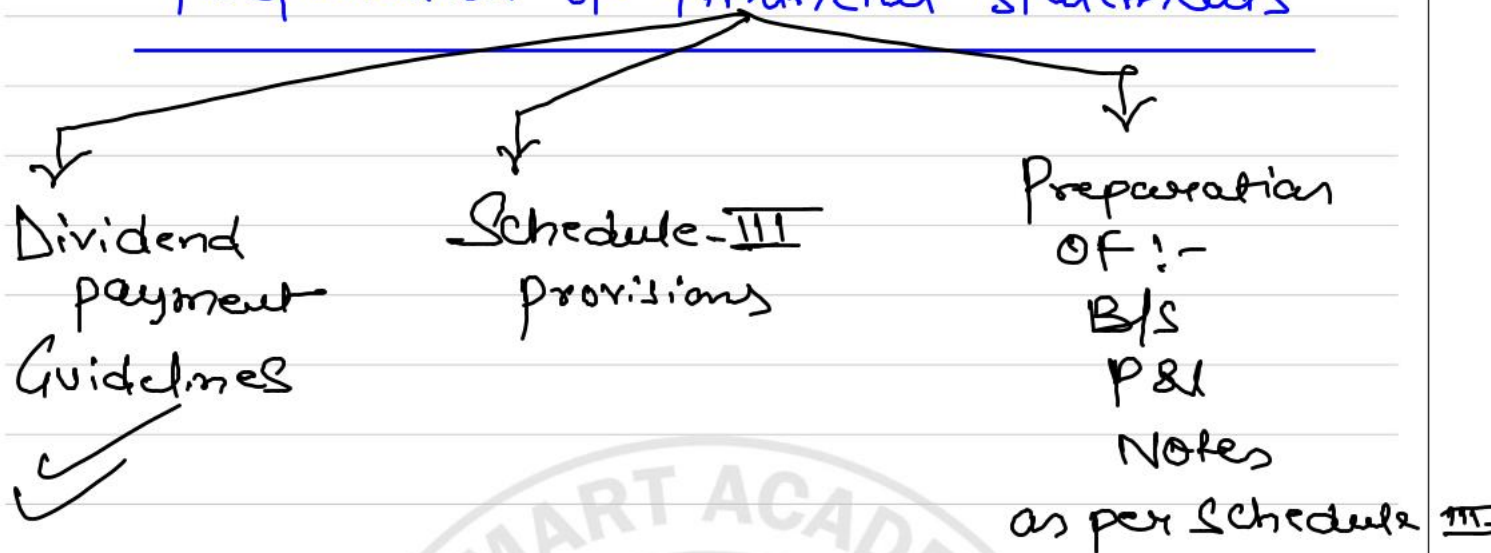


Preparation of Financial Statements



Dividend Payment Guidelines

- 1) Dividend means distribution of profits.
- 2) Dividend can be paid to Equity Shareholders without any limit if distributed out of Cy Profits.
- 3) If Cy profits are not sufficient (or) there are losses in cy then Equity Dividend can be distributed out of past profits available in the form of free reserves (GR + P&L a/c op. Bal.)
- 4) If Dividend is paid out of Past profits Entity has to fulfill following 3 Conditions:-

Condition 1:- Such Dividend shall not exceed the Avg. Dividend Rate of Last 3 years.

<u>25-26</u>	<u>24-25</u>	<u>23-24</u>	<u>22-23</u>
Cy	9%	11%	8%
↓			
Cy Divd. Rate			
shall not exceed 9.33%			

Avg. Divd = 9.33%
Rate

Maximum Withdrawal

Condition 2:- Maximum Use of Past profits for paying Dividend shall not exceed :-

10% of (Total paid up Capital + Free Reserves)
(ESC + PSC)

eg:- ESC 40 lacs.

PSC 18 lacs.

GR 23 lacs

P&L 10 lacs

Bal.

past profits

91 lacs. × 10% = 9.10 lacs. Can be Used out of past profits

Suppose, Dividend amt is 10,00,000, & we have Cy profits of 1,00,000. We want to use 900000 of past profit. is it allowed?

↓
Yes up 9.10 lacs. Can

be used out of
past profits.

Condition 3:- Minimum Balance in past profits
after withdrawal for Dividend
shall be atleast 15% of Total paidup Capital

Imp. Notes:-

- 1) Before paying Equity Dividend, Preference Dividend shall be paid in priority.
- 2) all above conditions are applicable for Equity Dividend only.

V'Smart Academy

Format of Statement of P&L

Particulars	Note	Amt.
1) Revenue from operations	13	
2) Other Incomes	14	
	(a)	

Expenses :-

- 1) Cost of Material Consumed (only for Manf. Companies)
 - OP. Raw material
 - (+) purchase of RM
 - (-) Close RM
- 2) Purchases of Stock in Trade
- 3) Changes in Inventory
- 4) Employee Benefit Expenses.
- 5) Finance Cost
- 6) Depreciation and Amortisation
- 7) Other Expenses.

(b)

Net profit Before Tax (a-b)
(-) Tax Expense

xxx
(xx)

Net profit After Tax

xxx

Balance Sheet Format

Particulars

Note no.

Amnt.

Equity & Liabilities

1) Shareholder's funds

- a) Share Capital (Esc + PSE)
- b) Reserves & Surplus
- c) Money received against the warrant

2) Share application money pending allotment

3) Non Current Liab. :-

- a) LT Borrowings
- b) DTL
- c) Other Non Current Liab.
- d) LT Provisions.

4) Current Liabilities :-

- a) ST Borrowings
- b) Trade payables
- c) Other Current Liab.
- d) ST provisions

ASSETS

1) Non Current Assets :-

PPE

Intangible Assets

Capital WIP

Intangible Asset Under Develop.

Non Current Investment

DTA

Long Term L&A

Other Non Current Assets

2) Current Assets :-

Current Investments

Inventories

Trade Receivables

Cash & Cash Equivalents

ST Loans & Advances

Other CA

Step 1:- items classification

Step 2:- B/S SPL (without fig.)

Step 3:- Notes to A/c's

Important Summary

1) OCL (Other Current Liability) items:-

- a) O/S expenses
- b) Dividend Payable & Unclaimed Divd.
- c) Interest Payable
- d) Share application money Refundable
- e) Interim Dividend Payable

2) Other Current Assets (OCA) items :-

- a) Prepaid Exp.
- b) Accrued Income

3) Income Tax Provision & Income Tax Paid:-

Tax a/c

To Bank xxx (I.T. Paid)	By Bal b/d xxx (Opng. provision)
To Bal c/d xxx (Closg. provision)	By P&L a/c xxx (I.T. provision created)

Eg:- Openg provision for Tax = 50,000 (as per TB)

Tax paid during the year = 12,30,00

Closg Provision = 62,000

Tax A/c	
To Bank 1,23,000	By Bal b/d 50,000
To Bal c/d 62,000	By P&L a/c (B/F) 1,35,000

(An arrow points from the 62,000 in the debit column to "B/S STP (CL)".)
 (An arrow points from the 1,35,000 in the credit column to "SPL").
 The 62,000 and 1,35,000 figures are underlined.

- 4) Director Remuneration \Rightarrow Employee Benf. Exp.
 Director's sitting fees \Rightarrow Other Exp.
- 5) Technical Knowhow \Rightarrow Intangible Asset
- 6) Dividend declared But date not mentioned
 \hookrightarrow Treat Contingent Liability only.
- 7) Bills discounted but not yet matured
 \hookrightarrow Treat Contingent liability.
- 8) Advance (Loan) to Director \Rightarrow Short Term L&A
 if nothing is specified.
- 9) Dividend Can not be distributed out of SP a/c

10) Debiture "1." is given → We have to check whether Interest is shown in TB or not.

If not shown in T.B., then dual effect of Interest should be given



11) Bad debt recovered ⇒ Other Income in SPL

12) Current Maturity of Long Term Loan

↳ ST Borrowing

[LT में एकाई
ST में add करो]

13) Bank OD ⇒ always ST Borrowing

14) Bill dishonoured

```
graph TD; A[Bill dishonoured] --- B[B/R (-)]; A --- C[Debtor (+)];
```

15) If Trial Balance shows only Assets & Liabilities no Income/Expenses, it means P&L Bal. given in TB is closing

16) Ageing of Trade Receivables

Notes to A/c of Trade Receivables must Disclose their ageing as Under :-

Amount due for 6 months or more	xxx
Remaining Amount due for less than 6 months	xxx

17) All provisions must be Created out of P&L a/c only :-

P&L a/c

To provision for Tax

To prov. for B.D

To Warranty provision

To Prov. for Depr.

18) Bank Balances must be shown in Notes as Under :-

Balance with Scheduled Banks	———	xxx
Balance with Other Banks	———	xxx

19) Trial Balance (Extract)

	Dr.	Cr.
PPE	xxx	—
provision for Dep	—	xxx

→ this is original cost

→ this is Accumulated Dep.

Trial Balance (Extract)

	Dr.	Cr.
PPE	xxx	

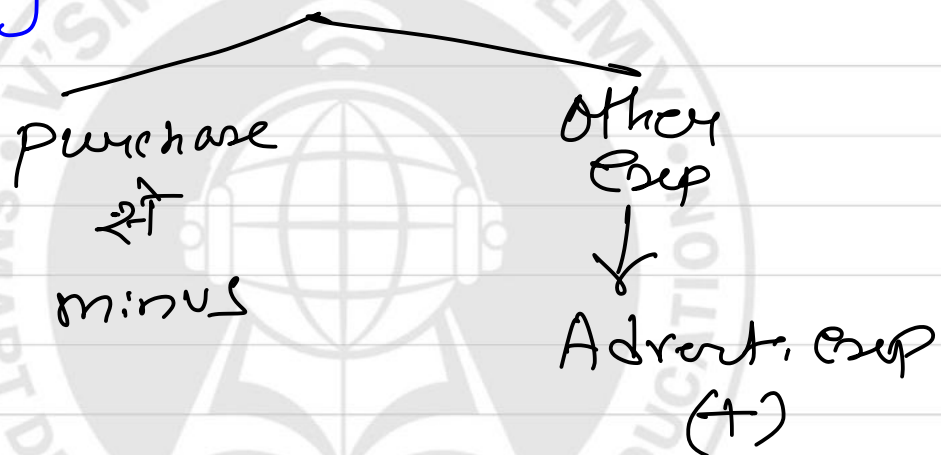
→ WDV

20) Other Expenses items :-

- Carriage inward/outward
- Selling, promotional, Advert, Marketing.
- preliminary.
- Dealer aid
- Transit insurance (or) any other Insurance premium paid
- Factory exp.
- Manufacturing exp.
- Director's fees/sitting fees.
- Consumables

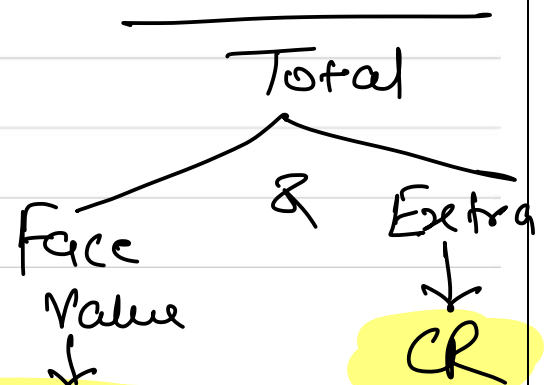
21) Adjusted purchase will always be treated as CGS.

22) Goods given as free sample



23) Share Forfeited & Reissued :-

Amnt already paid up ——— xxx
(+) Amnt. Collected on ——— xxx
Reissue



24) Closing Inventory is more than Opening Inventory \Rightarrow Negative Expense in Expense Side

25) Investment (not mentioned Current or Non-Current)
 \downarrow
Always Non-Current

26) Bonus issue during the year shall be made out of :-

1st priority \longrightarrow CRR

2nd priority \longrightarrow SP a/c

3rd priority \longrightarrow GR

4th priority \longrightarrow P&L a/c

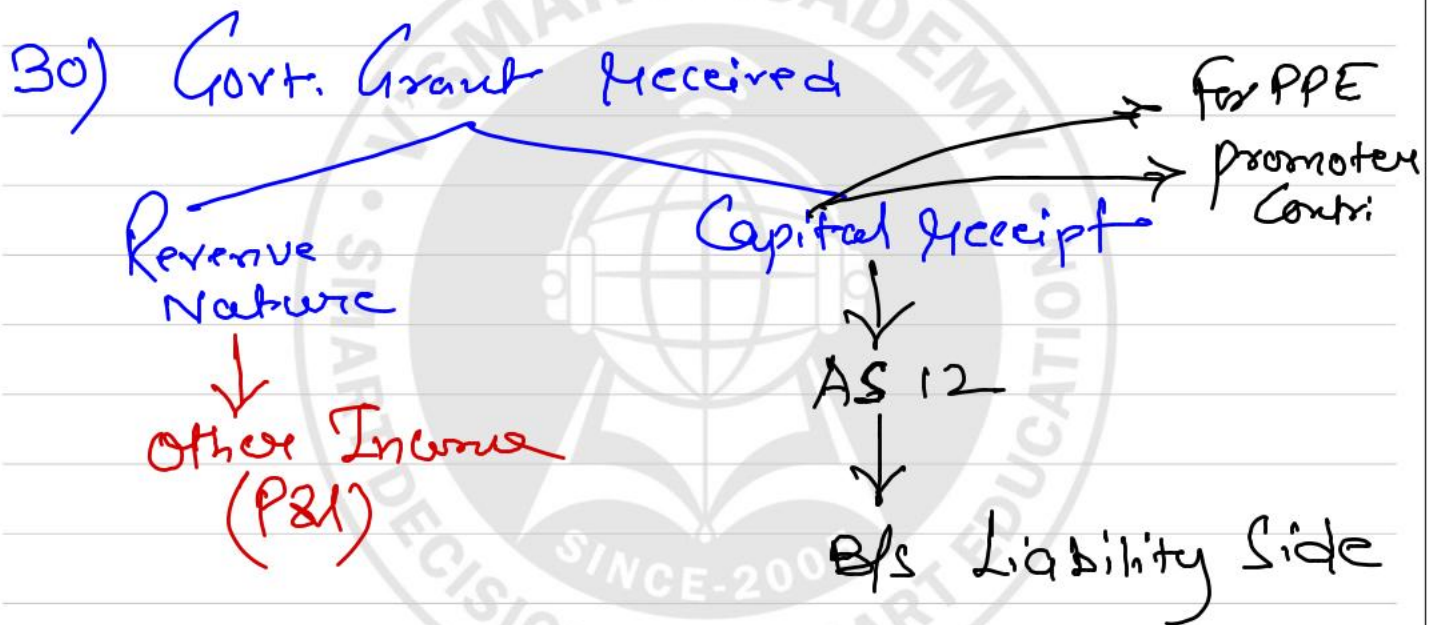
ESC (+)

Res (-)

27) When Question ask to Transfer some portion of profit to GR such as 10%. then such 10% shall be calculated on **Cy NPAT only.**

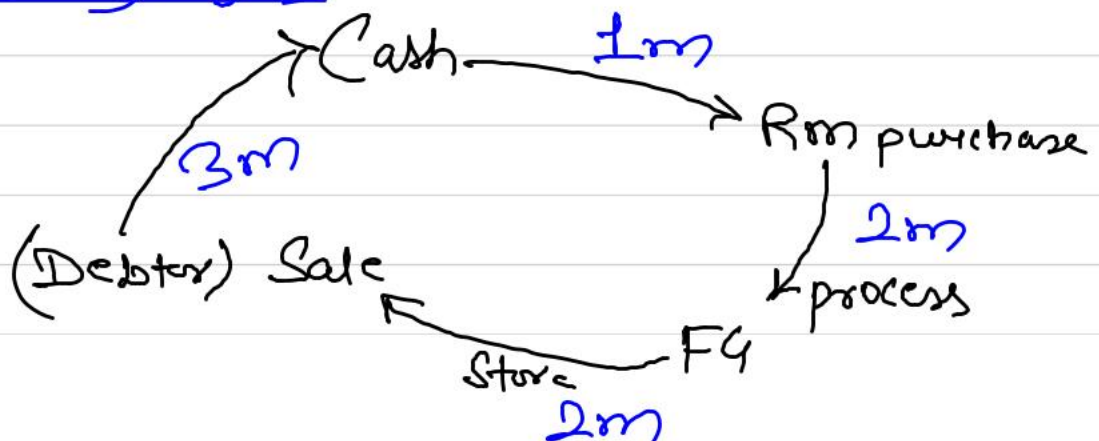
28) Debit Balance of P&L \Rightarrow means loss
it is to be disclosed Under R&E
as negative figure.

29) Calls in arrears shall always be
deducted from Share Capital.



31) Advance Tax \Rightarrow Short Term L&A in Current Assets.

32) operating cycle :-



MASTER QUESTION

MQ.FS.01:

The following is the Trial Balance of Holding Ltd., as on 31st March, 20X2:

PARTICULARS	DR.	CR.
Equity Share Capital	-	16,25,000
3000, 9% Cumulative Pref. Share Capital	-	3,00,000
10% Debentures	-	4,80,000
Security Premium	-	1,55,000
General Reserves	-	15,00,000
Profit and Loss A/c (PY)	-	1,50,000
Sales	-	90,00,000
Trade Payables	-	11,50,000
Provision for Depreciation on P&M	-	3,50,000
Suspense A/c	-	1,40,000
Land at Cost	40,00,000	-
Plant and Machine at Cost	12,50,000	-
Sundry Debtors	15,00,000	-
Bills Receivables	4,00,000	-
Inventories Closing (Stock in Trade)	7,50,000	-
Bank Balance	4,30,000	-
Adjusted Purchase of Stock in Trade	21,30,000	-
Factory Expenses	12,00,000	-
Administration Exp	4,00,000	-
Selling Exp	9,00,000	-
Debenture Interest Paid till 30 th Sep	35,000	-
Goodwill	10,00,000	-
Interim Dividend Paid	90,000	-
Bad Debts	45,000	-
Provision for Doubtful Debts	-	67,000
Directors Fees	51,000	-
Loose Tools	25,000	-
Consumables	18,000	-
Unclaimed Dividend of Last Year	-	12,000
Long Term Investments (7.5%)	16,00,000	-
Interest received on above Investments	-	90,000
Preliminary Expenses	40,000	-
Opening Raw Material	2,10,000	-
Purchase of Raw Material	8,10,000	-
Long Term Loan from Bank	-	13,20,000
Long Term Loan from Other Parties	-	3,00,000
Short Term Loan from Bank	-	5,00,000
Govt. Grant Received (Revenue Nature)	-	1,75,000
Managerial Remuneration Paid	1,00,000	-
Income Tax Paid	9,50,000	-
Provision for Income Tax (as on 1/04/20X1)	-	5,20,000
Deferred Tax Liability	-	1,00,000
	1,79,34,000	1,79,34,000

Additional Information:

- The authorised share capital of the company is:
3,000, 9% preference shares of Rs. 100 each 3,00,000



Master Question Pg. no. 2.51

Rough working

1) Pref. Dividend = 27000 ↙ R&S (-)
↘ OCL (+)

2) Interest on Debt

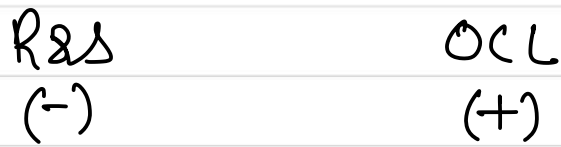
3) Interest on Investments = 12000 → P&L

↙ 3000 → Receivable
OCA

4) ^{equity} Share Capital = 1625000

↙ Esc ↘ CR
161000 25000

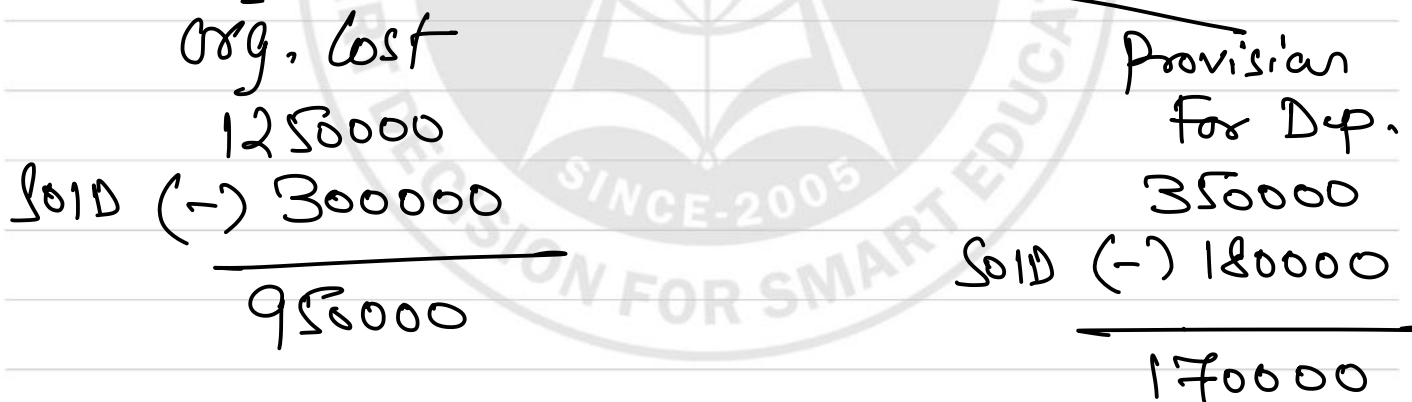
5) Eq. Divd $\Rightarrow 1600000 \times 12\% = 192000$



4) Revaluation 400000



5) Plant & machine



Dep @ 10% on $(95000 - 17000) = 78000$



7) Redemption of Debⁿ ⇒ FV 200000
 (+) prem. 20000
220000

Wrong

Debiture A/c 220000
 To Bank 220000

Correction Required

Correct entry

Debⁿ a/c Dr. 200000
 SP Dr. 20000
 To Bank 220000

1) Deb 480000
 + 20000

500000

2) SP 150000
 - 20000

130000



Debⁿ Int. (1st Half) = 35000 (TB) (FC)

Debⁿ Int (2nd Half) = 25000 Payable
 on 500000 × 10.1. × 6/12

FC
 (+)

OCL
 (+)

8) Debtors = 1500000

7% provision = 105000
 (-) 67000 TB

Creation ⇒ 38000

Other exp.

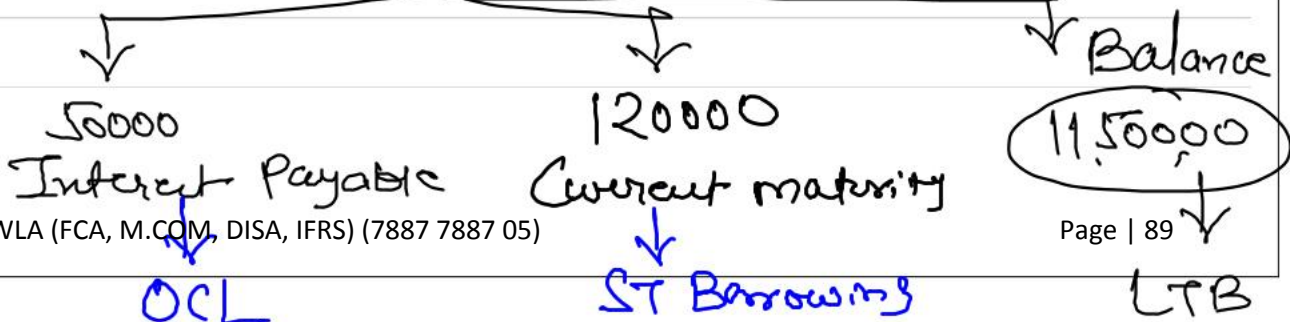
Prov. 67
 (+) 38

9)

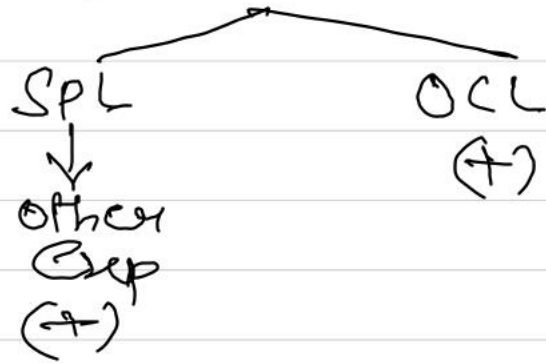
Tax A/c	
To Bank 950000	By Bal b/d 520000
To Bal c/d <u>800000</u>	By P&L a/c (B/F) <u>1230000</u>
STP (B/F)	SPL NPBT (-) Tax Exp.

10) 16000 Purchase (-)
 Other exp (+) Advertisement

11) LT Loan 1320000



12) Ofc Exp. 21000



Holding Ltd
Balance Sheet
As on 31/03/22

Particulars

Note

Amount

Equity & Liabilities

1) Shareholders Funds

a) Share Capital	1	19,00,000
b) Reserves & Surplus	2	39,30,000

2) Non Current Liabilities

a) Long Term Borrowing	3	19,50,000
b) DTL		1,00,000

3) Current Liabilities

a) Short Term Borrowing	4	6,20,000
b) Trade payables		11,50,000

c) Short Term provision	5	8,00,000
d) Other Current Liab.	6	3,27,000
Total		1,07,77,000

ASSETS

1) Non Current Assets

a) PPE	7	51,02,000
b) Intangible Asset	8	8,00,000
c) Non Current Investments		16,00,000

2) Current Assets

a) Inventories	9	10,20,000
b) Trade Receivables	10	17,95,000
c) Cash & Cash Equivalents	11	4,30,000
d) Other Current Asset	12	30,000
		1,07,77,000

Contingent Liabilities	13	15,000
------------------------	----	--------

Statement of P&L

<u>Particulars</u>	<u>Note</u>	<u>Amnt.</u>
Revenue from operation	14	90,00,000
Other Income	15	3,15,000
		<hr/>
	Total (a)	93,15,000

Expenses :-

1) Comc	16	775,000
2) Purchases	17	21,14,000
3) Employee Benf. Exp.	18	1,00,000
4) Finance Cost	19	60,000
5) Depreciation & Amort.	20	2,78,000
6) Other Exp.	21	27,29,000
		<hr/>
	Total (b)	60,56,000

Net profit Before Tax (a-b) 32,59,000

(-) Tax Expense (12,30,000)

Net profit after Tax
(transfer to R&S) 20,29,000

Notes to Accounts

1) Share Capital

a) Authorised Capital

3000, 9% Pref. Shares of 100/-	300000
20000, Equity Shares of 100/-	20,00,000
	<u>23,00,000</u>

b) Issued & Subscribed :-

3000, 9% Pref. Shares of 100/-	300,000
16000 Equity Shares of 100/-	16,00,000
	<u>19,00,000</u>

2) Reserves & Surplus

a) Capital Reserve (500 x 50/-)	25,000
b) Revaluation Reserves (on Land)	40,000
c) Security Premium (155000 - 20000)	135,000
d) General Reserves	19,05,800
Opng Bal	15,00,000
(+) Transfer from P&L	4,05,800
	<u>19,05,800</u>

e) Profit & Loss a/c

opening Bal.	150000	1464200
(+) NPAT	2029000	
(-) Pref. Divd	(27000)	
(-) Eq. Divd.	(192000)	
(-) Transfer to GR	(405800)	
(-) Interm. Divd.	(90000)	
		<u>3930000</u>

3) Long Term Borrowings

a) Debentures (480000 + 20000)	500000
b) LT Loan from Bank	1150000
c) Loan from other parties	300000
	<u>1950000</u>

4) Short Term Borrowing

a) Current maturity of LT Loan	120000
b) ST Loan	500000
	<u>620000</u>

5) Short Term Provision

Tax provision	800000
---------------	--------

6) Other Current Liabilities

a) Pref. Dividend (300000 × 9%)	27000
b) Equity Dividend (1600000 × 12%)	192000
c) Deb ⁿ Interest (2nd Half)	25000

d) Interest on LT Loan	50000
------------------------	-------

e) Unclaimed Dividend

12,000

f) O/s Exp.

21,000

327,000

7) PPE :-

Particulars	Org. Cost	Provision For Dep.	Net
a) Land	40,00,000	-	
(+) Revaluation	4,00,000		
	<u>44,00,000</u>	-	<u>44,00,000</u>
b) <u>Plant & Mach.</u>			
Opng. Bal.	12,50,000	35,000	9,00,000
(-) Machine sold	(3,00,000)	(1,80,000)	(1,20,000)
(+/-) Depreciation	-	78,000	(78,000)
	<u>9,50,000</u>	<u>2,48,000</u>	<u>7,02,000</u>
Gross Total	53,50,000	2,48,000	51,02,000

8) Intangible Assets

Goodwill

10,00,000

(-) Amortisation

(2,00,000)

8,00,000

9) Inventory

Loose Tools	25000
Rm Closing	245000
Closing SITFFG	750000
	<hr/>
	10,20,000
	<hr/>

10) Trade Receivable

a) B/R	400000
b) Debtors	1500000
(-) provision	(105000)
	<hr/>
	1795000
	<hr/>

11) Cash & Cash Equivalent

Bank	<hr/>
	430000
	<hr/>

12) Other Current Assets

Interest on Invest. Receivable	<hr/>
	30000
	<hr/>

13) Contingent Liab. :-

Bill Discounted	<hr/>
	15000
	<hr/>

14) Revenue from operations

Sales	90,00,000
-------	-----------

15) Other Income

Gain on Sales	20,000
---------------	--------

Govt Grant	17,500
------------	--------

Interest on Invest (90+30)	12,000
----------------------------	--------

<u>31,500</u>

16) Cost of Material Consumed

Opn Rm	210000
--------	--------

(+) Pur. of Rm	810000
----------------	--------

(-) Closg Rm	(245000)
--------------	----------

<u>775000</u>

17) Purchases of SIT

Adjusted purchases	2130000
--------------------	---------

(-) Goods given for sample	(16000)
----------------------------	---------

<u>21,14,000</u>

18) Employee Benefit Exp.

Managerial Remer. 1,00,000

19) Finance Cost

Interest on Debtⁿ (35+25) 60,000

20) Depreciation & Amorti

P&M 78,000

Goodwill 200,000

278,000

21) Other Expense :-

Factory Exp. 12,00,000

Adm. Exp. 4,00,000

Selling Exp. 9,00,000

Bad-debts 45,000

provision 38,000

Director's fees 5,000

Consumables 18,000

preliminary 40,000

o/s Exp. 21,000

Advertisement (sample) 16,000