,000	
(b) Net Realisable Value:				
Estimated Sales Value	75,000	25,000	90,000	
Less: Selling expenses	(5,000)	(2,500)	(10,000)	
Net Realisable value	70,000	22,500	80,000	
(c) Value of Inventory (lower of a or b)	60,000	22,500	75,000	1,57,500

Comment: Value of stock will be ₹1,57,500 for inclusion in the financial statements as per Ind AS -2

ILLUSTRATION: 04 (IND AS 10)

A Major fire has damaged the assets in factory of SDF Ltd on 2nd April 2024, two days after the book closure date. The loss is estimated at ₹40 Crores out of which 24 Crores will be recoverable from the insurers. Explain - how the loss should be treated in the financial statements for the year ended 31/03/2024?

Solution:

As per Ind AS 10, Any event taken place after the balance sheet but before approval by board of directors with respect to which no stipulation or condition exist on the balance sheet is classified as Non-Adjusting events and does not require any adjustment to financials as on the balance sheet date.



In the given case, fire taken place on 2nd April 2024 but no condition exists with respect to the same on 31/03/2024. Therefore, it is a non-adjusting event and does not require any adjustments to financials as on 31/03/2024.

Amount of loss by fire is material 40 crores – 24 crores = 16 crores. It should be disclosed by way of note to account.

ILLUSTRATION: 05 (IND AS 19)

The information provided by SDF Ltd for the year ended 31/03/2024 and request you determine the liability and expense to be recognised as per Ind AS 19.

No. of employees (Same as Last year)	150
Employee's turnover rate	6%
Bonus paid to each employee last year	₹50,000
Increase in bonus rate due to inflation as per regular practice of SDF Ltd	10%

Solution:

i. Calculation of amount of provision for bonus for the year ended 31/03/2024:

Particulars	Amount (₹)
(a) Expected amount of bonus per employee (50,000×110%)	55,000
(b) Expected number of employee eligible for bonus 150 – (150×6%) = 150-9	141
(c) Amount of provision for bonus (a×b)	77,55,000

ii. Accounting Entry:

Date	Particulars	Debit (₹)	Credit (₹)
	Employee Benefits Expenses A/c To Provision for Bonus A/c	77,55,000	77,55,000

ILLUSTRATION: 06: (IND AS -33)

The following information relating to White Ltd. Compute Earnings per share.

Particulars	Amount (₹ in Lakhs)
Profit before Voluntary retirement payments but after depreciation	37.50
Depreciation	5.00



Particulars	Amount (₹ in Lakhs)
VRS Payments	5.00
Provision for taxation	16.05
Fringe benefit tax	2.50
Paid up share capital (Shares of ₹ 10 each fully paid)	46.50

Solution:

Calculation of Earnings per Share:

Particulars	Amount (₹ in Lakhs)
(a) Profit before tax but after depreciation	37.50
(b) Less: Voluntary Retirement Payments	(5.00)
(c) Less: Provision for taxation	(16.05)
(d) Less: Fringe benefit tax	(2.50)
(e) Net Profit attributable to equity shareholders	13.95
(f) Number of equity shares outstanding (46.50 / 10)	4.65
(g) Earnings per share (e/f)	3.00

ILLUSTRATION: 07: (IND AS -33)

The following information is provided by Greenco Ltd, Compute Diluted Earnings per share.

Particulars	Amount (₹ in Lakhs)
Net profit for the year	100
Number of equity shares outstanding	20
Basic Earnings per share	5.00
Number of 11% convertible debentures of ₹100 each = 25,000	
Each debenture is convertible into 8 equity shares	
Interest expense for the current year	2.75
Tax saving relating to interest expense (30%)	0.825



Solution:

Calculation of Diluted Earnings per Share:

Particulars	Amount	Amount (₹ in Lakhs)
(a) Net profit attributable to equity shares		100
(b) Add: Savings in interest expense on conversion of debentures $2.75 \times (1-0.30)$		1.925
(c) Adjusted profit attributable to equity shares after conversion (a + b)		101.925
(d) Total Number of Equity shares outstanding:		
Original number of equity shares outstanding	20	
Add: Equity shares issued on conversion of convertible debentures (0.25 Deb \times 8 shares per debenture)	2	22
(e) Diluted Earnings Per Share		4.63 Per Share

ILLUSTRATION: 08: (IND AS -37)

At the end of financial year 2023-24, Shri Hari Ltd finds that there is a law suit outstanding.

The possible outcomes as estimated by the Board of Directors is as follows:

Particulars	Probability	Loss
Win	60%	₹0
Lose (Low Damage)	30%	₹1,00,000
Lose (High Damage)	10%	₹2,00,000

Solution:

Calculation of value of contingent liability to be disclosed in financial statements:

Particulars	Computation	Amount (₹)
Win	0	0
Lose (Low Damage)	$1,00,000 \times 30\%$	30,000
Lose (High Damage)	$2,00,000 \times 10\%$	20,000
Amount of provision to be disclosed in notes to accounts		₹50,000



ILLUSTRATION: 9: (IND AS-37)

An engineering goods company provides after sales warranty for 2 years to its customers. Based on past experience, the company has the following policy for making provision for warranties on the invoice amount on the remaining balance warranty period:

Less than 1 year – 2% provision

More than 1 year – 3% provision

The company has raised invoices as under:

Invoice date	Amount
19th Jan 2022	20,000
29th Jan 2023	12,500
15th Oct 2023	45,000

Compute the provision to be made for warranty under Ind AS as on 31st March 2024. Also compute amount to be debited to profit and loss account for the year ended 31st March 2024.

Solution:

Calculation of Provision for warranty expenses to be provided for on 31/03/2024:

Particulars	Calculation	Amount (₹)
a) Provision as on 31/03/2024:	$(12,500 \times 2\%) + (45,000 \times 3\%)$	1,600
b) Less: Provision as on 31/03/2023	$(20,000 \times 2\%) + (12,500 \times 3\%)$	(775)
Amount of provision to be debited to profit and loss account for the year ended 31/03/2024 (a – b)		825

ILLUSTRATION: 10: (IND AS-10)

Cashier of SDF Limited Embezzled Cash amounting to ₹3,00,000 during March. However, the same comes to the notice of the Company's Management during April only. Financial Statements of the Company is not yet approved by the Board of Directors of the company. With the help of provisions of Ind AS-10 decide, whether the embezzlement of cash should be adjusted in the books of accounts for the year ending 31st March?

What will be your reply, if embezzlement of cash comes to the notice of Company Management, only after approval of Financial Statements by the Board of Directors of the Company?



Solution:

Discovery of Fraud or Errors that show that the Financial Statements are incorrect, is one of the examples of Adjusting Events, Under Ind AS-10.

Theft of Cash took place in March and hence such condition already existed on the Balance Sheet date. Detection of this embezzlement in April is an Adjusting Event, and Should be adjusted/written off in the accounts for the year ending 31st March.

In case the theft of cash came to light only after approval of Financial Statements, it should be adjusted as a Prior Period Errors in the next financial year, relating to omission of embezzlement item during the previous financial year.



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