

2.

# PREPARATION OF FINANCIAL STATEMENTS

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## SECTION - A

(Questions of Study Material, RTPs, MTPs and Past Exams to be Practiced in the Class)

### Q.FS.RMP.01(A) (Exam May'24) (Dividend Declaration)

Following information are available in respect of Z Limited as on 31<sup>st</sup> March, 2024

- |  |               |
|--|---------------|
| 1. Equity shares of Rs. 100 each                         | Rs. 500 lakhs |
| 2. General reserve                                       | Rs. 100 lakhs |
| 3. Loss for the year ending 31 <sup>st</sup> March, 2024 | Rs. 5 lakhs   |

Due to absence of profits during the year 2023 – 24, the management recommends to declare dividend of 10% on equity share capital out of general reserve.

The rates of equity dividend for the last 5 years immediately preceding the year 2023 – 24 are as following:

2022-23	2021-22	2020-21	2019-20	2018-19
12%	14%	10%	10%	7%

As an accountant of the company, you are required to suggest whether the recommendation of the management is justified? If, you do not agree, then suggest the rate of dividend.

### SOLUTION

**In case of declaration of dividend out of free reserves, there are 3 conditions:**

- Dividend Rate < Average Rate of last 3 years  $10\% < 12\% [(12+14+10)/3]$   
Condition is Satisfied
- Dividend Distributed < 10% of PUSC + Reserve and Surplus  $50,00,000 < 59,50,000$   
 $[(5,00,00,000 + 1,00,00,000 - 5,00,000) \times 10\%]$   
Condition is Satisfied



- (3) Reserves after dividend > 15% of PUSC 45,00,000 not > 75,00,000 (5,00,00,000 × 15%)  
Condition is Not Satisfied
- (4) The closing balance of reserves after payment of dividend and set off of loss = ₹ 75,00,000

Therefore, can be utilized = 20,00,000 (1,00,00,000 – 5,00,000 – 75,00,000) Thus, rate of dividend = (20,00,000/5,00,00,000) = 4%

**Alternatively**

To judge the recommendation of management, the satisfaction of all three conditions is to be checked:

- (1) Condition I  
The proposed dividend of 10% is less than the average rate of dividend being 12% (i.e.) (12+14+10) / 5 = 12 %.  
Hence, this condition is satisfied.

- (2) Condition II  
Amount to be withdrawn.

10% dividend on Equity share capital	50,00,000
+ Loss of Current year	5,00,000
Amount to be drawn from General Reserve	55,00,000

Maximum amount that can be withdrawn should not exceed 10% of paid-up share capital + free reserves.

= 10% of [₹ 500 lakhs + ₹ 100 lakhs] = ₹ 60,00,000

As the amount to be withdrawn is within the maximum limit, hence, this condition is also satisfied.

- (3) Condition III  
Balance of reserves after withdrawal (100-55) ₹ 45,00,000 15% of paid-up capital ₹ 75,00,000

As the balance of reserves should not be less than 15% of its paid-up share capital, but here the balance of reserves after withdrawal is less than 15% of paid-up share capital, hence this condition is not satisfied, hence, 10% dividend cannot be declared.

Maximum withdrawal of Reserve if condition II is satisfied.

Opening balance of Reserves in the beginning = ₹ 1,00,00,000  
of the year

- Closing balance of reserves being 15% of paid-up capital = ₹ 75,00,000

Reserves available = ₹ 25,00,000

Maximum permissible Divisible Profits

Permissible withdrawal as above = ₹ 25,00,000

Less: Current Year's Loss = ₹ 5,00,000

Maximum permissible Divisible profit = ₹ 20,00,000

Actual permissible rate of Dividend =  
(₹ 20,00,000 / ₹ 5,00,00,000) × 100 = 4%

Therefore, the recommendation of management is not justified and a dividend only up to a rate of 4% can be declared.

**Q.FS.RMP.02(A): (RTP May22)**

“Current maturities of long-term borrowing are disclosed separately under the head Other current liabilities in the balance sheet of a company.” You are required to comment in line with schedule III to the Companies Act 2013.

**SOLUTION**

Current maturities of loan term borrowing are shown under ‘short term borrowings’ and not under ‘Other current liabilities’ as per the amendment to Schedule III vide MCA notification dated 24th March, 2021. Hence the statement given in the question is not valid.

**Q.FS.SM.03(A):**

The Balance Sheet of Appropriate Ltd. as at 31<sup>st</sup> March, 2020 is as follows:

	Note No.	31 <sup>st</sup> March, 2020	31 <sup>st</sup> March, 2019
<b><u>EQUITY &amp; LIABILITIES</u></b>			
Share Capital	1		
Reserves and Surplus	2		
Employee Stock Option Outstanding	3		
Share Application Money Refundable	4		
<b><u>Non-Current Liabilities</u></b>			
Deferred Tax Liabilities (Arising from Indian Income Tax)	5		
<b><u>Current Liabilities</u></b>			
Trade Payable	6		
<b>Total</b>			
<b><u>ASSETS</u></b>			
<b><u>Non-Current Assets</u></b>			
PPE – Tangible	7		
Capital Work in Progress – (Including Capital Advance)	8		
<b><u>Current Assets</u></b>			
Trade Receivables	9		
Deferred Tax Assets (Arising from Income Tax)	10		
Profit and Loss (Debit Balance)			
<b>Total</b>			

Comment on the presentation in terms of Schedule III to the Companies Act, 2013 notified by the Central Government.

**SOLUTION**

Following Observations are considered from the given Balance Sheet Presentation: -

- 1) Under Equity & Liabilities side, First head is “Shareholders Fund” which is not mentioned on the face of Balance Sheet.
- 2) “Employee Stock Option Outstanding” is being wrongly shown on the face of Balance Sheet. It should be shown under the head “Reserves & Surplus” as a separate line item in Notes.
- 3) Share Application money refundable should be shown under Other Current Liabilities in the Notes.
- 4) Share Application money Pending Allotment head is missing on the Face of Balance Sheet
- 5) Capital Advance should be shown under “Long term Loans & Advances” in Non-Current Assets & Not as Capital Work in progress.
- 6) DTA shall be shown under Non-Current Assets Instead on Current Assets.

- 7) Dr. Balance of P&L A/c shall be shown separately as Negative figure under Reserves and not Asset side.

**Correct Presentation in Balance Sheet (as per Schedule III)**

Particulars	Note. No.	CY (Rs.)	PY (Rs.)
<b>Equity &amp; Liability</b>			
1) Shareholder's Fund			
a) Share capital			
b) Reserves & Surplus	1		
2) Share application money pending allotment			
3) Non-Current Liabilities			
Deferred Tax Liability			
4) Current Liabilities			
Trades Payables			
Other Current Liabilities	2		
<b>Assets</b>			
1) Non-Current Assets			
a) PPE			
(i) Tangible Assets			
(ii) Capital Work in Progress			
b) Deferred Tax Assets			
c) Long term Loans & Advances	3		
2) Current Assets			
Trade Receivables			

**Notes to Accounts: -**

<b>1) Reserves &amp; Surplus</b>	
<b>a) ESOP Outstanding</b>	
b) Dr. Balance of P&L A/c	
<b>2) Other Current Liabilities</b>	
a) Share application money refundable	
<b>3) Long term loans &amp; advances</b>	
a) Capital Advances	

**Q.FS.SM.04(A): (Basics)**

You are required to prepare Balance sheet and statement of Profit and Loss from the following trial balance of Haria Chemicals Ltd. for the year ended 31<sup>st</sup> March, 20X1.

**Haria Chemicals Ltd.  
Trial Balance as at 31st March, 20X1**

Particulars	Rs	Particulars	Rs
Inventory	6,80,000	Equity Shares	
Furniture	2,00,000	Capital (Shares of Rs 10 each)	25,00,000
Discount	40,000	11% Debentures	5,00,000
Loan to Directors	80,000	Bank loans	6,45,000
Advertisement	20,000	Trade payables	2,81,000
Bad debts	35,000	Sales	42,68,000
Commission	1,20,000	Rent received	46,000
Purchases	23,19,000	Transfer fees	10,000
Plant and Machinery	8,60,000	Profit & Loss account	1,39,000
Rentals	25,000	Depreciation provision:	
Current account	45,000	Machinery	1,46,000
Cash	8,000		

Interest on bank loans	1,16,000		
Preliminary expenses	10,000		
Fixtures	3,00,000		
Wages	9,00,000		
Consumables	84,000		
Freehold land	15,46,000		
Tools & Equipments	2,45,000		
Goodwill	2,65,000		
Trade receivables	4,40,000		
Dealer aids	21,000		
Transit insurance	30,000		
Trade expenses	37,000		
Distribution freight	54,000		
Debenture interest	55,000		
	<b>85,35,000</b>		<b>85,35,000</b>

**Additional information:** Closing Inventory on 31-3-20X1: Rs 8,23,000.

**SOLUTION**

**Haria Chemicals Ltd.  
Balance Sheet as at 31<sup>st</sup> March, 20X1**

	Schedule	Rupees as at the
	(1)	No. end of 31 <sup>st</sup> March 20X1 (2)
<b>Equity and Liabilities</b>		
(1) Shareholders' funds:		
a) Share Capital	1	25,00,000
b) Reserves and Surplus	2	7,40,000
(2) Non-Current Liabilities		
a) Long term borrowings	3	11,45,000
(3) Current Liabilities		
a) Trade Receivables		<u>2,81,000</u>
<b>Total</b>		<b><u>46,66,000</u></b>
<b>Assets</b>		
(1) Non-Current assets		
(a) PPE:	4	30,05,000
(b) Intangible assets (goodwill)		2,65,000
(2) Current assets		
a) Inventories		8,23,000
b) Trade receivables		4,40,000
c) Cash and bank balances	5	53,000
d) Short term loans and advances	6	<u>80,000</u>
<b>Total</b>		<b><u>46,66,000</u></b>

**Haria Chemicals Ltd.  
Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 20X1**

	Schedule	Figures
Revenue from operations		42,68,000
Other income (A)	7	<u>56,000</u>
<b>Expenses</b>		<b><u>43,24,000</u></b>
Cost of materials consumed	8	23,19,000
Change in inventory of finished goods	9	(1,43,000)
Employee benefit expenses	10	9,00,000
Finance cost	11	1,71,000

Other expenses (B)	12	4,76,000	
<b>Profit before tax (A - B)</b>		<b><u>37,23,000</u></b>	<b>6,01,000</b>
Provision for tax			—
<b>Profit for the period</b>			<b>6,01,000</b>

**Notes to Accounts**

1. <b>Share capital</b>	<b>Rs</b>		
Authorised:			
Equity share capital of Rs 10 each			25,00,000
Issued and Subscribed:			
Equity share capital of Rs 10 each			25,00,000
<b>2. Reserves and Surplus</b>			
Balance as per last balance sheet			1,39,000
Balance in profit and loss account			<u>6,01,000</u>
			<b><u>7,40,000</u></b>
<b>3. Long term Borrowings</b>			
11% Debentures			5,00,000
Bank loans (assumed long-term)			<u>6,45,000</u>
			<b><u>11,45,000</u></b>
<b>4. PPE</b>			
	<b>Gross block</b>	<b>Depreciation</b>	<b>Net Block</b>
Freehold land	15,46,000		15,46,000
Furniture	2,00,000		2,00,000
Fixtures	3,00,000		3,00,000
Plant & Machinery	8,60,000	1,46,000	7,14,000
Tools & Equipment	2,45,000		<u>2,45,000</u>
<b>Total</b>	<b>31,51,000</b>	<b>1,46,000</b>	<b>30,05,000</b>
<b>5. Cash and bank balances Cash and cash equivalents</b>			
Current account balance			45,000
Cash			8,000
Other bank balances			Nil
			<b>53,000</b>
<b>6. Short-term loans and Advances</b>			
Loan to directors			80,000
<b>7. Other Income</b>			
Rent received			46,000
Transfer fees			10,000
			<b><u>56,000</u></b>
<b>8. Changes in inventory of finished goods, WIP &amp; Stock in trade</b>			
Opening inventory		6,80,000	
Closing inventory		<u>8,23,000</u>	<b>(1,43,000)</b>
<b>9. Employee benefit expense</b>			
Wages			9,00,000
<b>10. Finance cost</b>			
Interest on bank loans			1,16,000
Debenture interest			55,000
			1,71,000
<b>11. Other Expenses</b>			
Consumables			84,000
Preliminary expenses			10,000
Bad debts			35,000
Rentals			25,000

<b>1. Share capital</b>		<b>Rs</b>	
Authorised:			
Equity share capital of Rs 10 each		25,00,000	
Issued and Subscribed:			
Equity share capital of Rs 10 each		25,00,000	
<b>2. Reserves and Surplus</b>			
Balance as per last balance sheet		1,39,000	
Balance in profit and loss account		<u>6,01,000</u>	
		<b>7,40,000</b>	
<b>3. Long term Borrowings</b>			
11% Debentures		5,00,000	
Bank loans (assumed long-term)		<u>6,45,000</u>	
		<b>11,45,000</b>	
<b>4. PPE</b>			
	<b>Gross block</b>	<b>Depreciation</b>	<b>Net Block</b>
Freehold land	15,46,000		15,46,000
Furniture	2,00,000		2,00,000
Fixtures	3,00,000		3,00,000
Plant & Machinery	8,60,000	1,46,000	7,14,000
Tools & Equipment	2,45,000		<u>2,45,000</u>
	<b>Total</b>	<b>1,46,000</b>	<b>30,05,000</b>
Commission			1,20,000
Advertisement			20,000
Dealers' aids			21,000
Transit insurance			30,000
Trade expenses			37,000
Distribution freight			54,000
			4,76,000

**Q.FS.RMP.05(A): (RTP Nov'18) (MTP May'22)**

You are required to prepare a Balance Sheet as at 31st March 2020, as per Schedule III of the Companies Act, 2013, from the following information of Mehar Ltd.:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Term Loans (Secured)	40,00,000	Investments (Non-current)	9,00,000
Trade payables	45,80,000	Profit for the year	32,00,000
Cash and Bank Balances	38,40,000	Trade receivables	49,00,000
Staff Advances	2,20,000	Miscellaneous Expenses	2,32,000
Other advances (Given by Co.)	14,88,000	Loan from other parties	8,00,000
Provision for Taxation	10,20,000	Provision for Doubtful Debts	80,000
Securities Premium	19,00,000	Stores	16,00,000
Loose Tools	2,00,000	Finished Goods	30,00,000
General Reserve	62,00,000	Plant and Machinery (WDV)	2,14,00,000

**Additional Information: -**

- Share Capital consists of-
  - 1,20,000 Equity Shares of Rs. 100 each fully paid up.
  - 40,000, 10% Redeemable Preference Shares of Rs. 100 each fully paid up.
- Write off the amount of Miscellaneous Expenses in full, amounting Rs. 2,32,000.

**SOLUTION**

**Balance Sheet of Mehar Ltd. as at 31st March, 2020**

		Note	Rs.
<b>I</b>	<b>EQUITY AND LIABILITIES:</b>		
<b>(1)</b>	<b>EQUITY</b>		
	(a)	Share Capital	1
			1,60,00,000
	(b)	Reserves and Surplus	2
			110,68,000
<b>(2)</b>	<b>Non-current Liabilities</b>		
		Long term Borrowings- Terms Loans (Secured)	
			40,00,000
<b>(3)</b>	<b>Current Liabilities</b>		
	(a)	Trade Payables	
			45,80,000
	(b)	Short Term Borrowings	3
			8,00,000
	(c)	Short-term Provisions (Provision for taxation)	
			10,20,000
		<b>Total</b>	<b>3,74,68,000</b>
<b>II</b>	<b>ASSETS</b>		
<b>(1)</b>	<b>Non-current Assets</b>		
	(a)	Property, Plant and Equipment	4
			214,00,000
	(b)	Non- current Investments	
			9,00,000
<b>(2)</b>	<b>Current Assets:</b>		
	(a)	Inventories	5
			48,00,000
	(b)	Trade Receivables	6
			48,20,000
	(c)	Cash and Cash Equivalents	
			38,40,000
	(d)	Short-term Loans and Advances	7
			17,08,000
		<b>Total</b>	<b>3,74,68,000</b>

**Notes to accounts**

			(Rs.)
<b>1.</b>	<b>Share Capital</b>		
	Authorized, issued, subscribed & called up		
	1,20,000, Equity Shares of Rs. 100 each	1,20,00,000	
	40,000 10% Redeemable Preference Shares of 100 each	40,00,000	1,60,00,000
<b>2.</b>	<b>Reserves and Surplus</b>		
	Securities Premium Account	19,00,000	
	General reserve	62,00,000	
	Profit & Loss Balance		
	Opening balance	-	
	Profit for the period	32,00,000	
	Less: Miscellaneous Expenditure		
	written off (2,32,000)	29,68,000	110,68,000
<b>3.</b>	<b>Short Term Borrowings</b>		
	Loan from other parties		8,00,000
<b>4.</b>	Property, plant and equipment Plant and Machinery (WDV)		214,00,000
<b>5.</b>	<b>Inventories</b>		

	Finished Goods	30,00,000	
	Stores	16,00,000	
	Loose Tools	2,00,000	48,00,000
<b>6.</b>	<b>Trade Receivables</b>		
	Trade receivables	49,00,000	
	Less: Provision for Doubtful Debts	(80,000)	48,20,000
<b>7.</b>	<b>Short term loans &amp; Advances</b>		
	Staff Advances*	2,20,000	
	Other Advances*	14,88,000	17,08,000

**Note:** \*Considered to be short term. Alternately such loan can also be treated as Long Term Borrowing.

**Q.FS.SM.06(A):**

Ring Ltd. was registered with a nominal capital of Rs 10,00,000 divided into shares of Rs 100 each. The following Trial Balance is extracted from the books on 31<sup>st</sup> March, 20X2:



Particulars	Rs	Particulars	Rs
Buildings	5,80,000	Sales	10,40,000
Machinery	2,00,000	Outstanding Expenses	4,000
Closing Stock	1,80,000	Provision for Doubtful Debts (1-4-20X1)	6,000
Loose Tools	46,000	Equity Share Capital	4,00,000
Purchases (Adjusted)	4,20,000	General Reserve	80,000
Salaries	1,20,000	Profit and Loss A/c (1-4-20X1)	50,000
Directors' Fees	20,000	Creditors	1,84,000
Rent	52,000	Provision for depreciation:	
Depreciation	40,000	On Building 1,00,000	
Bad Debts	12,000	On Machinery 1,10,000	2,10,000
Investment	2,40,000	14% Debentures	4,00,000
Interest accrued on investment	4,000	Interest on Debentures accrued but not due	28,000
Debenture Interest	56,000	Interest on Investments	24,000
Advance Tax	1,20,000	Unclaimed dividend	10,000
Sundry expenses	36,000		
Debtors	2,50,000		
Bank	60,000		
	<b>24,36,000</b>		<b>24,36,000</b>

You are required to prepare statement of Profit and Loss for the year ending 31<sup>st</sup> March, 20X2 and Balance sheet as at that date after taking into consideration the following information:

- (a) Closing stock is more than opening stock by Rs 1,60,000;
- (b) Provide to doubtful debts @ 4% on Debtors
- (c) Make a provision for income tax @30%.
- (d) Depreciation expense included depreciation of Rs 16,000 on Building and that of Rs 24,000 on Machinery.
- (e) The directors declared a dividend @ 25% and transfer to General Reserve @ 10%.
- (f) Bills Discounted but not yet matured Rs 20,000.

**SOLUTION**

**Ring Ltd.  
Profit and Loss Statement for the year ended  
31st March, 20X2**

Particulars	Note No.	(Rs in lacs)
I Revenue from operations		10,40,000

II	Other income (interest on investment)		24,000
<b>III</b>	<b>Total Revenue [I + II]</b>		<b>10,64,000</b>
IV	Expenses:		
	Cost of purchase [4,20,000+ 1,60,000]		5,80,000
	Changes in inventories [20,000-1,80,000]		(1,60,000)
	Employee Benefits Expense		1,20,000
	Finance costs (debenture interest)		56,000
	Depreciation and Amortisation Expenses		40,000
	Other Expenses	8	1,24,000
	<b>Total Expenses</b>		<b>7,60,000</b>
V	Profit before Tax (III-IV)		3,04,000
VI	Tax Expenses @ 30%		(91,200)
<b>VII</b>	<b>Profit for the period</b>		<b>2,12,800</b>

**Balance Sheet of Ring Ltd. as at 31<sup>st</sup> March, 20X2**

Particulars		Note No.	Rs
<b>I</b>	<b>EQUITY AND LIABILITIES</b>		
(1)	Shareholders' Funds		
(a)	Share Capital	1	4,00,000
(b)	Reserves and Surplus	2	3,42,8000
(2)	Non-Current Liabilities		
(a)	Long-term Borrowings (14% debentures)		4,00,000
(3)	Current Liabilities		
(a)	Trade Receivable (Sundry Creditors)		1,84,000
(b)	Other Current Liabilities	3	42,000
(c)	Short-Term Provisions	4	91,200
	<b>Total</b>		<b>14,60,000</b>
<b>II</b>	<b>ASSETS</b>		
(1)	Non-Current Assets		
(a)	PPE		
(i)	Tangible Assets	5	5,70,000
(b)	Non-current Investments		2,40,000
(2)	Current Assets		
(a)	Inventories	6	2,26,000
(b)	Trade Receivables	7	2,40,000
(c)	Cash and bank balances		60,000
(d)	Short Term Loans and Advances (Advance Payment of Tax)		1,20,000
(e)	Other Current Assets		4,000
	(Interest accrued on investments)		
	<b>Total</b>		<b>14,60,000</b>

**Note:** There is a Contingent Liability for bills discounted but not yet matured amounting Rs 20,000.

**Notes to Accounts:**

<b>1</b>	<b>Share Capital</b>	
	Authorised Capital	
	10,000 Equity Shares of Rs 100 each	10,00,000
	Issued Capital	
	4,000 Equity Shares of Rs 100 each	4,00,000
	Subscribed Capital and fully paid	
	4,000 Equity Shares of RS 100 each	4,00,000

		<b>4,00,000</b>
<b>2. Reserve and Surplus</b>		
General Reserve [Rs 80,000 + RS 21,280]		1,01,280
Balance of Statement of Profit & Loss Account		
Opening Balance	50,000	
Add: Profit for the period	2,12,800	
	2,62,800	
<b>Appropriations</b>		
Transfer to General Reserve @ 10%	(21,280)	2,41,520
		<b>3,42,800</b>
<b>3. Other Current Liabilities</b>		
Unclaimed Dividend		10,000
Outstanding Expenses		4,000
Interest accrued on Debentures		28,000
		<b>42,000</b>
<b>4. Short-Term Provision</b>		
Provision for Tax		91,200
<b>5 Tangible Assets</b>		
Buildings	5,80,000	
Less: Provision for Depreciation	1,00,000	4,80,000
Plant and Equipment	2,00,000	
Less: Provision for Depreciation	1,10,000	90,000
		<b>5,70,000</b>
<b>6 Inventories</b>		
Closing Stock of Finished Goods	1,80,000	
Loose Tools	46,000	<b>2,26,000</b>
<b>7 Trade Receivables</b>		
Sundry Debtors	2,50,000	
Less: Provision for Doubtful Debts	(10,000)	<b>2,40,000</b>
<b>8. Other Expenses</b>		
Rent		52,000
Directors' Fees		20,000
Bad Debts		12,000
Provision for Doubtful Debts (4% of Rs 2,50,000 less Rs 6,000)		4,000
Sundry Expenses		36,000
		<b>1,24,000</b>

**Q.FS.SM.07(A):**

You are required to prepare a Statement of Profit and Loss and Balance Sheet from the following Trial Balance extracted from the books of the International Hotels Ltd., on 31<sup>st</sup> March, 20X2:



	<b>Dr.</b>	<b>Cr.</b>
	<b>Rs</b>	<b>Rs</b>
Authorised Capital-divided into 5,000 6% Preference Shares of Rs 100 each and 10,000 equity Shares of Rs 100 each		15,00,000
Subscribed Capital -		
5,000 6% Preference Shares of Rs 100 each		5,00,000
Equity Capital		8,05,000
Purchases - Wines, Cigarettes, Cigars, etc.	45,800	
- Foodstuffs	36,200	
Wages and Salaries	28,300	
Rent, Rates and Taxes	8,900	

Laundry	750	
Sales - Wines, Cigarettes, Cigars, etc.		68,400
- Food		57,600
Coal and Firewood	3,290	
Carriage and Cooliage	810	
Sundry Expenses	5,840	
Advertising	8,360	
Repairs	4,250	
Rent of Rooms		48,000
Billiard		5,700
Miscellaneous Receipts		2,800
Discount received		3,300
Transfer fees		700
Freehold Land and Building	8,50,000	
Furniture and Fittings	86,300	
Inventory on hand, 1st April, 20X1		
Wines, Cigarettes. Cigars, etc.	12,800	
Foodstuffs	5,260	
Cash in hand	2,200	
Cash with Bankers	76,380	
Preliminary and formation expenses	8,000	
2,000 Debentures of Rs 100 each (6%)		2,00,000
Profit and Loss Account		41,500
Trade payables		42,000
Trade receivables	19,260	
Investments	2,72,300	
Goodwill at cost	5,00,000	
General Reserve		<u>2,00,000</u>
	<b>19,75,000</b>	<b>19,75,000</b>
Wages and Salaries Outstanding	1,280	
<b>Inventory on 31st March, 20X2</b>		
Wines, Cigarettes and Cigars, etc.	22,500	
Foodstuffs	16,400	

Depreciation: Furniture and Fittings @ 5% p.a.: Land and Building @ 2% p.a.

The Equity capital on 1st April, 20X1 stood at Rs 7,20,000, that is 6,000 shares fully paid and 2,000 shares Rs 60 paid. The directors made a call of Rs 40 per share on 1st October 20X1. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs 90 per share as fully paid. The Directors declare a dividend of 8% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.

**SOLUTION**

**Statement of Profit and Loss of International Hotels Ltd.  
for the year ended 31st March, 20X2**

	Particulars	Notes	Amount
I.	Revenue from operations	9	1,79,700
II.	Other income	10	6,800
<b>III.</b>	<b>Total Revenue (I + II)</b>		<b>1,86,500</b>
IV.	Expenses:		
	Cost of materials consumed	11	25,060
	Purchases of Inventory-in-Trade	12	45,800
	Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	13	(9,700)
	Employee benefits expense	14	29,580

	Other operating expenses	15	18,000
	Selling and administrative expenses	16	14,200
	Finance costs	17	12,000
	Depreciation and amortisation expense	18	21,315
	Other expense (preliminary expenses written off)		8,000
	<b>Total expenses</b>		<b>1,64,255</b>
<b>V.</b>	<b>Profit (Loss) for the period (III - IV)</b>		<b>22,245</b>

**Balance Sheet of International Hotels Ltd. as on 31st March, 20X2**

Particulars		Note No	Rs
<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>		
a	Share capital	1	13,00,000
b	Reserves and Surplus	2	2,68,745
<b>2</b>	<b>Non-current liabilities</b>		
a	Long-term borrowings	3	2,00,000
<b>3</b>	<b>Current liabilities</b>		
a	Trade Receivables	4	42,000
b	Other current liabilities	5	13,280
<b>Total</b>			<b>18,24,025</b>
<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>		
a	PPE		
I	Tangible assets	6	9,14,985
II	Intangible assets (Goodwill)		5,00,000
B	Non-current investments		2,72,300
<b>2</b>	<b>Current assets</b>		
A	Inventories	7	38,900
B	Trade receivables		19,260
C	Cash and bank balances	8	78,580
<b>Total</b>			<b>18,24,025</b>

**Notes to accounts**

		Rs
<b>1</b>	<b>Share Capital</b>	
	Equity share capital	
	Authorised	
	10,000 Equity shares of Rs 100 each	10,00,000
	Issued & subscribed	
	8,000 Equity Shares of Rs 100 each	8,00,000
	Preference share capital	
	Authorised	
	5,000 6% Preference shares of Rs 100 each	5,00,000
	Issued & subscribed	
	5,000 6% Preference shares of Rs 100 each	5,00,000
	<b>Total</b>	<b>13,00,000</b>
<b>2</b>	<b>Reserves and Surplus</b>	
	Capital reserve [100 x (90 - 40)]	5,000
	General reserve	2,00,000
	Less: Amount used to pay dividend	(30,255)
	Surplus (Profit & Loss A/c)	22,245
	Add: Balance from previous year	41,500
		63,745

	<b>Total</b>		<b>2,68,745</b>
<b>3</b>	<b>Long-term borrowings</b>		
	Secured		
	6% Debentures		2,00,000
	<b>Total</b>		<b>2,00,000</b>
<b>4</b>	<b>Trade Receivables</b>		42,000
<b>5</b>	<b>Other current liabilities</b>		
	Wages and Salaries Outstanding	1,280	
	Interest on debentures dividend Receivable	12,000	13,280
	<b>Total</b>		<b>13,280</b>
<b>6</b>	<b>Tangible assets</b>		
	Freehold land & Buildings	8,50,000	
	Less: Depreciation	(17,000)	8,33,000
	Furniture and Fittings	86,300	
	Less: Depreciation	(4,315)	81,985
	<b>Total</b>		<b>9,14,985</b>
<b>7</b>	<b>Inventories</b>		
	Wines, Cigarettes & Cigars, etc.		22,500
	Foodstuffs		16,400
	<b>Total</b>		<b>38,900</b>
<b>8</b>	<b>Cash and cash equivalents</b>		
	Cash at bank		76,380
	Cash in hand		2,200
	Other bank balances		Nil
	<b>Total</b>		<b>78,580</b>
<b>9</b>	<b>Revenue from operations</b>		
	<b>Sale of products</b>		
	Wines, Cigarettes, Cigars etc.	68,400	
	Food	57,600	1,26,000
	<b>Sale of services</b>		
	Room Rent	48,000	
	Billiards	5,700	53,700
	<b>Total</b>		<b>1,79,700</b>
<b>10</b>	<b>Other income</b>		
	Transfer fees	700	
	Miscellaneous Receipts	2,800	
	Discount received	3,300	
	<b>Total</b>		<b>6,800</b>
<b>11</b>	<b>Cost of materials consumed</b>		
	Opening Inventory	5,260	
	Add: Purchases during the year	36,200	
	Less: Closing Inventory	(16,400)	25,060
	<b>Total</b>		<b>25,060</b>
<b>12</b>	<b>Purchases of Inventory-in-Trade</b>		
	Wines, Cigarettes etc.		45,800
	<b>Total</b>		<b>45,800</b>
<b>13</b>	<b>Changes in inventories of finished goods work-in-progress and Inventory-in-Trade</b>		
	Wines, Cigarettes etc.		
	Opening Inventory	12,800	
	Less: Closing Inventory	(22,500)	(9,700)
	<b>Total</b>		<b>(9,700)</b>
<b>14</b>	<b>Employee benefits expense</b>		

	Wages and Salaries	28,300	
	Add: Wages and Salaries Outstanding	1,280	29,580
	<b>Total</b>		<b>29,580</b>
<b>15</b>	<b>Other operating expenses</b>		
	Rent, Rates and Taxes		8,900
	Coal and Firewood		3,290
	Laundry		750
	Carriage and Cooliage		810
	Repairs		4,250
	<b>Total</b>		<b>18,000</b>
<b>16</b>	<b>Selling and administrative expenses</b>		
	Advertising		8,360
	Sundry Expenses		5,840
	<b>Total</b>		<b>14,200</b>
<b>17</b>	<b>Finance costs</b>		
	Interest on Debentures (2,00,000 x 6%)	12,000	
	<b>Total</b>		<b>12,000</b>
<b>18</b>	<b>Depreciation and amortisation expense</b>		
	Land and Buildings (8,50,000 x 2%)	17,000	
	Furniture & Fittings (86,300 x 5%)	4,315	
	<b>Total</b>		<b>21,315</b>

**Q.FS.SM.08(A): (MTP May20 & Nov21)**

On 31<sup>st</sup> March, 20X1, SR Ltd. provides the following ledger balances after preparing its Profit & Loss Account for the year ended 31<sup>st</sup> March, 20X1.



Particulars	Amount (Rs.)	
	Debit	Credit
Equity Share Capital, fully paid shares of Rs. 50 each		80,00,000
Calls in arrear	15,000	
Land	25,00,000	
Buildings	30,00,000	
Plant & Machinery	24,00,000	
Furniture & Fixture	13,00,000	
Securities Premium		15,00,000
General Reserve		9,41,000
Profit & Loss Account		5,80,000
Loan from Public Finance Corporation (Secured by Hypothecation of Land)		26,30,000
Other Long-Term Loans		22,50,000
Short Term Borrowings		4,60,000
Inventories: Finished goods	45,00,000	
Raw materials	13,00,000	
Trade Receivables	17,50,000	
Advances: Short Term	3,75,000	
Trade Payables		8,13,000
Provision for Taxation		3,80,000
Unpaid Dividend		70,000
Cash in Hand	70,000	
Balances with Banks	4,14,000	
<b>Total</b>	<b>1,76,24,000</b>	<b>1,76,24,000</b>

The following additional information was also provided in respect of the above balances:



- 1) 50,000 fully paid equity shares were allotted as consideration for land.
- 2) The cost of assets were:

Building	Rs. 32,00,000
Plant and Machinery	Rs. 30,00,000
Furniture and Fixture	Rs. 16,50,000

- 3) Trade Receivables for Rs. 4,86,000 due for more than 6 months.
- 4) Balances with banks include Rs. 56,000, the Naya bank, which is not a scheduled bank.
- 5) Loan from Public Finance Corporation repayable after 3 years.
- 6) The balance of Rs. 26,30,000 in the loan account with Public Finance Corporation is inclusive of Rs.1,34,000 for interest accrued but not due. The loan is secured by hypothecation of land.
- 7) Other long-term loans (unsecured) includes:

Loan taken from Nixes Bank	Rs. 13,80,000
(Amount repayable within one year)	(Rs. 4,80,000)
Loan taken from Directors	Rs. 8,50,000

- 8) Bills Receivable for Rs. 1,60,000 maturing on 15th June, 20X1 has been discounted.
- 9) Short term borrowings includes:

Loan from Naya bank	Rs. 1,16,000 (Secured)
Loan from directors	Rs. 48,000

- 10) Transfer of Rs. 35,000 to general reserve has been proposed by the Board of directors out of the profits for the year.
- 11) Inventory of finished goods includes loose tools costing Rs. 5 lakhs (which do not meet definition of property, plant & equipment as per AS 10)

You are required to prepare the Balance Sheet of the Company as on March 31st 20X1 as required under Part - I of Schedule III of the Companies Act, 2013.

You are not required to give previous year figures

**SOLUTION**

**SR Ltd.**

**Balance Sheet as at 31<sup>st</sup> March, 20X1**

Particulars	Notes	Figures at the end of current reporting period (Rs.)
<b>Equity and Liabilities</b>		
<b>Shareholders' funds</b>		
Share capital	1	79,85,000
Reserves and Surplus	2	30,21,000
<b>Non-current liabilities</b>		
Long-term borrowings	3	42,66,000
<b>Current liabilities</b>		
Short-term borrowings	4	9,40,000
Trade Receivables		8,13,000
Other current liabilities	5	2,04,000
Short-term provisions	6	3,80,000
<b>Total</b>		<b>1,76,09,000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
PPE	7	92,00,000
<b>Current assets</b>		
Inventories	8	58,00,000
Trade receivables	9	17,50,000
Cash and cash equivalents	10	4,84,000

Short-term loans and advances		3,75,000
<b>Total</b>		<b>1,76,09,000</b>

**Notes to accounts**

<b>1.</b>	<b>Share Capital</b>		
	Equity share capital		
	Issued, subscribed and called up		
	1,60,000 Equity Shares of Rs. 50 each (Out of the above 50,000 shares have been issued for consideration other than cash)	80,00,000	
	Less: Calls in arrears	(15,000)	79,85,000
<b>2.</b>	<b>Reserves and Surplus</b>		
	General Reserve	9,41,000	
	Add: Transferred from Profit and loss account	35,000	9,76,000
	Securities premium		15,00,000
	Surplus (Profit & Loss A/c)	5,80,000	
	Less: Appropriation to General Reserve (proposed)	(35,000)	5,45,000
			<b>30,21,000</b>
<b>3.</b>	<b>Long-term borrowings</b>		
	Secured: Term Loans		
	Loan from Public Finance Corporation [Receivable after 3 years (Rs. 26,30,000 - Rs. 1,34,000 for interest accrued but not due)] (secured by hypothecation of land)		24,96,000
	Unsecured		
	Bank Loan (Nixes bank)	9,00,000	
	(Rs. 13,80,000 - Rs. 4,80,000 Receivable within 1 year)		
	Loan from Directors	8,50,000	
	Others	20,000	17,70,000
	<b>Total</b>		<b>42,66,000</b>
<b>4.</b>	<b>Short-term borrowings</b>		
	Loan from Naya bank (Secured)	1,16,000	
	Loan from Directors	48,000	
	Loan from Nixes bank Receivable within one year	4,80,000	
	Others	2,96,000	
			<b>9,40,000</b>
<b>5.</b>	<b>Other current liabilities</b>		
	Unpaid dividend	70,000	
	Interest accrued but not due on borrowings	1,34,000	
			<b>6,84,000</b>
<b>6.</b>	<b>Short-term provisions</b>		
	Provision for taxation		3,80,000
<b>7.</b>	<b>PPE</b>		
	Land		25,00,000
	Buildings	32,00,000	
	Less: Depreciation	(2,00,000)	30,00,000
	Plant & Machinery	30,00,000	
	Less: Depreciation	(6,00,000)	24,00,000
	Furniture & Fittings	16,50,000	
	Less: Depreciation	(3,50,000)	13,00,000
	<b>Total</b>		<b>92,00,000</b>
<b>8.</b>	<b>Inventories</b>		
	Raw Material	13,00,000	
	Finished goods	40,00,000	

	Loose tools	5,00,000	58,00,000
<b>9.</b>	<b>Trade receivables</b>		
	Outstanding for a period exceeding six months		4,86,000
	Others		12,64,000
	<b>Total</b>		<b>17,50,000</b>
<b>10.</b>	<b>Cash and cash equivalents</b>		
	Balances with banks		
	with Scheduled Banks	3,58,000	
	with others banks	56,000	4,14,000
	Cash in hand		70,000
	<b>Total</b>		<b>4,84,000</b>

**Note:** There is a contingent liability amounting to Rs. 1,60,000

**Q.FS.RMP.09(A): (RTP May'18 & May'24, MTP Nov'20 & May'22)**

Kapil Ltd. has authorized capital of Rs. 50 lakhs divided into 5,00,000 equity shares of Rs. 10 each. Their books show the following balances as on 31st March, 2017:

	<b>Rs</b>		<b>Rs</b>
Inventory 1.4.2016	6,65,000	Bank Current Account	20,000
Discounts & Rebates allowed	30,000	Cash in hand	8,000
Carriage Inwards	57,500	Interest (bank overdraft)	1,11,000
Patterns (Tangible Asset)	3,75,000	Calls in Arrear @ Rs 2 per share	10,000
Rate, Taxes and Insurance	55,000	Equity shares capital	20,00,000
Furniture & Fixtures	1,50,000	(2,00,000 shares of Rs. 10 each)	
Purchases	12,32,500	Bank Overdraft	12,67,000
Wages	13,68,000	Trade Payables (for goods)	2,40,500
Freehold Land	16,25,000	Sales	36,17,000
Plant & Machinery	7,50,000	Rent (Cr.)	30,000
Engineering Tools	1,50,000	Transfer fees received	6,500
Trade Receivables	4,00,500	Profit & Loss A/c (Cr.)	67,000
Advertisement	15,000	Repairs to Building	56,500
Commission & Brokerage	67,500	Bad debts	25,500
Business Expenses	56,000		

The inventory (valued at cost or market value, which is lower) as on 31st March, 2017 was Rs. 7,08,000. Outstanding liabilities for wages Rs. 25,000 and business expenses Rs. 36,000. Dividend declared @ 12% on paid-up capital and it was decided to transfer to reserve @ 2.5% of profits.

Charge depreciation on closing written down amount of Plant & Machinery @ 5%, Engineering Tools @ 20%; Patterns @ 10%; and Furniture & Fixtures @ 10%. Provide 25,000 as doubtful debts after writing off Rs. 16,000 as bad debts. Provide for income tax @ 30%.

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2017 and Balance Sheet as on that date.

**SOLUTION**

**Kapil Ltd. Balance Sheet as at 31st March, 2017**

	<b>Particulars</b>	<b>Note No.</b>	<b>(Rs)</b>
<b>I</b>	<b>Equity and Liabilities</b>		
<b>(1)</b>	<b>Shareholders' Funds</b>		
	(a) Share Capital	1	19,90,000
	(b) Reserves and Surplus	2	3,47,000
<b>(2)</b>	<b>Current Liabilities</b>		

(a) Trade Payables		2,40,500
(b) Short Term Borrowings	3	12,67,000
(b) Other Current Liabilities	4	61,000
(c) Short-Term Provisions	5	1,20,000
<b>Total</b>		<b>40,25,500</b>
<b>II ASSETS</b>		
<b>(1) Non-Current Assets</b>		
(a) Fixed Assets		
(i) Tangible Assets	5	29,30,000
<b>(2) Current Assets</b>		
(a) Inventories		7,08,000
(b) Trade Receivables	6	3,59,500
(c) Cash and Cash Equivalents	7	28,000
<b>Total</b>		<b>40,25,500</b>

**Kapil Ltd. Statement of Profit and Loss for the year ended 31st March, 2017**

Particulars		Note No.	(Rs)
I	Revenue from Operations		36,17,000
II	Other Income	8	36,500
<b>III</b>	<b>Total Revenue [I + II]</b>		<b>36,53,500</b>
<b>IV Expenses:</b>			
	Cost of purchases		12,32,500
	Changes in Inventories [6,65,000-7,08,000]		(43,000)
	Employee Benefits Expenses	9	13,93,000
	Finance Costs	10	1,11,000
	Depreciation and Amortization Expenses		1,20,000
	Other Expenses	11	4,40,000
	<b>Total Expenses</b>		<b>32,53,500</b>
V	Profit before Tax (III-IV)		4,00,000
VI	Tax Expenses @ 30%		(1,20,000)
<b>VII</b>	<b>Profit for the period</b>		<b>2,80,000</b>

**Notes to Accounts:**

**1. Share Capital**

<b>Authorized Capital</b>	
5,00,000 Equity Shares of Rs. 10 each	50,00,000
<b>Issued Capital</b>	
2,00,000 Equity Shares of Rs. 10 each	20,00,000
<b>Subscribed Capital and fully paid</b>	
1,95,000 Equity Shares of Rs. 10 each	19,50,000
<b>Subscribed Capital but not fully paid</b>	
5,000 Equity Shares of Rs. 10 each Rs. 8 paid (Call unpaid Rs. 10,000)	40,000 19,90,000

**2. Reserves and Surplus**

General Reserve		7,000
<b>Surplus i.e., Balance in Statement of Profit &amp; Loss:</b>		
Opening Balance	67,000	
Add: Profit for the period	2,80,000	
Less: Transfer to Reserve @ 2.5%	(7,000)	3,40,000
		<b>3,47,000</b>

**3. Short Term Borrowings**

Bank Overdraft	12,67,000
	<b>12,67,000</b>

**4. Other Current Liabilities**

Outstanding Expenses [25,000+36,000]	61,000
	<b>61,000</b>

**5. Short-term Provisions**

Provision for Tax	1,20,000
	<b>1,20,000</b>

**6. Tangible Assets**

Particulars	Value given (Rs)	Depreciation rate	Depreciation Charged (Rs)	Written down value at the end (Rs)
Land	16,25,000		-	16,25,000
Plant & Machinery	7,50,000	5%	37,500	7,12,500
Furniture & Fixtures	1,50,000	10%	15,000	1,35,000
Patterns	3,75,000	10%	37,500	3,37,500
Engineering Tools	1,50,000	20%	30,000	1,20,000
	<b>30,50,000</b>		<b>1,20,000</b>	<b>29,30,000</b>

**7. Trade Receivables**

Trade receivables (4,00,500-16,000)	3,84,500
Less: Provision for doubtful debts	(25,000)
	<b>3,59,500</b>

**8. Cash & Cash Equivalent**

Cash Balance	8,000
Bank Balance in current A/c	20,000
	<b>28,000</b>

**9. Other Income**

Miscellaneous Income (Transfer fees)	6,500
Rental Income	30,000
	<b>36,500</b>

**10. Employee benefits expenses**

Wages	13,68,000
Add: Outstanding wages	25,000
	<b>13,93,000</b>

**11. Finance Cost**

Interest on Bank overdraft	1,11,000
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**12. Other Expenses**

Carriage Inward	57,500
Discount & Rebates	30,000
Advertisement	15,000
Rate, Taxes and Insurance	55,000
Repairs to Buildings	56,500
Commission & Brokerage	67,500

Miscellaneous Expenses [56,000+36,000] (Business Expenses)	92,000
Bad Debts [25,500+16,000]	41,500
Provision for Doubtful Debts	25,000
	<b>4,40,000</b>

**Q.FS.RMP.10(A): (RTP May'19, Nov'21)**

Om Ltd. has the Authorised Capital of Rs. 15,00,000 consisting of 6,000 6% Redeemable Preference shares of Rs. 100 each and 90,000 equity Shares of Rs. 10 each. The following was the Trial Balance of the Company as on 31st March, 2021:



Particulars	Dr.	Cr.
Investment in shares at cost (non-current investment)	1,50,000	
Purchases	14,71,500	
Selling expenses	2,37,300	
Inventory as at the beginning of the year	4,35,600	
Salaries and wages (included Rs. 30,000 being Director's Remuneration)	1,56,000	
Cash on hand	84,000	
Bills receivable	1,24,500	
Interest on Bank overdraft	29,400	
Interest on debentures up to 30th Sep (1st half year)	11,250	
Trade receivables and trade payables	1,50,300	2,63,550
Freehold property at cost	10,50,000	
Furniture at cost less depreciation of Rs. 45,000	1,05,000	
6% Redeemable Preference share capital		6,00,000
Equity share capital fully paid up		6,00,000
5% mortgage debentures secured on freehold properties		4,50,000
Dividends		12,750
Profit and Loss A/c (opening balance)		85,500
Sales (Net)		20,11,050
Bank overdraft (secured by hypothecation of stocks and receivables)		4,50,000
Technical knowhow fees (cost paid during the year)	4,50,000	
Audit fees	18,000	
<b>Total</b>	<b>44,72,850</b>	<b>44,72,850</b>

**Other Information:**

1. Closing Stock was valued at Rs. 4,27,500.
2. Purchases include Rs. 15,000 worth of goods and articles distributed among valued customers.
3. Salaries and Wages include Rs. 6,000 being Wages incurred for installation of Electrical Fittings which were recorded under "Furniture".
4. Bills Receivable includes Rs. 4,500 being dishonored bills. 50% of which had been considered irrecoverable.
5. Bills Receivable of Rs. 6,000 maturing after 31st March were discounted.
6. Depreciation on Furniture to be charged at 10% on Written Down Value.
7. Interest on Debentures for the half year ending on 31st March was due on that date.
8. Technical Knowhow Fees is to be written off over a period of 10 years.
9. Trade receivables include Rs. 18,000 due for more than six months.

You are required to prepare the Balance Sheet as at 31st March, 2021 and Statement of Profit and Loss for the year ended 31st March, 2021 as per Schedule III to the Companies Act, 2013 after taking into account the above information. Ignore taxation.

**SOLUTION**

**Balance sheet of Om Ltd. as at 31st March, 2021**

		Note	(Rs.)
<b>I</b>	<b>Equity and Liabilities</b>		
<b>(1)</b>	<b>Shareholders' funds:</b>		
	(a) Share capital	1	12,00,000
	(b) Reserves and surplus	2	1,14,150
<b>(2)</b>	<b>Non-current liabilities:</b>		
	Long term borrowings	3	4,50,000
<b>(3)</b>	<b>Current liabilities:</b>		
	(a) Short term borrowings	4	4,50,000
	(b) Trade payables		2,63,550
	(c) Other current liabilities	5	11,250
	<b>Total</b>		<b>24,88,950</b>
<b>II</b>	<b>ASSETS</b>		
<b>(1)</b>	<b>Non- Current Assets:</b>		
	(a) Property, plant and equipment	6	11,49,900
	(b) Intangible assets	7	4,05,000
	(c) Non-current investments (Shares at cost)		1,50,000
<b>(2)</b>	<b>Current Assets:</b>		
	(a) Inventories		4,27,500
	(b) Trade receivables	8	2,72,550
	(c) Cash and Cash equivalents – Cash on hand		84,000
	<b>Total</b>		<b>24,88,950</b>

**Note:** There is a Contingent liability for Bills receivable discounted with Bank Rs. 6000.

**Statement of Profit and Loss of Om Ltd. for the year ended 31st March, 2021**

	Particulars	Note	Rs.
I	Revenue from Operations		20,11,050
II	Other income (Dividend income)		12,750
<b>III</b>	<b>Total Revenue (I &amp;+ II)</b>		<b>20,23,800</b>
<b>IV</b>	<b>Expenses:</b>		
	(a) Purchases of Inventory (14,71,500 – Advertisement Expenses 15,000)		14,56,500
	(b) Changes in Inventories of finished Goods / Work in progress & inventory (4,35,600 – 4,27,500)		8,100
	(c) Employee Benefits expense	9	1,20,000
	(d) Finance costs	10	51,900
	(e) Depreciation & Amortization Expenses [10% of (1,05,000 + 6,000)]		11,100
	(f) Other Expenses	11	3,47,550
	<b>Total Expenses</b>		<b>19,95,150</b>

V	Profit before exceptional, extraordinary items and tax		28,650
VI	Exceptional items		-
VII	Profit before extra-ordinary items and tax		28,650
VIII	Extraordinary items		-
<b>IX</b>	<b>Profit before tax</b>		<b>28,650</b>

**Notes to accounts**

			<b>(Rs.)</b>
<b>1.</b>	<b>Share Capital</b>		
	Authorized capital:		
	90,000 Equity Shares of Rs. 10 each.	9,00,000	
	6,000 6% Preference shares of Rs. 100 each	6,00,000	
	Issued, subscribed & called up:		
	60,000, Equity Shares of Rs. 10 each	6,00,000	
	6,000 6% Redeemable Preference Shares of 100 each	6,00,000	12,00,000
<b>2.</b>	<b>Reserves and Surplus</b>		
	Balance as on 1st April, 2020	85,500	
	Add: Surplus for current year	28,650	
	Balance as on 31st March, 2021		1,14,150
<b>3.</b>	<b>Long Term Borrowings</b>		
	5% Mortgage Debentures (Secured against Freehold Properties)		4,50,000
<b>4.</b>	<b>Short Term Borrowings</b>		
	Secured Borrowings: Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)		4,50,000
<b>5.</b>	<b>Other Current liabilities</b>		
	Interest due on Borrowings (5% Debentures)		11,250
<b>6.</b>	<b>Property, plant and equipment</b>		
	Furniture		
	Furniture at Cost Less depreciation Rs. 45,000 (as given in Trial Balance	1,05,000	
	Add: Depreciation	45,000	
	Cost of Furniture	1,50,000	
	Add: Installation charge of Electrical Fittings wrongly included under the heading Salaries and Wages		
		6,000	
	Total Gross block of Furniture A/c	1,56,000	
	Accumulated Depreciation Account: Opening Balance-given in Trial Balance	45,000	
	Depreciation for the year: On Opening WDV at 10% i.e. (10% x 1,05,000)	10,500	
	On additional purchase during the year at 10% i.e. (10% x 6,000)	600	
	Less: Accumulated Depreciation	56,100	99,900

	Freehold property (at cost)		10,50,000
			11,49,900
<b>7.</b>	<b>Intangible Assets</b>		
	Technical knowhow	4,50,000	
	Less: Written off	45,000	4,05,000
<b>8.</b>	<b>Trade Receivables</b>		
	Sundry Debtors (a) Debt outstanding due more than six months	18,000	
	(b) Other Debts (refer Working Note)	1,34,550	
	Bills Receivable (1,24,500 -4,500)	1,20,000	2,72,550
<b>9.</b>	<b>Employee benefit expenses</b>		
	Salaries & Wages	1,56,000	
	Less: Wages incurred for installation of electrical fittings to be capitalised	6,000	
	Less: Directors' Remuneration shown separately	30,000	
	Balance amount		1,20,000
<b>10.</b>	<b>Finance Costs</b>		
	Interest on bank overdraft	29,400	
	Interest on debentures	22,500	51,900
<b>11.</b>	<b>Other Expenses</b>		
	Payment to the auditors	18,000	3,47,550
	Director's remuneration	30,000	
	Selling expenses	2,37,300	
	Technical knowhow written of (4,50,000/10)	45,000	
	Advertisement (Goods and Articles Distributed)	15,000	
	Bad Debts (4,500 x 50%)	2,250	

**Working note**

<b>Calculation of Sundry Debtors-Other Debts</b>		
Sundry Debtors as given in Trial Balance		1,50,300
Add Back: Bills Receivables Dishonoured		4,500
		1,54,800
Less: Bad Debts written off - 50% Rs. 4,500		(2,250)
Adjusted Sundry Debtors		1,52,550
Less: Debts due for more than 6 months (as per information given)		(18,000)
Total of other Debtors i.e., Debtors outstanding for less than 6 months		1,34,550

**Q.FS.RMP.11(A): (RTP Nov'19, Nov'22, MTP May'24)**

The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2019.

Particulars		Rs.	Particulars		Rs.
Inventory 01-04-2018			Sales		17,10,000
-Raw Material	30,000		Interest		3,900
-Finished goods	46,500	76,500	Profit and Loss A/c		21,000
Purchases of raw material		12,60,000	Share Capital		3,15,000

Manufacturing Expenses		2,70,000	Secured Loans: Short term Long-term	4,500 21,000	25,500
Salaries and wages		40,200	Fixed Deposits (unsecured): Short term	1,500	
General Charges		16,500	Long term	3,300	4,800
Building		1,01,000	Trade payables		3,27,000
Plant and Machinery		70,400			
Furniture		10,200			
Motor Vehicles		40,800			
Investments: Current	4,500				
Non-Current	7,500	12,000			
Trade receivables		2,38,500			
Cash in Bank		2,71,100			
		<b>24,07,200</b>			<b>24,07,200</b>

From the above balance and the following information, prepare the company's Profit and Loss Account for the year ended 31st March, 2019 and Company's Balance Sheet as on that date:

- Inventory on 31st March, 2019 Raw material Rs. 25,800 & finished goods Rs. 60,000.
- Outstanding Expenses: Manufacturing Expenses Rs. 67,500 & Salaries & Wages Rs. 4,500.
- Interest accrued on Securities Rs. 300.
- General Charges prepaid Rs. 2,490.
- Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
- Current maturity of long-term loan is Rs. 1,000.
- The Taxation provision of 40% on net profit is considered.

**SOLUTION**

**Oliva Ltd.**

**Balance Sheet as at 31.03.2022**

	Particulars	Note	Amount
<b>(1)</b>	<b>Equity and Liabilities</b>		
	<b>(i) Shareholders' funds</b>		
	(a) Share Capital		3,15,000
	(b) Reserves and surplus	1	50,430
<b>(2)</b>	<b>Non-current liabilities</b>		
	(a) Long-term borrowings	2	23,300
<b>(3)</b>	<b>Current Liabilities</b>		
	(a) Short -term borrowings	3	7,000
	(b) Trade payables		3,27,000
	(c) Other current liability	4	72,000
	(d) Short term provision	5	19,620
<b>II</b>	<b>ASSETS</b>		<b>8,14,350</b>
<b>(1)</b>	<b>Non-current assets</b>		
	(a) Property, Plant & equipment	6	2,04,160

	<b>(b) Non-current investments</b>		<b>7,500</b>
<b>(2)</b>	<b>Current assets</b>		
	(a) Current investments		4,500
	(b) Inventories	7	85,800
	(c) Trade receivables		2,38,500
	(d) Cash and cash equivalents		2,71,100
	(f) Other current assets	8	2,790
			<b>8,14,350</b>

**Oliva Ltd.**

**Statement of Profit and loss for the year ended 31.03.202**

**(Rs.)**

	<b>Particulars</b>	<b>Note</b>	<b>Amount</b>
<b>I</b>	Revenue from operations		17,10,000
<b>II</b>	Other income (3,900 +300)		4,200
<b>III</b>	Total income (I +II)		17,14,200
<b>IV</b>	Expenses:		
	Cost of materials consumed	9	12,64,200
	Purchases of inventory-in-trade		--
	Changes in inventories of finished goods, work-in-progress and inventory-in-Trade	10	(13,500)
	Employee benefit expenses	11	44,700
	Finance costs		--
	Depreciation and amortization expenses		18,240
	Other expenses	12	3,51,510
	Total Expenses		16,65,150
<b>V</b>	Profit before exceptional and extraordinary items and tax		49,050
<b>VI</b>	Exceptional items		--
<b>VII</b>	Profit before extraordinary items and tax		49,050
<b>VIII</b>	Extraordinary items		--
<b>IX</b>	Profit before tax		49,050
<b>X</b>	Tax expense (40% of 49,050)		19,620
<b>XI</b>	Profit/Loss for the period from continuing operations		29,430

**Notes to accounts**

<b>No.</b>	<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
<b>1.</b>	<b>Reserve &amp; Surplus</b>		
	Profit & Loss Account: Balance b/f	21,000	
	Net Profit for the year	29,430	50,430
<b>2.</b>	<b>Long term borrowings</b>		
	Secured loans (21,000 less current maturities 1,000)	20,000	
	Fixed Deposits: Unsecured	3,300	23,300
<b>3.</b>	<b>Short term borrowings</b>		
	Secured loans	4,500	
	Fixed Deposits -Unsecured	1,500	

	Current maturities of long-term borrowings		1,000	7,000
<b>4.</b>	<b>Other current liabilities</b>			
	Expenses Payable (67,500 + 4,500)		72,000	72,000
<b>5.</b>	<b>Short term provisions</b>			
	Provision for Income tax			19,620
<b>6.</b>	<b>Property, plant and equipment</b>			
	Building	1,01,000		
	Less: Depreciation @ 2%	(2,020)	98,980	
	Plant & Machinery	70,400		
	Less: Depreciation @10%	(7,040)	63,360	
	Furniture	10,200		
	Less: Depreciation @10%	(1,020)	9,180	
	Motor vehicles	40,800		
	Less: Depreciation @20%	(8,160)	32,640	2,04,160
<b>7</b>	<b>Inventory</b>			
	Raw Material		25,800	
	Finished goods		60,000	85,800
<b>8.</b>	<b>Other Current Assets</b>			2,790
	General Charges prepaid		2,490	
	Interest accrued		300	
<b>9.</b>	<b>Cost of material consumed</b>			
	Opening inventory of raw Material	30,000		
	Add: Purchases	12,60,000	12,90,000	
	Less: Closing inventory		(25,800)	12,64,200
<b>10.</b>	<b>Changes in inventory of Finished Goods &amp; WIP</b>			
	Closing Inventory of Finished Goods		60,000	
	Less: Opening Inventory of Finished Goods		(46,500)	13,500
<b>11.</b>	<b>Employee Benefit expenses</b>			
	Salary & Wages (40,200 + 4,500)			44,700
<b>12.</b>	<b>Other Expenses:</b>			
	Manufacturing Expenses (2,70,000 + 67,500)		3,37,500	
	General Charges (16,500 – 2,490)		14,010	3,51,510

**Q.FS.RMP.12(A): (RTP Nov'20, Exam Nov'19, RTP May'20, May'23)**

On 31st March, 2020, Om Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 2020:

**Credit Balances**

	<b>Rs.</b>
Equity shares capital (fully paid shares of Rs. 10 each)	1,05,00,000
General Reserve	21,84,000
Loan from State Finance Corporation (Secured by hypothecation of Plant & Machinery – Repayable within one-year Rs. 3,00,000)	15,75,000
Loans: Unsecured (Long term)	12,70,500
Sundry Creditors for goods & expenses (Payable within 6 months)	21,00,000
Profit & Loss Account	10,50,000
Provision for Taxation	12,25,350
	<b>199,04,850</b>



**Debit Balances:**

	<b>Rs.</b>
Calls in arrear	10,500
Land	21,00,000
Buildings	30,75,000
Plant and Machinery	55,12,500
Furniture & Fixture	5,25,000
Inventories: Finished goods	21,00,000
Raw Materials	5,25,000
Trade Receivables	21,00,000
Advances: Short-term	4,48,350
Cash in hand	3,15,000
Balances with banks	25,93,500
Patents & Trade marks	6,00,000
	<b>199,04,850</b>

The following additional information is also provided in respect of the above balances:

- (i) 6,30,000 fully paid equity shares were allotted as consideration for land & buildings.
  - (ii) Cost of Building Rs. 42,00,000  
Cost of Plant & Machinery Rs. 73,50,000  
Cost of Furniture & Fixture Rs. 6,56,250
  - (iii) Trade receivables for Rs. 5,70,000 are due for more than 6 months.
  - (iv) The amount of Balances with Bank includes Rs. 27,000 with a bank which is not a scheduled Bank and the deposits of Rs. 7,50,000 are for a period of 9 months.
  - (v) Unsecured loan includes Rs. 3,00,000 from a Bank and Rs. 1,50,000 from related parties.
- You are not required to give previous year figures. You are required to prepare the Balance Sheet of the Company as on 31st March, 2020 as required under Schedule III of the Companies Act, 2013.

**SOLUTION**

**Om Ltd.**

**Balance Sheet as on 31st March, 2020**

	<b>Particulars</b>	<b>Notes</b>	<b>Figures at the end of current reporting period</b>
<b>Equity and Liabilities</b>			
<b>1</b>	<b>Shareholders' funds</b>		
a	Share capital	1	1,04,89,500
b	Reserves and Surplus	2	32,34,000
<b>2</b>	<b>Non-current liabilities</b>		
a	Long-term borrowings	3	25,45,500
<b>3</b>	<b>Current liabilities</b>		
a	Trade Payables		21,00,000
b	Other current liabilities	4	3,00,000
c	Short-term provisions	5	12,25,350
	<b>Total</b>		<b>1,98,94,350</b>
<b>Assets</b>			
<b>1</b>	<b>Non-current assets</b>		
a	Property, Plant and Equipment	6	1,12,12,500

b	Intangible assets (Patents & Trade Marks)		6,00,000
<b>2</b>	<b>Current assets</b>		
a	Inventories	7	26,25,000
b	Trade receivables	8	21,00,000
c	Cash and cash equivalents	9	29,08,500
d	Short-term loans and advances		4,48,350
	<b>Total</b>		<b>1,98,94,350</b>

**Notes to accounts**

			<b>Rs.</b>
<b>1</b>	<b>Share Capital</b>		
	Equity share capital		
	Issued, subscribed and called up 10,50,000 Equity Shares of Rs. 10 each (Out of the above 6,30,000 shares have been issued for consideration other than cash)	1,05,00,000	
	Less: Calls in arrears	(10,500)	1,04,89,500
	<b>Total</b>		<b>1,04,89,500</b>
<b>2</b>	<b>Reserves and Surplus</b>		
	General Reserve		21,84,000
	Surplus (Profit & Loss A/c)		10,50,000
	<b>Total</b>		<b>32,34,000</b>
<b>3</b>	<b>Long-term borrowings</b>		
	Secured Term Loans		
	Loan from State Finance Corporation (Rs. 5,75,000 less Rs. 3,00,000) (Secured by hypothecation of Plant and Machinery)		12,75,000
	Unsecured		
	Bank Loan	3,00,000	
	Loan from related parties	1,50,000	
	Others	8,20,500	12,70,500
	<b>Total</b>		<b>25,45,500</b>
<b>4</b>	<b>Other current liabilities</b>		
	Loan Installment repayable within one year		3,00,000
	<b>Short-term provisions</b>		
	Provision for taxation		12,25,350
	<b>Property, Plant and Equipment</b>		
	Land		21,00,000
	Buildings	42,00,000	
	Less: Depreciation	(11,25,000)	30,75,000
	Plant & Machinery	73,50,000	
	Less: Depreciation	(18,37,500)	55,12,500
	Furniture & Fittings	6,56,250	
	Less: Depreciation	(1,31,250)	5,25,000
	<b>Total</b>		<b>1,12,12,500</b>
	<b>Inventories</b>		
	Raw Material		5,25,000
	Finished goods		21,00,000
			<b>26,25,000</b>
	<b>Trade receivables</b>		
	Debts outstanding for a period exceeding six months		5,70,000
	Other Debts		15,30,000

	<b>Total</b>		<b>21,00,000</b>
<b>Cash and cash equivalents</b>			
Cash at bank with Scheduled Banks including Bank deposits for period of 9 months amounting Rs. 7,50,000		25,66,500	
with others		<u>27,000</u>	<u>25,93,500</u>
Cash in hand			<u>3,15,000</u>
	<b>Total</b>		<b>29,08,500</b>

**Q.FS.RMP.13(A): (EXAM July'21)**

The following is the Trial Balance of H Ltd., as on 31st March, 2021:

	<b>Dr.</b>	<b>Cr.</b>
Equity Capital (Shares of Rs. 100 each)		8,05,000
5,000, 6% preference shares of Rs. 100 each		5,00,000
9% Debentures		4,00,000
General Reserve		40,00,000
Profit & Loss A/c (of previous year)		72,000
Sales		60,00,000
Trade Payables		10,40,000
Provision for Depreciation on Plant & Machinery		1,72,000
Suspense Account		40,000
Land at cost	24,00,000	
Plant & Machinery at cost	7,70,000	
Trade Receivables	19,60,000	
Inventories (31-03-2021)	9,50,000	
Bank	2,30,900	
Adjusted Purchases	22,32,100	
Factory Expenses	15,00,000	
Administration Expenses	3,00,000	
Selling Expenses	14,00,000	
Debenture Interest	36,000	
Goodwill	12,50,000	
	<b>1,30,29,000</b>	<b>1,30,29,000</b>

**Additional Information:**

- (i) The authorised share capital of the company is:
- |   |           |
|---|-----------|
|   | Rs.       |
| 5,000, 6% preference shares of Rs. 100 each | 5,00,000  |
| 10,000, equity shares of Rs. 100 each       | 10,00,000 |

Issued equity capital as on 1st April 2020 stood at Rs. 7,20,000, that is 6,000 shares fully paid and 2,000 shares of Rs. 60 paid. The directors made a call of Rs. 40 per share on 1st October 2020. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs. 90 per share as fully paid.

(ii) On 31st March 2021, the Directors declared a dividend of 5% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.

(iii) The company on the advice of independent valuer wishes to revalue the land at Rs. 36,00,000. \*This should have been given as 31.3.2021.

(iv) Suspense account of Rs. 40,000 represents amount received for the sale of some of the machinery on 1-4-2020. The cost of the machinery was Rs. 1,00,000 and the accumulated depreciation thereon being Rs. 30,000.

(v) Depreciation is to be provided on plant and machinery at 10% on cost.

(vi) Amortize 1/5th of Goodwill.

You are required to prepare H Limited's Balance Sheet as on 31-3-2021 and Statement of Profit and Loss with notes to accounts for the year ended 31-3-2021 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures & taxation.

**SOLUTION**

**H Ltd**  
**Balance Sheet as at 31st March 2021**

Particulars	Note No	Amount in Rs.
<b>Equity and Liabilities</b>		
<b>I. Shareholders' Funds</b>		
a. Share Capital	1	13,00,000
b. Reserves and Surplus	2	53,91,900
<b>II. Non-Current Liabilities</b>		
a. Long Term Borrowings	3	4,00,000
<b>III. Current Liabilities</b>		
a. Trade Payables	4	10,40,000
b. Other Current Liabilities	5	70,000
<b>Total</b>		<b>82,01,900</b>
<b>Assets</b>		
<b>I. Non-Current Assets</b>		
a. Property, Plant and Equipment	6	40,61,000
b. Intangible Assets	7	10,00,000
<b>II. Current Assets</b>		
a. Inventories		9,50,000
b. Trade Receivables		19,60,000
c. Cash and Cash equivalents		2,30,900
<b>Total</b>		<b>82,01,900</b>

**Statement of Profit and Loss for the year ended 31st March 2021**

Particulars	Note No	Amount in Rs.
<b>I. Revenue from operations</b>		
Revenue from operations		60,00,000
Total Revenue		60,00,000
<b>II. Expenses</b>		
Purchases (adjusted)		22,32,100
Finance Costs	8	36,000
Depreciation and Amortization	9	3,17,000
Other Expenses	10	32,30,000
Total Expenses		58,15,100
<b>III. Profit/(Loss) for the period</b>		<b>1,84,900</b>

**Notes to Accounts**

**(Amount in Rs.)**

<b>1</b>	<b>Share Capital</b>		
	<b>a. Authorized Capital</b>		
	5,000, 6% Preference shares of Rs. 100/- each		5,00,000
	10,000 Equity Shares of Rs. 100/- each		10,00,000
			<b>15,00,000</b>



	<b>b. Issued &amp; Subscribed Capital</b>		
	5,000, 6% Preference shares of Rs. 100/- each		5,00,000
	8,000, Equity shares of Rs. 100/- each		8,00,000
	<b>Total</b>		<b>13,00,000</b>
<b>2</b>	<b>Reserves &amp; Surplus</b>		
	Capital Reserve (100 X (90-40))		5,000
	Revaluation Reserve (36,00,000-24,00,000)		12,00,000
	General Reserve		40,00,000
	Surplus	1,84,900	
	Add: Balance from previous year	72,000	
	Less: Dividends declared	(70,000)	
	Profit/(Loss) carried forward to Balance Sheet		1,86,900
	<b>Total</b>		<b>53,91,900</b>
<b>3</b>	<b>Long-Term Borrowings</b>		
	Secured		
	9% Debentures		4,00,000
<b>4</b>	<b>Trade Payables</b>		<b>10,40,000</b>
<b>5</b>	<b>Other Current Liabilities</b>		
	Dividend Payable		
	Preference Dividend		30,000
	Equity Dividend		40,000
	<b>Total</b>		<b>70,000</b>
<b>6</b>	<b>Property, Plant and Equipment</b>		
	Land		
	Opening balance		24,00,000
	Add: Revaluation Adjustment		12,00,000
	Closing Balance		36,00,000
	Plant and Machinery		
	Opening Balance		7,70,000
	Less: Disposed off		(1,00,000)
	Depreciation		(2,09,000)
	Closing Balance		4,61,000
	<b>Total</b>		<b>40,61,000</b>
<b>7</b>	<b>Intangible Assets</b>		
	Goodwill		12,50,000
	Less: Amortized (1/5th)		(2,50,000)
	Total		10,00,000
<b>8</b>	<b>Finance Costs</b>		
	Debenture Interest		36,000
<b>9</b>	<b>Depreciation and Amortization</b>		
	Plant and Machinery		67,000
	Goodwill		2,50,000
	<b>Total</b>		<b>3,17,000</b>
<b>10</b>	<b>Other Expenses</b>		
	Factory Expenses		15,00,000
	Selling Expenses		14,00,000

Administrative Expenses		3,00,000
Loss on sale of Plant and Machinery		
Book Value (1,00,000-30,000)	70,000	
Less: Sale Value	(40,000)	30,000
<b>Total</b>		<b>32,30,000</b>

**Note:**

- The inventories (31.3.20) amounting Rs. 9,50,000 (given in the trial balance of the question) should have been as closing inventory i.e., as on 31.3.21. In the above solution, this inventory has been considered as closing inventory i.e., for 31.3.21. If this is considered as inventory of 31.3.20, the closing inventory (as on 31.3.21) will not be available for the balance sheet as on 31.3.21 and in that case, the balance sheet will not tally without using suspense account amounting Rs. 9,50,000.
- The financial statements given in the above answer include adjustment for dividend declared on 31st March, 2021, strictly, as per the information given in the question. However, practically dividends are declared in the annual general meetings which take place after the reporting date.

**Q.FS.RMP.14(A): (EXAM Nov'22)**

The following is the trail balance of Anmol Limited as on 31<sup>st</sup> March, 2022:



Debit Balances	Amount (Rs.)	Credit Balances	Amount (Rs.)
Purchases	82,95,000	Sales	1,25,87,000
Wages	12,72,000	Commission	72,500
Rent	2,20,000	Equity Share Capital	10,00,000
Rates & Taxes	50,000	General Reserve	10,00,000
Selling and Distributions Expenses	4,36,000	Surplus (P & L A/c) 01.04.2021	8,75,500
Directors Fees	32,000	Securities Premium	2,50,000
Bad debts	38,500	Term loan from Public Sector Bank	1,02,00,000
Interest on Term Loan	8,05,000	Trade Payable	55,08,875
Land	24,00,000	Provision for Depreciation:	
Factory Building	36,80,000	On Plant	9,37,500
Plant & Machinery	62,50,000	On Furniture and fittings	82,500
Furniture and Fittings	8,25,000	On Factory Building	1,84,000
Trade Receivables	64,75,000	Provision for Doubtful Debts	25,000
Advance Income Tax paid	37,500	Bills Payable	1,25,000
Stock (1 <sup>st</sup> April, 2021)	9,25,000		
Bank Balances	9,75,000		
Cash on Hand	1,31,875		
	<b>3,28,47,875</b>		<b>3,28,47,875</b>

Following Information is Provided:

- The Authorised Share Capital of the company is 2,00,000 Equity Shares of Rs. 10 Each. The company has issued 1,00,000 Equity Shares of Rs. 10 Each.
- Rent of Rs. 20,000 and wages of Rs. 1,56,500 are outstanding as on 31<sup>st</sup> March, 2022.
- Provide Depreciation @10% per annum on plant and Machinery, 10% on Furniture and Fitting and 5% on Factory Building on written down value basis.

- (4) Closing Stock as on 31<sup>st</sup> March, 2022 is Rs. 11,37,500
  - (5) Make a Provision for Doubtful Debts @5% on Debtors
  - (6) Make a provision of 25% for Corporate Income Tax.
  - (7) Transfer Rs. 1,00,000 to General Reserve.
  - (8) Term loan from Public Sector Bank is secured against Hypothecation of Plat & Machinery. Installment of Term Loan falling due within one year is Rs. 17,00,000
  - (9) Trade Receivables of Rs. 85,600 are outstanding for more than six months.
  - (10) The board declared a dividend @10% on Paid up Share Capital on 5<sup>th</sup> April, 2022.
- You are required to prepare Balance sheet as on 31<sup>st</sup> March, 2022 and Statement of Profit and Loss with Note to Accounts for the Year Ending 31<sup>st</sup> March, 2022 as per Schedule III of Companies Act, 2013. Ignore Previous years' Figures.

**SOLUTION:**

**Balance Sheet of Anmol Ltd. as at 31st March, 2022**

Particulars		Note No	₹
<b>Equity and Liabilities</b>			
<b>1</b>	<b>Shareholders' funds</b>		
a	Share capital	1	10,00,000
b	Reserves and Surplus	2	24,76,462
<b>2</b>	<b>Non-current liabilities</b>		
a	Long-term borrowings	3	85,00,000
<b>3</b>	<b>Current liabilities</b>		
a	Short term borrowings (Installment of term loan falling due in one year)		17,00,000
b	Trade Payables	4	56,33,875
c	Other current liabilities	5	1,76,500
d	Short term provisions (provision for tax)		1,16,988
	<b>Total</b>		<b>1,96,03,825</b>
<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>		
a	PPE	6	1,11,70,700
<b>2</b>	<b>Current assets</b>		
a	Inventories		11,37,500
b	Trade receivables	7	61,51,250
c	Cash and bank balances	8	11,06,875
d	Short term loans & advances (Advance tax paid)		37,500
			<b>1,96,03,825</b>

**Statement of Profit and Loss of Anmol Ltd. for the year ended 31st March, 2022**

	Particulars	Notes	Amount
I.	Revenue from operations		1,25,87,000
II.	Other income (Commission income)		72,500
III.	Total Income (I + II)		1,26,59,500
IV.	Expenses:		
	Purchases of Inventory-in-Trade		82,95,000
	Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	9	(2,12,500)

	Employee benefits expense	10	14,28,500
	Finance costs (interest on term loan)		8,05,000
	Depreciation		7,80,300
	Other operating expenses	11	10,95,250
	Total expenses		1,21,91,550
V.	Profit (Loss) for the period (III - IV)		4,67,950
VI.	(-) Tax (25%)		(1,16,988)
<b>VII.</b>	<b>PAT</b>		<b>3,50,962</b>

**Notes to accounts**

		₹	
<b>1</b>	<b>Share Capital</b>		
	Equity share capital		
	Authorized		20,00,000
	2,00,000 equity shares of ₹ 10 each		
	Issued & subscribed		10,00,000
	1,00,000 equity shares of ₹ 10 each		
<b>2</b>	<b>Reserves and Surplus</b>		
	General Reserve	10,00,000	
	Add: current year transfer	1,00,000	11,00,000
	Profit & Loss balance		
	Opening balance: Surplus P & L A/c	8,75,500	
	Profit for the year	3,50,962	
	Less: Appropriations:		
	Transfer to General reserve	(1,00,000)	11,26,462
	Securities premium		2,50,000
			24,76,462
<b>3</b>	<b>Long-term borrowings</b>		
	Term loan from public sector bank (Secured by hypothecation)		1,02,00,000
	Less: Installment of Term loan falling due within one year		(17,00,000)
	Total		85,00,000
<b>4</b>	<b>Trade payables</b>		
	Trade payables	55,08,875	
	Bills payable	1,25,000	56,33,875
<b>5</b>	<b>Other current liabilities</b>		
	Rent outstanding	20,000	
	Wages and Salaries Outstanding	1,56,500	1,76,500
<b>6</b>	<b>PPE (Note 2)</b>		
	Land		24,00,000
	Factory Buildings		33,21,200
	Plant & Machinery		47,81,250
	Furniture & Fittings		6,68,250
	Total		1,11,70,700
<b>7</b>	<b>Trade receivables</b>		
	Debtors Outstanding for period exceeding 6 months	85,600	
	Other debts	63,89,400	

	Less: Provision for doubtful debt	(3,23,750)	61,51,250
<b>8</b>	<b>Cash and bank balances</b>		
	Cash and cash equivalents		
	Bank balance	9,75,000	
	Cash on hand	1,31,875	11,06,875
<b>9</b>	<b>Changes in Inventories</b>		
	Opening Inventory	9,25,000	
	Less: Closing Inventory	(11,37,500)	
	Change		(2,12,500)
<b>10</b>	<b>Employee benefit expense</b>		
	Wages and Salaries	12,72,000	
	Add: Wages and Salaries Outstanding	1,56,500	14,28,500
<b>11</b>	<b>Other operating expenses</b>		
	Rent	2,20,000	
	Add: outstanding	20,000	2,40,000
	Rates and Taxes		50,000
	Selling & Distribution expenses		4,36,000
	Bad debts		38,500
	Provision for Doubtful Debts (3,23,750-25,000)		2,98,750
	Director's fee		32,000
	<b>Total</b>		<b>10,95,250</b>

**Note:**

- The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 2022. Such dividends will be disclosed in notes only.
- Calculation of depreciation:

	<b>Book value</b>	<b>Accumulated depreciation</b>	<b>WDV</b>	<b>Current year Depreciation</b>	<b>Current year WDV</b>
Land	24,00,000	-	24,00,000	-	24,00,000
Factory building	36,80,000	1,84,000	34,96,000	1,74,800	33,21,200
Plant & Machinery	62,50,000	9,37,500	53,12,500	5,31,250	47,81,250
Furniture & Fittings	8,25,000	82,500	7,42,500	74,250	6,68,250
<b>Total</b>				<b>7,80,300</b>	<b>1,11,70,700</b>

**SECTION B – HOMEWORK QUESTIONS**

(Questions of Study Material, RTPs, MTPs and Past Exams to be Practiced at Home)

**Q.FS.RMP.1(B): (RTP May21) (Dividend Declaration)**

XYZ Ltd. is having inadequacy of profit in the year ending 31-03-2021 and it proposes to declare 10% dividend out of General Reserves.

From the following particulars ascertain the amount that can be utilized from general reserves, according to the Companies (Declaration of Dividend out of Reserves) Rules, 2014:



5,00,000 Equity Shares of Rs. 10 each fully paid up	5,00,000
General Reserves	25,00,000
Revaluation Reserves	6,50,000
Net profit for the year	1,42,500

Average rate of dividend during the last five years has been 12%.

**SOLUTION**

Amount that can be drawn from reserves for (10% dividend on Rs. 50,00,000 i.e., Rs. 5,00,000)

**Profits available**

Current year profit	Rs. 1,42,500
Amount which can be utilized from reserves (Rs. 5,00,000 – 1,42,500)	Rs. 3,57,500

**Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 2014:**

**Condition I**

Since 10% is lower than the average rate of dividend (12%), 10% dividend can be declared.

**Condition II**

Maximum amount that can be drawn from the accumulated profits and reserves should not exceed 10% of paid-up capital plus free reserves i.e., Rs. 7,50,000 [10% of (50,00,000 + 25,00,000)]

**Condition III**

The balance of reserves after drawl Rs. 21,42,500 (Rs. 25,00,000 - Rs. 3,57,500) should not fall below 15 % of its paid-up capital i.e., Rs. 7,50,000 (15% of Rs. 50,00,000)

**CONCLUSION**

Since all the three conditions are satisfied, the company can withdraw Rs. 3,57,500 from accumulated reserve (as per Declaration and Payment of Dividend Rules, 2014).

**Q.FS.RMP.2(B): (MTP Nov21)**

From the following information, prepare extract of Balance Sheet of A Limited along with notes making necessary compliance of Schedule III to the Companies Act, 2013:

	Amount (Rs.)
Loan Funds	
(a) Secured Loans	18,12,000
(b) Unsecured Loan - Short term from bank	2,25,000
Other information is as under:	
Secured Loans	
Term Loans from:	
Banks	8,95,000
Others	9,17,000
	18,12,000
Current Maturities of long-term loan from Bank	1,24,000
Current Maturities of long- term loan from Others	85,000

There was no interest accrued / due as at the end of the year. Current maturities of long-term loans amounting Rs. 2,09,000 is included in the value of secured loans of Rs. 18,12,000.

**SOLUTION**

**Extract of Balance Sheet of A Ltd.**

Particulars	Note No	Amount
Non - Current Liabilities		
Long term borrowings	1	16,03,000
Current Liabilities		
Short term borrowings	2	4,34,000

**Notes to Accounts**

<b>1. Long-Term Borrowings</b>	
Term loans – Secured	
- From banks	8,95,000
- From other parties	9,17,000
	18,12,000
Less: Current maturities of long-term debt (Refer Note 3)	(2,09,000)
	16,03,000
<b>2. Short-Term Borrowings</b>	
(Unsecured loan)	
- from bank	2,25,000
Current maturities of long-term debt	
- From banks	1,24,000
- From others	85,000
	2,09,000

**Q.FS.SM.3(B): (MTP May'18, Nov'18, May'19, May'21 & Nov'22) (Similar to Q12)**

On 31st March, 20X1 Bose and Sen Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 20X1:

**Credit Balances:**

	Rs.
Equity shares capital, fully paid shares of Rs. 10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation (Secured by hypothecation of Plant & Machinery Repayable within one-year Rs. 2,00,000)	10,50,000
Loans: Unsecured (Long term)	8,47,000
Sundry Creditors for goods & expenses (Payable within 6 months)	14,00,000
Profit & Loss Account	7,00,000
Provision for Taxation	8,16,900
	<b>1,33,63,000</b>



**Debit Balances:**

	Rs.
Calls in arrear	7,000
Land	14,00,000
Buildings	20,50,000
Plant and Machinery	36,75,000
Furniture & Fixture	3,50,000

Inventories: Finished goods	14,00,000
Raw Materials	3,50,000
Trade Receivables	14,00,000
Advances: Short-term	2,98,900
Cash in hand	2,10,000
Balances with banks	17,29,000
Preliminary Expenses	93,100
Patents & Trademarks	4,00,000
	<b>1,33,63,000</b>

The following additional information is also provided in respect of the above balances:

- i) 4,20,000 fully paid equity shares were allotted as consideration for land & buildings.
  - ii) Cost of Building Rs. 28,00,000  
 Cost of Plant & Machinery Rs. 49,00,000  
 Cost of Furniture & Fixture Rs. 4,37,500
  - iii) Trade receivables for Rs. 3,80,000 are due for more than 6 months.
  - iv) The amount of Balances with Bank includes Rs. 18,000 with a bank which is not a scheduled Bank and the deposits of Rs. 5 lakhs are for a period of 9 months.
  - v) Unsecured loan includes Rs. 2,00,000 from a Bank and Rs. 1,00,000 from related parties.
- You are not required to give previous year's figures. You are required to prepare the Balance Sheet of the Company as on 31st March, 20X1 as required under Schedule III to the Companies Act, 2013.

**SOLUTION**

**Bose and Sen Ltd.  
Balance Sheet as at 31<sup>st</sup> March, 20X1**

Particulars		Note No	Figures at the end of current reporting period (Rs.)
<b>Equity and Liabilities</b>			
1	Shareholders' funds		
	a Share capital	1	69,93,000
	b Reserves and Surplus	2	21,56,000
2	Non-current liabilities		
	a Long-term borrowings	3	16,97,000
3	Current liabilities		
	a Trade Receivables		14,00,000
	b Other current liabilities	4	2,00,000
	c Short-term provisions	5	8,16,900
<b>Total</b>			<b>1,32,62,900</b>
<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>		
	a PPE	6	74,75,000
	I Tangible assets		
	II Intangible assets (Patents & Trade Marks)		4,00,000
<b>2</b>	<b>Current assets</b>		
	A Inventories	7	17,50,000
	B Trade receivables		14,00,000
	C Cash and bank balances	8	19,39,000
	D Short-term loans and advances		2,98,900
<b>Total</b>			<b>1,32,62,900</b>

**Notes to accounts**

<b>1.</b>	<b>Share Capital</b>		
	Equity share capital		
	Issued, subscribed and called up		
	7,00,000 Equity Shares of Rs. 10 each (Out of the above 4,20,000 shares have been issued for consideration other than cash)	70,00,000	
	Less: Calls in arrears	(7,000)	69,93,000
	<b>Total</b>		<b>69,93,000</b>
<b>2.</b>	<b>Reserves and Surplus</b>		
	General Reserve	15,49,100	
	Less: Preliminary expenses	(93,100) *	14,56,000
	Surplus (Profit & Loss A/c)		7,00,000
	<b>Total</b>		<b>21,56,000</b>
<b>3.</b>	<b>Long-term borrowings</b>		
	Secured: Term Loans		
	Loan from Public Finance Corporation [Receivable after 3 years (Rs. 10,50,000 - Rs. 2,00,000 for interest accrued but not due)] (secured by hypothecation of land)		8,50,000
	Unsecured		
	Bank Loan (Nixes bank)	2,00,000	
	Loan from Related Parties	1,00,000	
	Others	5,47,000	8,47,000
	<b>Total</b>		<b>16,97,000</b>
<b>4.</b>	<b>Other current liabilities</b>		
	Current maturities of long-term debt loan Instalment Receivable within one year		2,00,000
<b>5.</b>	<b>Short-term borrowings</b>		
	Provision for taxation		8,16,900
<b>6.</b>	<b>PPE</b>		
	Land		14,00,000
	Buildings	28,00,000	
	Less: Depreciation	(7,50,000) (b.f)	20,50,000
	Plant & Machinery	49,00,000	
	Less: Depreciation	(12,25,000) (b.f)	36,75,000
	Furniture & Fittings	4,37,500	
	Less: Depreciation	(87,500) (b.f)	3,50,000
	<b>Total</b>		<b>74,75,000</b>
<b>7.</b>	<b>Inventories</b>		
	Raw Material	3,50,000	
	Finished goods	14,00,000	17,50,000
<b>8.</b>	<b>Trade receivables</b>		
	Outstanding for a period exceeding six months		3,80,000
	Others		10,20,000
	<b>Total</b>		<b>14,00,000</b>
<b>9.</b>	<b>Cash and cash equivalents</b>		
	Cash at bank with Scheduled Banks	12,11,000	
	with others banks	18,000	12,29,000
	Cash in hand		2,10,000
	Other Bank balances	5,00,000	
	Bank deposits for period of 9 months		5,00,000

Total	19,39,000
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**Q.FS.RMP.4(B): (RTP May21)**

Om Ltd. has authorized capital of Rs. 50 lakhs divided into 5,00,000 equity shares of Rs. 10 each. Their books show the following ledger balances as on 31<sup>st</sup> March, 2021:



	Rs.		Rs.
Inventory 1.4.2020	6,65,000	Bank Current Account	20,000
Discounts & Rebates allowed	30,000	(Dr. balance)	
Carriage Inwards	57,500	Cash in hand	11,000
Purchases	12,32,500	Calls in Arrear @ Rs. 2 per share	10,000
Rate, Taxes and Insurance	55,000	Equity share capital	20,00,000
Furniture & Fixtures	1,50,000	(2,00,000 shares of Rs. 10 each)	2,40,500
Business Expenses	56,000	Trade Payables	36,17,000
Wages	14,79,000	Sales	30,000
Freehold Land	7,30,000	Rent (Cr.)	6,500
Plant & Machinery	7,50,000	Transfer fees received	67,000
Engineering Tools	1,50,000	Profit & Loss A/c (Cr.)	56,500
Trade Receivables	4,00,500	Repairs to Building	25,500
Advertisement Expenses	15,000	Bad debts	
Commission & Brokerage Expenses	67,500		

The inventory (valued at cost or market value, which is lower) as on 31<sup>st</sup> March, 2021 was Rs. 7,05,000. Outstanding liabilities for wages Rs. 25,000 and business expenses Rs. 36,500. It was decided to transfer Rs. 10,000 to reserves.

Charge depreciation on written down values of Plant & Machinery @ 5%, Engineering Tools @ 20% and Furniture & Fixtures @10%. Provide Rs. 25,000 as doubtful debts for trade receivables. Provide for income tax @ 30%.

You are required to prepare Statement of Profit & Loss for the year ended 31st March, 2021 and Balance Sheet as at that date.

**SOLUTION**

I	Particulars	Note No.	(Rs.)
	<b>Equity and Liabilities</b>		
(1)	<b>Shareholders' Funds</b>		
	(a) Share Capital	1	19,90,000
	(b) Reserves and Surplus	2	3,82,000
(2)	<b>Current Liabilities</b>		
	(a) Trade Payables		2,40,500
	(b) Other Current Liabilities	3	61,500
	(c) Short-Term Provisions	4	<u>1,35,000</u>
	<b>Total</b>		<b><u>28,09,000</u></b>
II	<b>ASSETS</b>		
(1)	<b>Non-Current Assets</b>		
	(a) Property, Plant and Equipment		
(2)	<b>Current Assets</b>		
	1) Inventories		7,05,000
	2) Trade Receivables	6	3,75,500
	3) Cash and Cash Equivalents	7	<u>31,000</u>
	<b>Total</b>		<b><u>28,09,000</u></b>

**Statement of Profit and Loss of Om Ltd.  
for the year ended 31<sup>st</sup> March, 2021**

	Particulars	Note No.	(Rs.)
I	Revenue from Operations		36,17,000
II	Other Income	8	<u>36,500</u>
<b>III</b>	<b>Total Revenue [I + II]</b>		<b><u>36,53,500</u></b>
IV	Expenses:		
	Cost of purchases		12,32,500
	Changes in Inventories [6,65,000-7,05,000]		(40,000)
	Employee Benefits Expenses	9	15,04,000
	Depreciation and Amortization Expenses Other		82,500
	Expenses	10	<u>4,24,500</u>
<b>V</b>	<b>Total Expenses</b>		<b><u>32,03,500</u></b>
<b>VI</b>	<b>Profit before Tax (III-IV)</b>		4,50,000
<b>VII</b>	<b>Tax Expenses @ 30%</b>		<u>(1,35,000)</u>
	<b>Profit for the period</b>		<b><u>3,15,000</u></b>

**Notes to Accounts:**

**1. Share Capital**

<b>Authorized Capital</b>	<u>50,00,000</u>
5,00,000 Equity Shares of Rs. 10 each	
<b>Issued Capital</b>	
2,00,000 Equity Shares of Rs. 10 each	20,00,000
<b>Subscribed Capital and fully paid</b>	
1,95,000 Equity Shares of Rs. 10 each	19,50,000
<b>Subscribed Capital but not fully paid</b>	
5,000 Equity Shares of Rs. 10 each Rs. 8 paid (Call unpaid Rs. 10,000)	<u>40,000</u>
	<b>19,90,000</b>

**2. Reserves and Surplus**

General Reserve		10,000
<b>Surplus i.e., Balance in Statement of Profit &amp; Loss:</b>		
Opening Balance	67,000	
Add: Profit for the period	3,15,000	
Less: Transfer to Reserve	<u>(10,000)</u>	
		<u>3,72,000</u>
		<b>3,82,000</b>

**3. Other Current Liabilities**

Outstanding Expenses [25,000+36,500]	61,500
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**4. Short-term Provisions**

Provision for Tax	1,35,000
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**5. Property, Plant and Equipment**

Particulars	Value given (Rs.)	Depreciation rate	Depreciation Charged (Rs.)	Written down value at the end (Rs.)
Land	7,30,000		-	7,30,000
Plant & Machinery	7,50,000	5%	37,500	7,12,500
Furniture & Fixtures	1,50,000	10%	15,000	1,35,000
Engineering Tools	<u>1,50,000</u>	20%	<u>30,000</u>	<u>1,20,000</u>
	<b><u>17,80,000</u></b>		<b><u>82,500</u></b>	<b><u>16,97,500</u></b>

**6. Trade Receivables**

Trade receivables	4,00,500
Less: Provision for doubtful debts	<u>(25,000)</u>
	<b><u>3,75,500</u></b>

**7. Cash & Cash Equivalent**

Cash Balance	11,000
Bank Balance in current A/c	<u>20,000</u>
	<b><u>31,000</u></b>

**8. Other Income**

Miscellaneous Income (Transfer fees)	6,500
Rental Income	<u>30,000</u>
	<b><u>36,500</u></b>

**9. Employee benefits expenses**

Wages	14,79,000
Add: Outstanding wages	<u>25,000</u>
	<b><u>15,04,000</u></b>

**10. Other Expenses**

Carriage Inwards	57,500
Discount & Rebates	30,000
Advertisement	15,000
Rate, Taxes and Insurance	55,000
Repairs to Buildings	56,500
Commission & Brokerage	67,500
Miscellaneous Expenses [56,000+36,500] (Business Expenses)	92,500
Bad Debts	<u>25,000</u>
Provision for Doubtful Debts	<b><u>4,24,500</u></b>

**Note:**

**Alternate 1:**

Bad-debts is 25,500

It is asked in the question to create a provision of 25,000

It is assumed that out of 25,500 Bad-Debts 25,000 to be written-off against Provision Created & rest 500 will be directly transfer to Profit & Loss

**Alternate 2:**

Question ask to make a provision of 25,000 & also there is no Opening Balance of Provision. Therefore, we can also assume that this 25,000 provision should be closing Balance.

**Q.FS.RMP.5(B): (MTP May19 & May22)**

State under which head the following accounts should be classified in Balance Sheet, as per Schedule III of the Companies Act, 2013:

- (i) Share application money received in excess of issued share capital.
- (ii) Share option outstanding account.
- (iii) Unpaid matured debenture and interest accrued thereon.
- (iv) Uncalled liability on shares and other partly paid investments.
- (v) Calls unpaid.
- (vi) Intangible Assets under development.
- (vii) Money received against share warrant.
- (viii) Cash equivalents



**SOLUTION**

- (i) Current Liabilities/ Other Current Liabilities
- (ii) Shareholders' Fund / Reserve & Surplus
- (iii) Current liabilities/Other Current Liabilities
- (iv) Contingent Liabilities and Commitments
- (v) Shareholders' Fund / Share Capital
- (vi) Fixed Assets
- (vii) Shareholders' Fund / Money received against share warrants
- (viii) Current Assets

**Q.FS.SM.6(B): (RTP May'22 & MTP May'24)**

Following is the trial balance of Delta limited as on 31.3.2021.

(Figures in Rs. '000)



Particulars	Debit	Particulars	Credit
Land at cost	800	Equity share capital (shares of Rs. 10 each)	500
Calls in arrears	5	10% Debentures	300
Cash in hand	2	General reserve	150
Plant & Machinery at cost	824	Profit & Loss A/c (balance on 1.4.20)	75
Trade receivables	120	Securities premium	40
Inventories (31-3-21)	96	Sales	1200
Cash at Bank	28	Trade payables	30
Adjusted Purchases	400	Provision for depreciation	150
Factory expenses	80	Suspense Account	10
Administrative expenses	45		
Selling expenses	25		
Debenture Interest	30		
	<b>2455</b>		<b>2455</b>

**Additional Information:**

- (i) The authorized share capital of the company is 80,000 shares of Rs. 10 each.
- (ii) The company revalued the land at Rs. 9,60,000.
- (iii) Equity share capital includes shares of Rs. 50,000 issued for consideration other than



cash.

- (iv) Suspense account of Rs. 10,000 represents cash received from the sale of some of the machinery on 1.4.2020. The cost of the machinery was Rs. 24,000 and the accumulated depreciation thereon being Rs. 20,000. The balance of Plant & Machinery given in trial balance is before adjustment of sale of machinery.
- (v) Depreciation is to be provided on plant and machinery at 10% on cost.
- (vi) Balance at bank includes Rs. 5,000 with ABC Bank Ltd., which is not a Scheduled Bank.
- (vii) Make provision for income tax @30%.
- (viii) Trade receivables of Rs. 50,000 are due for more than six months.

You are required to prepare Delta Limited's Balance Sheet as at 31.3.2021 and Statement of Profit and Loss with notes to accounts for the year ended 31.3. 2021 as per Schedule III. Ignore previous year's figures.

**SOLUTION**

**Delta Limited**  
**Balance Sheet as at 31st March 2021**

Particulars	Note No.	(Rs. in '000)
<b>A. Equity and Liabilities</b>		
<b>1. Shareholders' funds</b>		
(a) Share Capital	1	495.00
(b) Reserves and Surplus	2	807.20
<b>2. Non-Current Liabilities</b>		
(a) Long Term Borrowings	3	300.00
<b>3. Current Liabilities</b>		
(a) Trade Payables		30.00
(b) Short- term provision	4	163.80
<b>Total</b>		<b>1,796.00</b>
<b>B. Assets</b>		
<b>1. Non-Current Assets</b>		
(a) Property, Plant and Equipment	5	1,550.00
<b>2. Current Assets</b>		
(a) Inventories		96.00
(b) Trade Receivables	6	120.00
(c) Cash and Cash equivalents	7	30.00
<b>Total</b>		<b>1,796.00</b>

**Statement of Profit and Loss for the year ended 31st March 2021**

Particulars	Note No.	(Rs. in '000)
I. Revenue from Operations		1200.00
II. Other Income	8	6.00
<b>III. Total Income (I +II)</b>		<b>1,206.00</b>
<b>IV. Expenses:</b>		
Purchases (adjusted)		400.00
Finance Costs	9	30.00
Depreciation (10% of 800)		80.00
Other expenses	10	150.00

<b>Total Expenses</b>		<b>660.00</b>
V. Profit / (Loss) for the period before tax (III – IV)		546.00
VI. Tax expenses @30%		163.80
<b>VII Profit for the period</b>		<b>382.20</b>

**Notes to Accounts**

	<b>Particulars</b>		<b>(Rs. in '000)</b>
<b>1</b>	<b>Share Capital</b>		
	Equity Share Capital		
	Authorised		800
	80,000 Shares of Rs. 10/- each		
	Issued, Subscribed and Called-up		
	50,000 Shares of Rs. 10/- each	500	
	(Out of the above 5,000 shares have been issued for consideration other than cash)		
	Less: Calls in arrears	(5)	495
<b>2</b>	<b>Reserves and Surplus</b>		
	Securities Premium		40.00
	Revaluation Reserve Rs. (960 – 800)		160.00
	General Reserve		150.00
	Surplus i.e., Profit & Loss Account Balance		
	Opening Balance	75.00	
	Add: Profit for the period	382.20	457.20
			807.20
<b>3</b>	<b>Long-Term Borrowings</b>		
	10% Debentures		300
<b>4.</b>	<b>Short – term provision</b>		
	Provision for tax		163.80
<b>5</b>	<b>Property, plant &amp; equipment</b>		
	Land		
	Opening Balance	800	
	Add: Revaluation adjustment	160	
	Closing Balance		960
	Plant and Machinery		
	Opening Balance	824	
	Less: Disposed off	(24)	
		800	
	Less: Depreciation Rs. (150 – 20 + 80)	(210)	
	Closing Balance		590
	Total		1,550
<b>6</b>	<b>Trade receivables</b>		
	Debits outstanding for a period exceeding six months	50	

	Other debts	70	120
<b>7</b>	<b>Cash and Cash Equivalents</b>		
	Cash at Bank With scheduled banks	23	
	With others (ABC Bank Limited)	5	
	Cash in hand	2	30
<b>8</b>	<b>Other Income</b>		
	Profit on sale of machinery		
	Sale value of machinery	10	
	Less: Book value of machinery (24 – 20)	(4)	6
<b>9</b>	<b>Finance Costs</b>		
	Debenture Interest		30
<b>10</b>	<b>Other Expenses:</b>		
	Factory expenses	80	
	Selling expenses	25	
	Administrative expenses	45	150

**Q.FS.SM.7(B): (Sep'24 Exam)**

The following is the Trial Balance of Shivam Ltd as on 31<sup>st</sup> March, 2024 :

<b>Particulars</b>	<b>Dr. (‘000)</b>	<b>Particulars</b>	<b>Cr. (‘000)</b>
Land at Cost	148	Equity Share of Rs. 10 each	200
Plant & Machinery at Cost	520	10% Debenture of Rs. 100 each	135
Debtors	65	General Reserve	90
Closing Stock	58	Profit & Loss Ale	48
Bank	14	Security Premium	27
Adjusted Purchases	226	Sales	473
Factory Expenses	40	Creditors	35
Administration Expenses	22	Provision for Depreciation	116
Selling Expenses	20	Suspense A/c	3
Debenture Interest	14		
<b>Total</b>	<b>1,127</b>	<b>Total</b>	<b>1,127</b>

**Additional Information:**

- On 31st March, the Company issued Bonus Shares to the Shareholders on 1:2 basis (one equity share issued as bonus for every 2 equity shares held). No entry relating to this has yet been made.
- The Authorized Share Capital of the Company is 35,000 Equity Shares of Rs. 10 each.
- The Company, on the advice of an independent valuer, revalued the Land at Rs. 2,45,000.
- The Directors declared a Dividend of 10% on 5th April, 2024 and also transferred profit @ 10% to General Reserve.
- Suspense Account of Rs. 3,000 represents cash received for the Sale of some Machinery on the 1st day of the financial year 2023-24. Cost of this Machinery was Rs. 10,000 and Accumulated Depreciation thereon being Rs. 8,000.
- Depreciation is to be provided on Plant & Machinery at 10% on Cost.

- Provision for Income tax is required@ 30%.

You are required to prepare Shivam Ltd.'s Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2024 and Balance Sheet as at that date as per the provisions of the Companies Act, 2013 after considering the above information. Ignore previous year figures.

**Answer**

**Shivam Limited**  
**Balance Sheet as at 31<sup>st</sup> March 2024**

Particulars	Note No.	Rs. (in 000)
<b>I. Equity and Liabilities</b>		
<b>1. Shareholders' funds</b>		
a. Share capital	1	300.00
b. Reserves and Surplus	2	232.70
<b>2. Non-Current liabilities</b>		
a. Long term borrowings	3	135.00
<b>3. Current Liabilities</b>		
a. Trade Payables		35.00
b. Short – Term Provisions		30.30
<b>Total</b>		<b>733.00</b>
<b>II. Assets</b>		
<b>1. Non-Current assets</b>		
a. Property, Plant and Equipment and Intangible assets		
(i) Property, Plant and Equipment	4	596.00
<b>2. Current assets</b>		
a. Inventories		58.00
b. Trade receivables		65.00
c. Cash and cash Equivalents		14.00
<b>Total</b>		<b>733.00</b>

**Shivam Limited**  
**Statement of Profit and Loss for the year ended 31<sup>st</sup> March 2024**

	Particulars	Notes	Rs. (in '000)
I.	Revenue from operations		473.00
II.	Other Income	5	1.00
III.	Total Income		<u>474.00</u>
IV.	Expenses:		
	Purchases		226.00
	Finance costs		14.00
	Depreciation and Amortisation expenses (10% of 510*)		51.00

	Other expenses	6	<u>82.00</u>
	Total Expenses		<u>373.00</u>
V.	Profit before Tax (III-IV)		101.00
	Tax Expense:		
	Current tax		(30.30)
	Profit for the period (after tax)		70.70

**Notes to accounts**

			<b>Rs. (in 000)</b>
<b>1.</b>	<b>Share Capital</b>		
	Equity share capital		
	<u>Authorised</u>		
	35,000 shares of Rs. 10 each		<u>350.00</u>
	<u>Issued, subscribed &amp; paid-up</u>		
	20,000 shares of Rs. 10 each fully paid up	200.00	
	Add: 10,000 Bonus Shares issued during the year	<u>100.00</u>	300.00
<b>2.</b>	<b>Reserves and Surplus</b>		
	Securities Premium Account		
	Opening Balance	27.00	
	Less: Utilised for bonus issue	<u>27.00</u>	0.00
	Revaluation reserve (2,45,000 – 1,48,000)		97.00
	General Reserve 90		
	Less: Utilized for bonus issue (73)	17.00	
	Add: Transfer from Profit & loss @ 10%	<u>7.07</u>	24.07
	Profit & loss Balance		
	Opening balance	48.00	
	Profit for the period	70.70	
	Appropriations		
	Transfer to General Reserve @ 10%	(7.07)	<u>111.63</u>
			<u>232.70</u>
<b>3.</b>	<b>Long term borrowing</b>		
	10% Debentures		135.00
<b>4</b>	<b>Property, Plant and Equipment</b>		
	Land		
	Opening balance	148.00	
	Add: Revaluation adjustment	<u>97.00</u>	
	Closing balance		245.00

	Plant and Machinery		
	Opening balance	520.00	
	Less: Disposed off	<u>(10.00)</u>	
		510.00	
	Less: Depreciation (1,16,000-8,000+51,000)	<u>(159.00)</u>	
	Closing balance		351.00
	Total		596.00
<b>5</b>	<b>Other Income</b>		
	Profit on sale of machinery:		
	Sale value of machinery	3.00	
	Less: Book value of machinery (10,000-8,000)	<u>(2.00)</u>	1.00
<b>6</b>	<b>Other expenses:</b>		
	Factory expenses	40.00	
	Selling expenses	20.00	
	Administrative expenses	<u>22.00</u>	82.00

The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March 2024. Such dividends will be disclosed in notes only.

**Working note:**

Bonus Shares Issue:

- Bonus shares are issued in a 1:2 ratio, so for every 2 equity shares, 1 bonus share is issued.
- Equity Share Capital = Rs. 2,00,000 / Rs. 10 = 20,000 shares.
- Bonus Shares = 20,000 / 2 = 10,000 shares × Rs. 10 = Rs. 1,00,000.

Alternatively, since, the amount of interest on 10% 1,35,000 Debentures comes to Rs 13,500 while the Debenture Interest in the trial balance is listed as Rs. 14,000, the difference of Rs. 500 (Rs.13,500 - Rs.14,000) may be treated as an advance payment.

## 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 <sup>th</sup> 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
	<b>1,79,34,000</b>	<b>1,79,34,000</b>

### Additional Information:

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



- 20,000, Equity shares of Rs. 100 each 20,00,000
2. Issued equity capital as on 1st April 20X1 stood at Rs. 14,40,000, that is 12,000 shares fully paid and 4,000 shares of Rs. 60 paid. The directors made a call of Rs. 40 per share on 1st October. A shareholder could not pay the call on 500 shares and his shares were then forfeited and reissued @ Rs. 90 per share as fully paid.
  3. On 31st March 20X2, the Directors declared a dividend of 12% on equity shares, transferring any amount that may be required from General Reserve.
  4. The company on the advice of independent valuer wishes to revalue the land by 10%
  5. Suspense account of Rs. 1,40,000 represents amount received for the sale of some of the machinery on 1-4-20X1. The cost of the machinery was Rs. 3,00,000 and the accumulated depreciation thereon being Rs. 1,80,000.
  6. Depreciation is to be provided on plant and machinery at 10% on diminishing balance.
  7. Amortize 1/5th of Goodwill.
  8. Rs. 2,00,000 of Debentures were redeemed on 1st Oct at 10% Premium but premium amount not yet debited to Security Premium A/c. Full Amount wrongly debited to Debentures A/c.
  9. Maintain a Provision of 7% on Debtors as on 31st March 20X2.
  10. Provision for Income Tax as on 31st March should be Rs. 8,00,000
  11. Closing Raw Material is Rs. 2,45,000
  12. Adjusted Purchase of Stock in Trade includes 16,000 distributed among valued customers
  13. Long Term loan from Bank includes Interest Accrued but not due Rs. 50,000 and Rs. 1,20,000 To be payable within 1 Year.
  14. Bills receivables discounted not yet matured Rs. 15,000
  15. Outstanding expenses Rs. 21,000
  16. Transfer 20% of NPAT to General Reserve.

You are required to prepare Holding Limited's Balance Sheet as on 31-3-20X2 and Statement of Profit and Loss with notes to accounts for the year ended 31-3-20X2 as per Schedule III of the Companies Act, 2013.

**Solution:**

**Holding Ltd**  
**Balance Sheet as on 31/03/X2**

Particulars	Note no	Amount
<b>Equity &amp; Liabilities</b>		
<b>1) Shareholder's Fund</b>		
(i) Share capital	1	19,00,000
(ii) Reserve & Surplus	2	39,30,000
<b>2) Non-current liabilities</b>		
(i) Long term Borrowings	3	19,50,000
(ii) DTL	-	1,00,000
<b>3) Current liabilities</b>		
i) Short term borrowings	4	6,20,000
ii) Trade payables	-	11,50,000
iii) Other current liabilities	5	3,27,000
iv) Short term provisions	6	8,00,000
<b>Total</b>		<b>1,07,77,000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
(i) PPE	7	51,02,000
(ii) Intangible asset	8	8,00,000
(iii) Non-current investment	9	16,00,000
<b>Currents Assets</b>		

(i)Inventories	10	10,20,000
(ii)Trade Receivable	11	17,95,000
(iii)Cash & Cash eg.	12	4,30,000
(iv) Other current asset	13	30,000
<b>Total</b>		<b>1,07,77,000</b>

**Statement of profit & loss A/C for the year ended 31/03/×2**

Particular	Note no.	Amount
<b>Incomes</b>		
1)Revenue From operation	14	90,00,000
2)Other Incomes	15	3,15,000
<b>Total Incomes (a)</b>		<b>93,15,000</b>
<b>Expenditures</b>		
1)Cost of Material consumed	16	7,75,000
2)Purchase of SIT	17	21,14,000
3)Finance cost	18	60,000
4)Depreciation & Amortization	19	2,78,000
5)Other expenses	20	28,29,000
<b>Total Expenditure (b)</b>		<b>60,56,000</b>
Net-profit before tax (a-B)		32,59,000
(-)Tax expense (WN-1) (Current tax liabilities)		(12,30,000)
Net profit after tax (Transfer to R&S)		20,29,000

**Note to accounts:**

<b>1) Share Capital</b>	
(a)Authorised Capital	
9% PSC of 100/-(3,000 no)	3,00,000
Equity share of 100/-(20,000 no)	20,00,000
	<b>23,00,000</b>
(b)Issued/Subscribed/paid-up	
9% Cumulative PSC of 100/-	3,00,000
Equity share capital of 100/- (16000 no)	16,00,000
	<b>19,00,000</b>

<b>2) Reserves &amp; surplus</b>	
a) Capital Reserve	25,000
b) Revaluation reserve	4,00,000
c) Security premium	1,55,000
(-) Premium On redeem	(20,000)
	1,35,000
d) Gen Reserves opening	15,00,000
(+) Transfer From P&L	4,05,800
	19,05,800
e) Profit & loss a/c	
Opening balance	1,50,000
(+) NPAT	20,29,000
(-) Transfer to GR 20%	(4,05,800)
(-) Interim Dividend	(90,000)
(-) Preference Dividend	(27,000)
(-) Equity Dividend	(1,92,000)
	14,64,200
<b>Total</b>	<b>39,30,000</b>

<b>3) Long Term Borrowings</b>	
(i) 10% Debentures (4,80,000 + 20,000)	5,00,000
ii) Loan from bank (13,20,000 – 50,000 – 1,20,000)	11,50,000
iii) Loan frame other	3,00,000
<b>Total</b>	<b>19,50,000</b>

<b>4) Short term Borrowing</b>	
Loans frame bank: -	
a) Short-term loan	5,00,000
b) Current maturity of LT	1,20,000
<b>Total</b>	<b>6,20,000</b>

<b>5) Other current liabilities</b>	
i) Unclaimed Div. of LY	12,000
ii) Dividend payable	2,19,000
Preference                      27,000	
Equity                              1,92,000	
iii) Interest payable	75,000
Debentures interest              25,000	
Interest on Bank loan 50,000	
iv) O/S expenses	21,000
<b>Total</b>	<b>3,27,000</b>

<b>6) Short term provision</b>	
Current tax liabilities (provision)	8,00,000

<b>7) Property Plant and Equity</b>			
Particulars	Gross value	Prov. for Dep	Net value
a) Land	40,00,000	-	40,00,000
(+) Revaluation	4,00,000	-	4,00,000
	44,00,000	-	44,00,000
b) P&M	12,50,000	3,50,000	9,00,000
(-) Sale	(300000)	(1,80,000)	(1,20,000)
(+/-) Depreciation	-	78,000	(78,000)
	<b>95,000</b>	<b>2,48,000</b>	<b>51,02,000</b>

<b>8) INTANGIBLE ASSETS</b>			
	Gross	Amortisation	Net
Goodwill	10,00,000	2,00,000	8,00,000

<b>9) Non Current Investments</b>	
7.5% investment	16,00,000

<b>10) Inventories</b>	
a) Raw material	24,500
B) Stock in trade	7,50,000
c) Loose Tools	25,000
<b>Total</b>	<b>10,20,000</b>

<b>11) Trade Receivables</b>		
a) Debtors Bal Grass	15,00,000	
(-) Prov for DD @7% (Increase in provision by (10,5000 – 6,7000) = 38,000	(1,05,000)	13,95,000
b) Bills receivable		4,00,000
		<b>17,95,000</b>

<b>12) Cash &amp; Cash equivalents</b>	
Bank Balance	4,30,000

<b>13) Other Current Assets</b>	
a) Interest accrued as investment 16,00,000 × 7.5% = 1,20,000 (-) Int. receive = (90,000)	30,000

<b>14) Revenue from operation</b>	
Sales	90,00,000

<b>15) Other Interest</b>	
Gain of sale of machine	20,000
Govt. Grant	1,75,000
Int. on Investment (90,000 + 30,000)	1,20,000
<b>Total</b>	<b>3,15,000</b>

<b>16) Cost of material consumed</b>	
Opening RM	2,10,000
(+) Purchase of RM	8,10,000
(-) Closing RM	(2,45,000)
<b>Total</b>	<b>7,75,000</b>

<b>17) Purchase of Stock in Trade</b>	
Total adjusted purchase	21,30,000
(-) goods given for sample	(16,000)
<b>Total</b>	<b>21,14,000</b>

<b>18) Finance cost</b>	
Debentures Interest (35+25)	<b>60,000</b>

<b>19) Depreciation &amp; Amortisation</b>	
a) Depreciation as PPE	78,000
b) Amortisation on goodwill	2,00,000
<b>Total</b>	<b>2,78,000</b>

<b>20) Other Expense</b>	
Factory Expense	12,00,000
Administration Expense	4,00,000
Selling Expense	9,00,000
Bad debts	45,000
Consumables	18,000
Preliminary Expense	40,000
Managerial remuneration	1,00,000
Director fees	51,000

Other Misc. Expense	21,000
Provision for DD	38,000
Advertisement Expense	16,000
<b>Total</b>	<b>28,29,000</b>

**21) Contingent liabilities**

Bills discounted for Rs 15,000 but still not yet matured.

**Working Note 1**

<b>Prov for tax a/c</b>			
To IT paid	9,50,000	By balance b/d	5,20,000
To Bal c/d	8,00,000	By P&L a/c	12,30,000