

Final Accounts of Companies

Operating Cycle: Period from Acquisition of asset till conversion of cash.

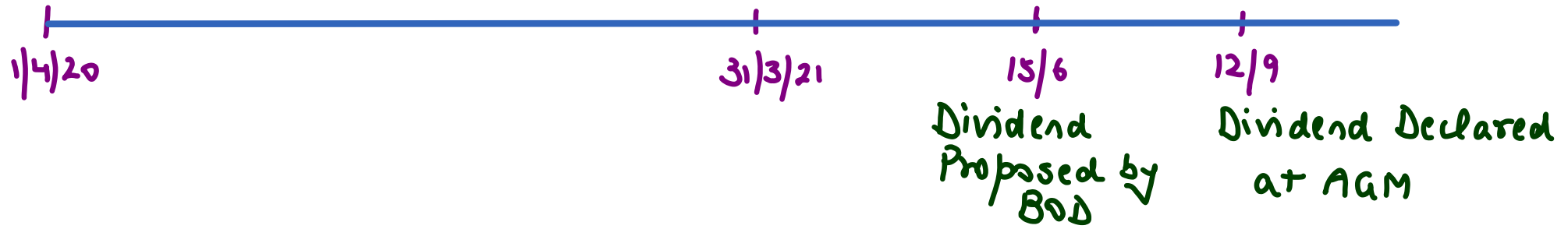
R/M Period + WIP Period + F.G. Period + Collection Period

	Liability Payable	Operating Cycle	Relevant Period	Current or Non Current
1)	13M	9M		
2)	7M	9M		
3)	11M	9M		
4)	18M	15M		
5)	13M	15M		
6)	9M	15M		

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Dividend Adjustment



FY 2020-21

No Accounting Entry.

Disclosure in Notes of Proposed D/D

FY 2021-22

Declared:

P&L A/c - Dr

To Dividend Payable A/c

Paid:

Dividend Payable A/c - Dr

To Bank A/c

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Example:

Profit for the year = 2000000

Opening P&L : 300000

Equity share capital = 5000000

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

Adjustments:

①

Trial Balance

	Dr.	Cr.
Salary	50000	
Salary payable		20000

②

Trial Balance

	Dr.	Cr.
Salary	100000	
O/s salary		30000

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③

Trial Balance

	Dr.	Cr.
Machinery	100000	
Depreciation @ 10%		

④

Trial Balance

	Dr.	Cr.
Machinery	150000	
Depreciation	20000	

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⑤

Trial Balance

	Dr.	Cr.
Machinery	200000	
Acc. Dep. / Provision for Dep.		50000
Depreciation @ 10% on ^(a) Wst / 10% on ^(b) WDV		

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⑥

Trial Balance

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

⑦

Trial Balance

	Dr.	Cr.
Opening Stock	50000	
Purchases	400000	
Closing Stock		30000

8

Trial Balance

	Dr.	Cr.
Closing Stock	50000	
Adjusted Purchases	300000	

9

If written
Closing Stock is 20000 more than
Opening Stock

10) Dividend Related

Case 1: Appearing in Trial Balance

(a) Trial Balance

	Dr.	Cr.
Dividend Payable		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.
Dividend / Interim D/D Paid	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.

Disclosure in Notes to A/c of Dividend Proposed.

b) Dividend Declared:

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

①

Calls in Arrears ✓
Share Forfeiture X

Share Capital

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

Dividend on : 194000

②

Calls in Arrears ✓
Share Forfeiture ✓
Share Reissue X

Entry:

Share Capital A/c - Dr 3000 X 10
To Share F.F. A/c 3000 X 8
To Calls in Arrears A/c 3000 X 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 X 5
Share F.F. A/c - Dr 3000 X 5
To Share Capital 3000 X 10
Share F.F. A/c - Dr 3000 X 3
To Capital Reserve 3000 X 3

Share Capital

20000 shares of 10 each 200000

Res. & Surplus

Capital Reserve 3000 X 3

Dividend on : 200000