

Final Accounts of Companies

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

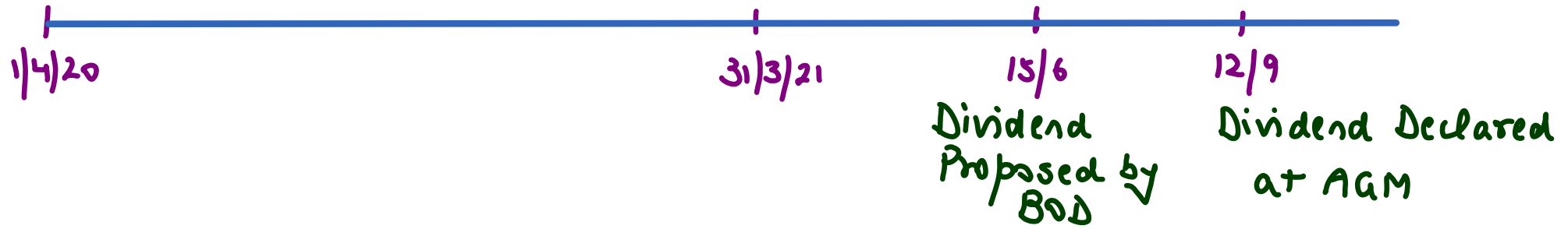
R/M Period + WIP Period + F.G. Period + Collection Period

	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

③

Trial Balance

	Dr.	Cr.
Machinery	100000	
Depreciation @ 10%.		

④

Trial Balance

	Dr.	Cr.
Machinery	150000	
Depreciation	20000	

⑤

Trial Balance

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

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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	<u>(xx)</u>

② B/s: Current Liabilities

Other current Liabilities

Dividend Payable	xx
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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