

Final Accounts of Companies

Operating Cycle: Period from Acquisition of Asset till Conversion of cash.

$$\text{R/M Period} + \text{WIP Period} + \text{F.G. Period} + \text{Collection Period} = \begin{matrix} < 12M \\ > 12M \end{matrix}$$

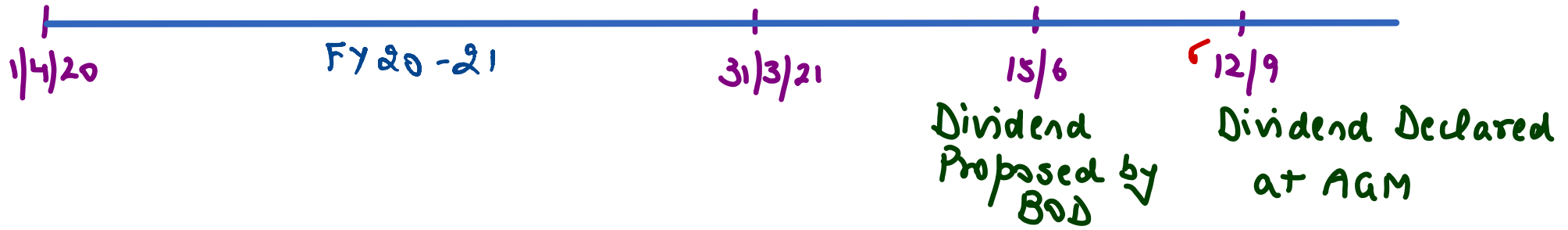
(Credit)

	<u>Liability Payable</u>	<u>Operating Cycle</u>	<u>Relevant Period</u> (Op. cycle or 12M ↑)	<u>Current or Non Current</u>
1)	13M	9M	12M	Non Current
2)	7M	9M	12M	Current
3) *	11M	9M	12M	Current
4)	18M	15M	15M	Non Current
5) †	13M	15M	15M	Current
6)	9M	15M	15M	Current

} < 12M (rows 1-3)
} > 12M (rows 4-6)

Dividend Adjustment

Dividend: Distribution of Profit



FY 2020-21

No Accounting Entry.

Disclosure in Notes of Proposed D/D

FY 2021-22

12/9 Declared: $\left[\begin{array}{l} \text{P\&L A/c - Dr} \rightarrow \text{P\&L: Reduc} \\ \text{To Dividend Payable A/c} \end{array} \right.$

Paid: $\left[\begin{array}{l} \text{Dividend Payable A/c - Dr} \\ \text{To Bank A/c} \end{array} \right.$

Example:

Profit for the year = 2,000,000

Opening P&L : 300,000

Appropriation ✓
P&L App. A/c X

Equity share capital = 5,000,000

Dividend Declared = 10% Transfer to General Reserve 5% of Profits

5% of current year profits

Note of Reserves & Surplus

1) P&L Surplus

Opening	300,000
+ Current Year Profit	<u>2,000,000</u>
	2,300,000

(5L x 10%) - Dividend declared	(500,000)	
(20L x 5%) - Tfr. to General Reserve	<u>(1,000,000)</u>	1,700,000
		1,000,000 ✓

2) General Reserve

Tfr:
P&L A/c - Dr 1L
To General Res. 1L

Div:
P&L A/c 5L
To Dividend Payable 5L

Current Liab: Other Curr. Liab: Dividend Payable 500,000

Adjustments:

①

Trial Balance

	Dr.	Cr.
Salary	₹ 50000	
		Salary payable <u>₹ 20000</u>

P&L

Employee Benefit Expense
Salaries (50000 + 20000) 70000

B/s

Current Liabilities
Other current Liab.
o/s Salary 20000

②

Trial Balance

	Dr.	Cr.
Salary	₹ 100000	
O/s Salary		₹ 30000

P&L

Employee Benefit Expense
Salaries 100000

B/s

Current Liabilities
Other current Liab.
o/s Salary 30000

③

Trial Balance

	Dr.	Cr.
Machinery	100000	

Depreciation @ 10%

P&L

Dep. & Amortisation Exp. Dep-on Machinery	10,000
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B/s

Non current Assets PPE & Intangible Assets PPE	
Machinery	90000

(100000 - 10000)

④

Trial Balance

	Dr.	Cr.
Machinery	150000	
Depreciation		20000

Dep. A/c - Dr
To PPE

P&L

Dep. & Amortisation Exp. Dep-on Machinery	20,000
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B/s

Non current Assets PPE & Intangible Assets PPE	
Machinery	150000

5

Trial Balance

	Dr.	Cr.
Machinery (Cost)	200000	
Acc. Dep. / Provision for Dep.		50000

Depreciation @ 10% on Cost / 10% on WDV

P&L

Dep. & Amortisation Exp.
Dep-on Machinery

(a) 20000
(2L x 10%)

(b) 15000
(2L - 50000) x 10%

B/s

Non current Assets
PPE & Intangible Assets
PPE

Machinery:	200000	200000
- Acc. Dep. (50000 + 20000)	(70000)	(50000 + 15000) (65000)
	<u>130000</u>	<u>135000</u>

Dep. A/c - Dr
To Prov. for Dep. /
Acc. Dep.

⑥

Trial Balance

	Dr.	Cr.
Machinery	200000	
Acc. Dep. / Provision for Dep.		50000
Depreciation	10000	

P&L

Dep. & Amortisation Exp.
Dep-on Machinery

10000

B/s

Non current Assets
PPE & Intangible Assets
PPE

Machinery
- Acc. Dep.

200000

(50000)

150000

⑦

Trial Balance

	Dr.	Cr.
Opening Stock	50000	
Purchases	400000	
<u>50000</u> 4L		
Closing Stock		<u>30000</u>

P&L

Purchases
Change in Inventory
(50000 - 30000)

400000

20000

B/s

Current Assets

Inventory

30000

8

Trial Balance

	Dr.	Cr.
Closing Stock	50000	
Adjusted Purchases	300000	

Opening + Purch - Cls.

P&L

~~Purchases~~ Adjusted Purch. 300000
~~Change in Inventory~~

B/s

Current Assets

Inventory

50000

9

If written

Closing Stock is 20000 more than
Opening Stock

$$\text{Cl. stk} = 50000 \quad \text{op. stk} = 30000$$

$$30000 + \text{Purchases} - 50000 = 30000$$

$$\text{Purchases} = 320000$$

P&L

Purchases 320000
 Change in Inventory (20000)
 (30000 - 50000)

B/s

Current Assets

Inventory

50000

10) Dividend Related

Case 1: Appearing in Trial Balance

(a) Trial Balance

	Dr.	Cr.
Dividend Payable / Unclaimed Dividend		50000

Entry Passed:

P&L A/c - Dr 50000
To Dividend Payable A/c 50000

B/s: Current Liabilities

Other current liabilities

Dividend Payable 50000

(b) Trial Balance

	Dr.	Cr.
<u>Dividend</u> / <u>Interim</u> D/D <u>Paid</u>	30000	

Entry Passed:

Dividend A/c - Dr. 30000
To Bank A/c 30000

B/s: Note to Reserve & Surplus

P&L / Surplus xx
- Dividend paid (30000)

Case 2: Appearing outside Trial Balance

a) Dividend Proposed : No Accounting Entry.
^{or}
Declared after 31/3 Disclosure in Notes to A/c's of Dividend Proposed.

b) Dividend Declared : / Declared on 31/3

Entry:

P&L A/c - Dr
 To Dividend Payable

① B/s: Note to Reserve & Surplus
 P&L / Surplus xx
 - Dividend Payable (xx)

② B/s: Current Liabilities
 Other current Liabilities
 Dividend Payable xx

11) Share Forfeiture & Reissue

Example: 20000 equity shares of 10 each fully called up.

Calls in Arrears on 3000 shares @ 2/Share (3000×2)

①

Calls in Arrears ✓

Share Forfeiture ✗

Share Capital

20000 sh. of 10 each	200000
- Calls in Arrears (3000×2)	(6000)
	<u>194000</u>

Dividend on : 194000

②

Calls in Arrears ✓

Share Forfeiture ✓

Share Reissue ✗

Entry:

Share Capital A/c - Dr	3000×10
To Share F.F. A/c	3000×8
To Calls in Arrears A/c	3000×2

Share Capital

17000 sh. of 10 each	170000
+ Share F.F.	24000
	<u>194000</u>

Dividend on : 170000

③

Share Reissue ✓

Reissued at 5/Share

Entry:

Bank A/c - Dr	3000×5
Share F.F. A/c - Dr	3000×5
To Share Capital	3000×10

Share F.F. A/c - Dr	3000×3
To Capital Reserve	3000×3

Share Capital

20000 shares of 10 each 200000

Res. & Surplus

Capital Reserve 3000×3

Dividend on : 200000