

Company Final Accounts Preparation & Presentation of Financial Sta.

Meaning of financial statements:

As per Sec 2(40) of companies Act, 2013 financial statements includes

1. Balance sheet at the end of the financial year
2. Statement of profit & loss [for profitable organisation]
Income and expenditure A/c [for non profit organisation]
3. Cash flow statement at the end of the year.
4. Statement of changes in equity
5. Explanatory notes [Notes to accounts]

Section 128: Maintenance of Books of Accounts

- a) proper Books of A/c
- b) other relevant books & papers.
- c) Financial statements

- True & fair view
- Double entry system
- Accrual basis of accounting

a) At Registered office
[place stated in the
situation clause of
memorandum of
Association]

b) At any other place
Intimate to Roc
with in 30 days
from the date of
decision.

For every
Financial
year

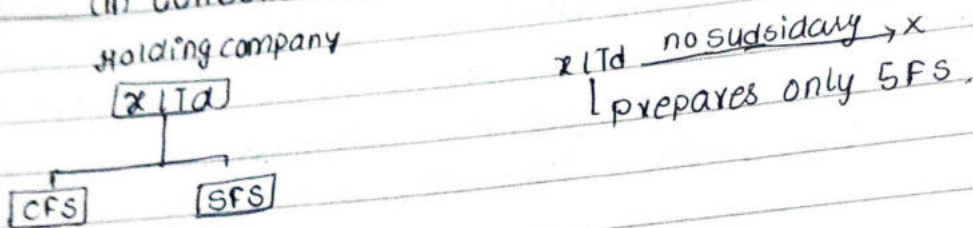
Either in
physical form
(or)

in Electronic
form

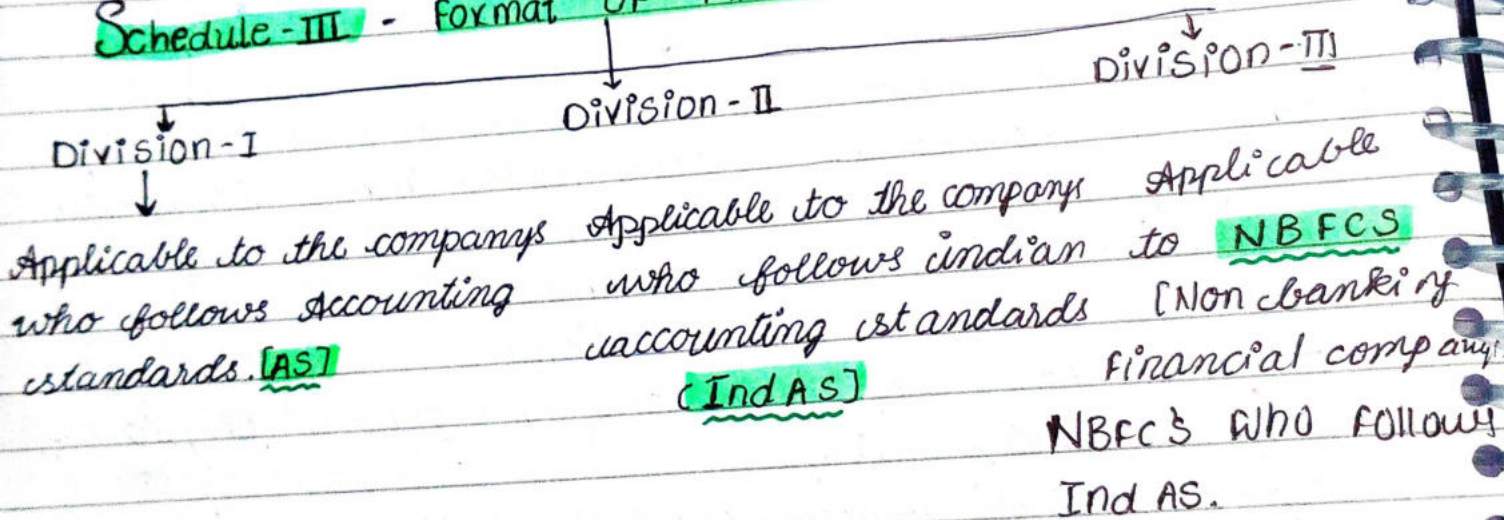
At least 8 years

Section 129

1. It is mandatory for each and every company to prepare financial statements
2. At the end of each year
3. It can be
 - (i) Standalone financial statements [for individual company]
 - (ii) Consolidated financial statements [for group companies]



Schedule - III - Format of Financial Statements



Financial statements:

- ① other than statutory companies - follow Schedule III of companies Act 2013
- ② for statutory companies - follows companies Act as well as special Act

In case of controversies special Act prevails

③ For preparation of FINANCIAL statements every company needs to follow **Schedule III** of companies Act 2013 **Except Statutory company.**

Examples: Banks - Banking Regulation Act 1949
Insurance companies - Insurance Act 1938
Electricity companies - Electricity Act, 2003

For Banks - Separate schedule [Released by RBI]

For Insurance - separate schedule [released by IRDA]

For Electricity co - No separate schedule
↓
Follow schedule III of companies act 2013

4) **Schedule-III**: General instructions for preparation of Balancesheet and statement of profit & loss.

Division-I

Part-I: Format of **Balance sheet**

Explanatory notes to Balancesheet

Part-II: Format of statement of **Profit & loss**

Explanatory notes to statement of P&L A/c

Part-I: Format of Balance sheet.

Part-1. FORMET OF Balancesheet.

Name of the company : _____

Balance Sheet as at : _____

Particulars	Notes No	Figures Relating to	
		Current year	Previous year
I Equity and Liabilities			
1) Shareholders Funds.			
a) Share capital	①		
b) Reserves & surplus	②		
c) money received against share warrants.	-		
2) Share Application money Received pending allotment.	-		
3) Non-current Liabilities			
a) Long Term Borrowings	03		
b) Deferred Tax Liabilities	04		
c) Other Long-Term Liabilities	05		
d) long term Provisions.	06		
4) current Liabilities.			
a) short term borrowings	07		
b) Trade payables	08		
c) Other current liabilities	09		
d) Short term provisions	10		
TOTAL			

II Assets

1. Non current Assets.

a) (i) property plant & equipment	11
(ii) Intangible assets	12
(iii) capital work in progress	13
(iv) Intangible Assets under development	14
b. Non current investments.	15
c. Deferred Tax assets	16
d. Long term loans & Advances	17
e. other non-current assets.	18

2. current Assets.

a) Current investments	19
b) Inventories	20
c) Trade receivables	21
d) cash & cash equivalents	22
e) short term loans & advances	23
f) other current assets.	24

Definitions:

a) Current liabilities: Any one of the following if it

Rule-1: To be settled with in **operating cycle** from the date of transaction (DOR)

Rule-2: Held for **trading** (ordinary) (or) due course of business

Rule-3 To be settled within **12 months** from **reporting date** (Date of Balance sheet)

Rule-4 Company is not having an unconditional right to defer (postpone) the settlement after 12 months from the reporting date [can't be settled after 12 months from reporting date].

Note:

a) Rule-3 is used for general purposes (where other than rule-4 is applicable)

b) **Rule-4** applies when **prospective (or) agreement exist**

b) Non current liabilities: other than current liabilities

b) G) Current Assets: Any of the following of it

Rule-1: ^{debtor} Realised, ^{firm} consumed, ^{fg.} sale with in operating cycle from the date of transaction

Rule-2: Held for trading (ordinary or) due course of business)

Rule-3: Realised with in 12 months from Reporting date

Rule 4: Cash or cash equivalents unless (except) restricted to be utilised (used) to settle a liability only after 12 months from Reporting date.

Note: Such portion of cash which can be used within 12 months are current Assets.

d) Non current assets: other than current assets.

e) Operating cycle: Time taken to convert raw material into cash that is
 Raw material Holding period + working progress period + finished goods Holding period + debt collection period.

Notes to Accounts

Note-1 Share capital.

[Registered/Nominal]
Authorised capital ✓

Issued capital ✓

unissued capital ✗

Subscribed ✓ unSubscribed ✗

Called up capital ✓ unCalled capital ✗

Paid up capital ✓ unpaid capital / calls in arrears ✓

Note: ✓ TO be written in the explanatory notes.

Note-1 : Share capital

Particulars

₹ (CY)

₹ (CPY)

① Authorised share capital

[Number] Equity shares of ₹ (FV) each

xxx

xxx

[Number] Preference Shares of ₹ (FV) each

xxx

xxx

xxx

xxx

② Issued, subscribed, called up capital

[Number] Equity shares of ₹ (FV) each, called up

xxxx

xxxx

less calls in arrears

(xxx)

(xxx)

Paid up capital

xxx

xxx

[Number] Preference shares of ₹ (FV) each called up

xxxx

xxxx

less calls in arrears

(xxx)

(xxx)

Paid up capital.

xxx

xxx

Special Disclosures:

- ① (a) Shares issued for consideration other than cash
- (b) Shares issued for no consideration (free of cost)
 - (i) Bonus shares
- (3) Buy Back of Shares From the shareholders
[for past 5 years]

b) major share holdings > 5% of Total shareholdings

c) promoters Holdings.

d) Shares Reserved for future commitments (or) contracts (or) option / rights.

Note no: 2 : Reserves & surplus.

↓
can commonly called as

Funds → always ~~estimated~~ earmarked (linked with)

Surplus → IF Profit (+ve), if loss (-ve)

Specific Reserve → created for special purpose

Free Reserves → As per the definition given under
General instructions as per schedule

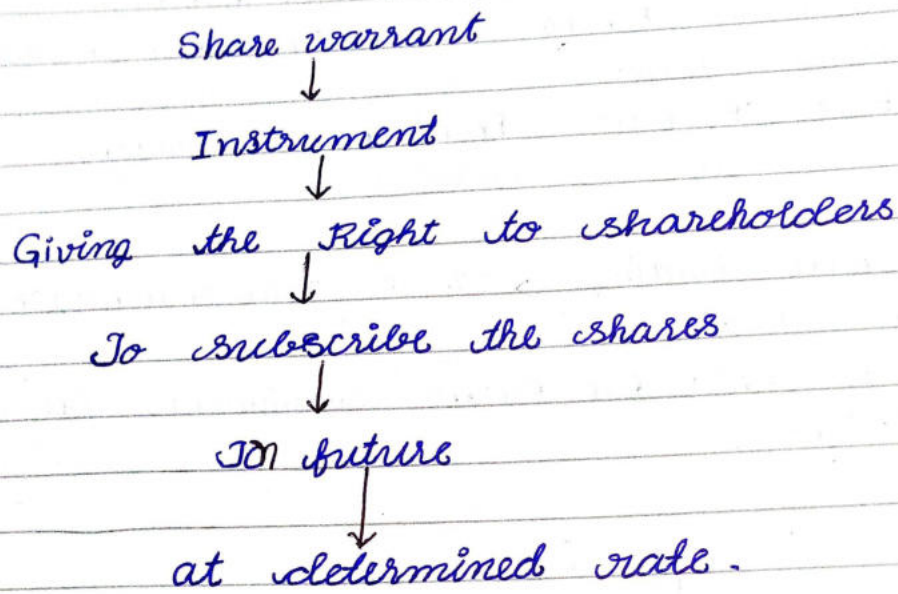
Free Reserves are Reserves which can be
used for distribution of dividend with
any restrictions.

Eg: General Reserve, Reserve fund, Reserve
Reserve, Dividend Equilization fund
Profit & loss A/c (+ve)

Note: ① loss under surplus shows as -ve figures in
② IF total reserves had become -ve shows
liability side. as -ve figures only.



→ Money received against share warrants:



→ Share Application money received pending allotment
company received share application money but still not allotted and it is neither an equity nor a liability (at this stage)

→ Shall become equity if allotted

→ Shall become liability if it is not allotted

~~WIP~~

Wn-3

Long term borrowings
> 12 months

Note-1

Short term borrowings
< 12 months

Borrowings taken by the company for a period of each & every class has to be disclosed separately.

Examples

Debentures, bonds, loans, public deposits, long term maturities of financial lease obligations.

Loans, public deposits. * current maturities of long term borrowing

Special Points (disclosures)

- 1. classify Secured, unsecured
if secured - what is security?
- 2. Guarantee given by directors (or) others
- 3. Defaulted period & Amount (overdue)
- 4. Terms of Repayment.

Wn-4

Note 4 Deferred tax liabilities

Note 8 Trade payable.

deals under AS-22

a) creditors

b) Bills payable

1) Set off with deferred tax Asset & show net amount only.

2) Deferred tax

a) creditors:

Difference between

Tax as per Accounting Records

&
Tax as per Tax Records

Particulars	Period From Due Date				TOTAL
	< 1y	1-2y	2-3y	3y+	
a) msme					
b) others					
c) disputed ^{per msme}					
d) disputed ^{due other}					

Note: unbilled dues → disclose specially
b) Bills Payable → disclose specially.

Note: other non current liabilities Note: 9
* * * * * other current liabilities

Residuary Head
ie whatever dont fit in
any other category shall be
disclose here.

Examples

ONCL

Trade payables > 12 months.

OCL

a) share application money
held for refund - if not
alloted

b) minimum subscription
not received Hence
Application money to be
refunded.

c) calls-in-Advance.

d) outstanding expenses

e) Income received in advance

f) unpaid ^{Interest} ~~Income~~ ^{dividend} (Advance)

g) unpaid matured debentures /
Preference shares.

* h) ~~non~~ current maturities of
financial lease obligations.

Conclusion: Long term loans - LTB

current maturities of long terms - STB

Long term maturities of financial lease obligations

current maturities of financial lease obligations - OCI

Note: 6 long term provisions Note: 10 Short term provisions

↳ created for future uncertainties. ↳

→ All the employee related items like gratuity fund, provident fund, Pension, Employee fund

→ All the provisions which are in the nature of liability.

Special attention to note-2

All reserves are Reserves & surplus (like capital reserve, General Reserve, CRR, etc)

- Eg:
- ① provision for taxation
 - ② provision for warranties
 - ③ provision for repairs & Renewals

→ All Funds are Reserves and surplus (like insurance fund, workmen compensation fund, Building fund etc):

- ④ provision for ~~debtors~~
 - ⑤ provision for depreciation
- ↳ since they are reduction of assets Therefore they are not liabilities.

Except which are in long term nature related to all employees. in long term provisions)

Note 11 property plant & equipment Note 12 Intangible assets
(owned + leases) (owned + leases)

For each & every class
reconcile opening balance
& closing balance separately
Examples (class)

- Land
- Building
- plant
- Machinery
- furniture

- Goodwill
- copyrights
- patents
- Trademarks etc.

Reconciliation

Opening balance xxx
 (+ Additions/purchases xxx
 (-) Deletions/sale (xxx)
 (-) Depreciation (xxx)
 (+) Revaluation upward xxx
 (-) Revaluation downward (xxx)
 (-) Impairment loss (xxx)
 + Reversal of Impairment loss xxx
 closing Balance xxx

Opening Balance xxx
 + Additions/purchases xxx
 - Deletions/sale (xxx)
 - Amortization (xxx)
 + Revaluation upward xxx
 - Revaluation downward (xxx)
 - Impairment loss (xxx)
 + Reversal of Impairment loss xxx
 closing Balance xxx

Note 13 capital work in progress (for tangible assets) Note 14 Intangible asset under developed (for intangible assets)

Assets under construction or still in work in progress (or) under the stage of development.

Examples

Buildings under construction
 oil refineries under construction.

Patents under development
 soft wares vaccines under devel etc.

Reconciliation

Opening balance	xxx
+ Additions/purchase	xxx
- Impairment losses	(xxx)
+ Reversal of impairment loss	xxx
	<u>xxxx</u>

Note 15 Non current investments

a) > 12 months

b) Each & every class of investment separately disclosed ex: investments in Equity shares, Preference shares, Debentures, Govt securities, Bonds, mutual funds, Derivatives, auctions Gold & silver etc

c) Separately Reconcile

Opening balance	xxx
(+) purchases	xxx
(-) sale	(xxx)
(-) Provision (if any)	(xxx)
Closing Balance	<u>xxx</u>

- d) Disclose class of company separately.
 - Investment in subsidiaries
 - Investment in Associates
 - Investment in joint venture.

Special disclosure

- a) Basis of valuation
- b) quoted & unquoted securities
- c) provision created for diminution of investments.

Note 16 Deferred Tax Assets

Set off with Deferred tax liability and show the net amt (further discussion in AS 22)

Note 17 long term loans & Advances

- a) Disclose separately - For each & every class
 - is: long term loans & Advances given to employees
 - long term loans & Advances given to Related Parties
 - long term loans & Advances given to directors.
 - long term loans & Advances given to other parties

b) Disclose secured / unsecured.

If secured - what is the security?

- c) Disclose → Good / doubtful / Bad ~~debt~~ loans separately
- d) Disclose → Provision for doubtful ^{bad} & loans

Note 18 other non current Assets

It is Residuary head - whatever doesn't fit under any category of long term shall be appears in this head.

- Eg: long term Trade Receivables
 security Deposits
 Inter corporate deposit etc

Note 19 current investments / short term investments.

< 12 months

similar to Note 15 Non current investments

But current - < 12m

Non-current - > 12m

Note 20 Inventories

a) present each & every class seperately

like - Raw materials

work in progress

finished goods

stock-in-trade

loose tools

lubricants

consumables etc

b) location wise: stock at stores / godown / warehouses

stock in transit

stock with customers

(Sale or Return (or) approval - hours)

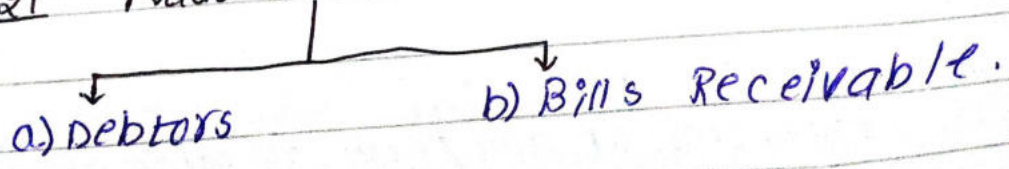
stock with consignee:

(Under consignment)

stock with branch.

c) Basis of valuation: cost (or) Net Realisable value (NRV) which ever is lower

Note no: 21 Trade Receivable.



a) Debtors

particulars	Debtors ageing schedule				Total
	0-6m	6m-1yr	1-2yr	2yr-3yr	
a) undisputed but good					
b) undisputed but doubtful					
c) disputed but good					
d) Disputed but Doubtful					
TOTAL					

Special Disclosures

- 1) Disclose - secured / unsecured
If secured - what is the security?
- 2) Disclose - Good, Doubtful & Bad
↳ Generally writing to P&L A/c
- 3) provision (allowance) created - created for Doubtful & Bad debts.
- 4) unbilled transactions
- b) Bills Receivable - Separately Disclose.

Note: 22: Cash & cash equivalents

a) Disclose each and every class separately

like :-

- ✓ cash in hand
- ✓ cash in bank (scheduled / unscheduled)
- ✓ cheques / Drafts in hand
- ✓ foreign currency

b) Restrictions

- i) Repatriation Restrictions
(transfer of amt / cash to other countries)

RESPECT TO THE
by specified number of persons. [Sec. 11
and
to the Memorandum and
of the Act
(Statutory Limit);

(ii) Other Restricted

(Amount) cash restricted with bank.

Eg: a) earmarked cash balance for specific purpose like payment of dividend, interest etc

b) Share application received deposited into separate BANK A/c (not allowed)

(iii) BANK DEPOSITS (maturity) > 12 months.

Note-23 SHORT TERM loans & Advances.

Similar to Note-17 : long term loans & advances.

But short term \leq 12 months

long term > 12 months.

Note-24 Other current Assets

a) Residuary head. - what ever does not fit under the category of current Assets. shall appear here

Note-25 Contingent liabilities & contingent commitments

contingent liability.

contingent commitment

Now it is not a liability may (or) may not become a liability in future

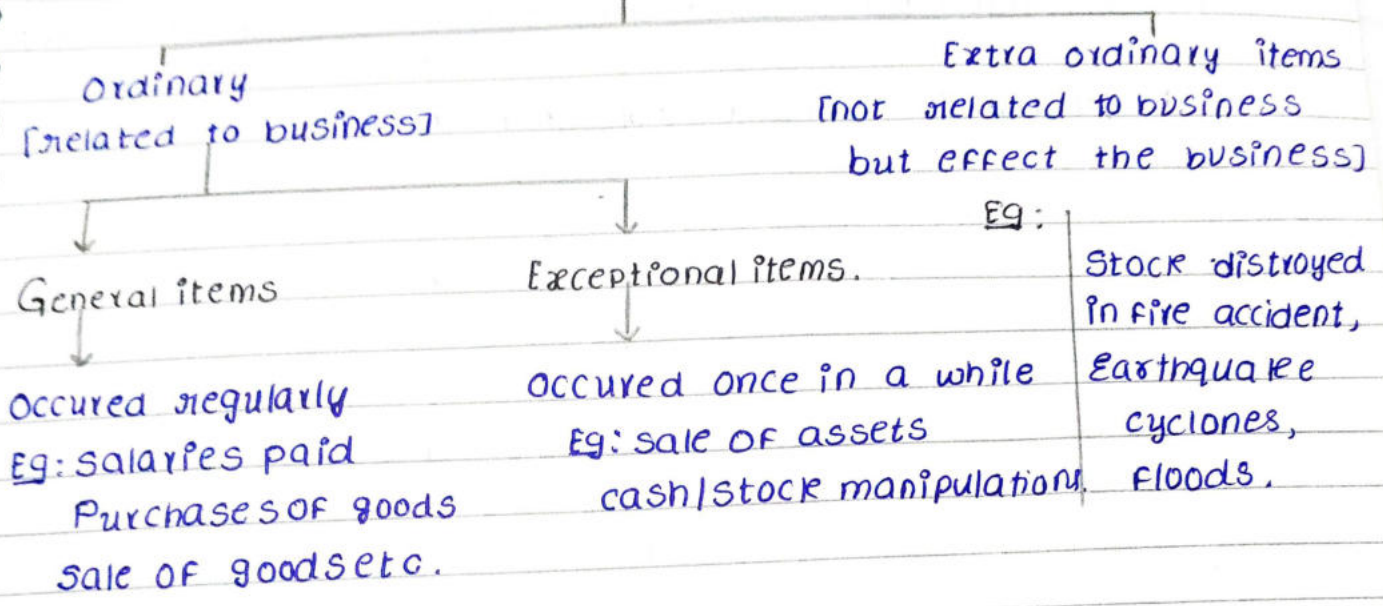
A promise through agreement, contracts to perform such promise in the future

Example

- a) Bills of Discounted
- b) Guarantee given to 3rd party
- c) claims against the company not acknowledged as debt

- a) contract entered to perform Overhaul machinery after 5 years
- b) uncalled portion of partly paid investment.

Items relating to Expenses & incomes divided into.



Other points [for classification]

- ① capital advances: Advances given for purchase of fixed Assets (or) other capital assets
Head: long term loans & Advances / short term loans & Advances
2. Creditors for assets creditor arises for credit purchase of Assets are not treated as Trade payable.
Head: Other non current liabilities / other current liabilities.
3. carriage inward / freight inward / any other inward Expenses:
Head: 1) IF it is related to RIm
Adjusted in the cost of Raw material consumption
2) IF it is related to purchase of FG (Stock-in-Trade)
adjusted in other Expenses.

4. Production Expenses: Expenses related to production of goods.

Head: a) Recommended option: adjusted in cost of RM consumption
(or)

b) Other option: shown as other expenses.

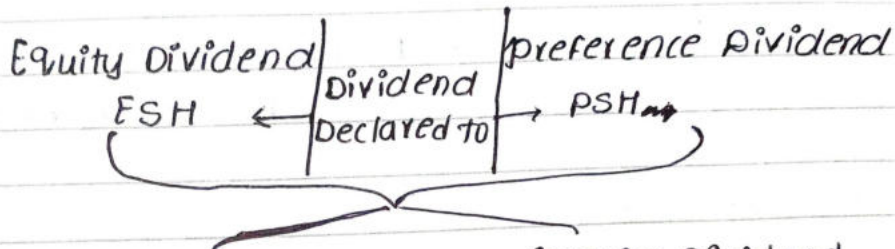
How much amt is to be considered as material as per section III

1% of turnover
(or)

₹ 1,00,000

→ Dividend and Related Rules

(1) Types



Final Dividend
one year dividend shall be declared in the next particular year

Interim Dividend
Such year's dividend is declared in such particular year.

2) Stages of Dividend

Proposing → By BOD → in Bm

Declaring → By SH → in AGM/IGM

becomes liability

Paying → By CO → to SH

AS per AS-4

AS per AS-4

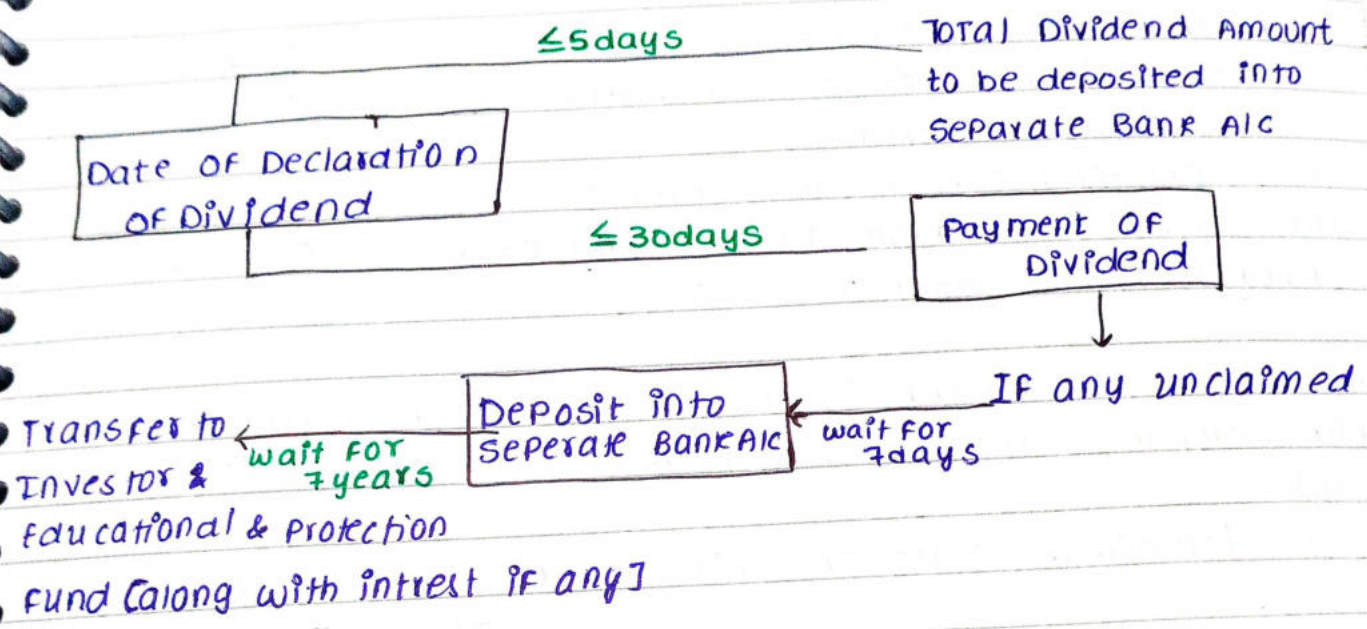
Disclosed is Note-2 Reserves & surplus [By that time Books of Accounts not yet closed but we can't record, it is not a liability]

Only for Final Dividend

It is a liability but can't record in the financial statements
∴ By that time Books of Accounts are closed & APPROVED

Hence can be recorded in the next financial year.

(V) Limits



Note:

- ① There is no profit & loss appropriation A/c for companies (unlike partnership)
- ② All such appropriations if any shall be accounted a Note no: 2 Reserves & Surplus.
- ③ This appropriations shall be booked (accounted) only when profits are available.
Eg: dividend declared transferred to Reserves & surplus.