# Final Accounts of Companies

Knowledge

Op. cycle
upto 12M
> 12M

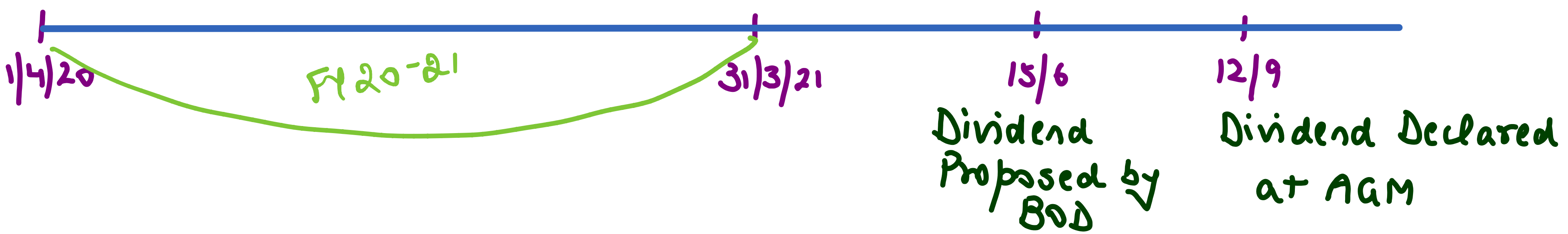
**Operating Cycle:** Period from Acquisition of asset till conversion of cash.

R/M Period + WIP Period + F.G. Period + Collection (credit) Period = 13M

4 2 3 4

| A<br>Liability Payable | | B<br>Operating Cycle | | C<br>Relevant Period (Op. cycle or 12M ↑) | A vs C<br>Current or Non Current |
|---|---|---|---|---|---|
| 1) | 13M | 9M | < 12M | 9M or 12M : 12M | Non current |
| 2) | 7M | 9M | | 12M | Current |
| $\boxed{3)}$ | 11M | 9M | | 12M | Current |
| 4) | 18M | 15M | > 12M | 15M | Non current |
| $\boxed{5)}$ | 13M | 15M | | 15M | Current |
| 6) | 9M | 15M | | 15M | Current |

# Dividend Adjustment




" **FY 2020-21**

No Accounting Entry.

Disclosure in Notes of Proposed D/D

" **FY 2021-22**

Dividend — Sec 123

**Declared:**

P&L A/c —Dr → profits ↓
    To Dividend Payable A/c   liab.

**Paid:**

Dividend Payable A/c —Dr
    To Bank A/c

## Example:

From P&L PAT

Profit for the year = 2000000 | Opening P&L : 300000

~~P&L A/c~~ (Reserves & surplus)

Equity share capital = 5000000

Dividend Declared = 10% $\boxed{3|3}$ | Transfer to General Reserve $\boxed{5\%}$ of Profits ↳ Current Year

Note: Reserves & Surplus

Dividend as % is generally on Paid up capital.

1) P&L / surplus

| | |
|---|---|
| Opening | 300000 |
| + Current Year Profit | 2000000 |
| | 2300000 |
| - Appropriations | |
| Dividend Payable (50L × 10%) | (500000) |
| (20L × 5%) Tfr. to General Reserve | (100000) |
| | 1700000 |
| | 100000 |
| | 1800000 |

P&L 5L → Profits ↓

To Dividend Payable 5L → OCL

P&L A/c - Dr 1L

To General Res. 1L

2) General Reserve

## Adjustments:

(1)

| Trial Balance | Dr. | Cr. |
|---|---|---|
| Salary | 50000 | |

Salary payable 20000

**P&L**

Employee Benefit Expense

Salary (50000 + 20000) 70000

**B/S**

Current Lia.

Other current Lia.

O/s Salary 20000

(2)

| Trial Balance | Dr. | Cr. |
|---|---|---|
| Salary | 100000 | |
| O/s Salary | | 30000 |

**P&L**

Employee Benefit Expense

Salary 100000

**B/S**

Current Lia.

Other current Lia.

O/s Salary 30000

③ **Trial Balance**

| | Dr. | Cr. |
|---|---|---|
| Machinery | 100000 | |

Depreciation @ 10%

**P&L**

Dep. & Amortisation Expense

Dep. on Machinery 10000

**B/S**

Non Current Assets

PPE & Intangible Assets

PPE

Machinery 100000

– Dep. (10000) 90000

④ **Trial Balance**

| | Dr. | Cr. |
|---|---|---|
| Machinery | 150000 | |
| Depreciation | 20000 | |

**P&L**

Dep. & Amortisation Expense

Dep. on Machinery 20000

**B/S**

Non Current Assets

PPE & Intangible Assets

PPE

Machinery 150000

5 **Trial Balance**

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

Depreciation @ 10% on Cost (a) / 10% on WDV (b)

① Dep.
  To PPE

② Dep.
  To Prov. for Dep. / Acc. Dep

**P&L**

| | (a) | | (b) | |
|---|---|---|---|---|
| Dep. & Amortisation Expense | | | | |
| Dep. on Machinery | 20000 | (2L × 10%) | 15000 | (200000 − 50000) × 10% |

**B/S**

Non current Assets
  PPE & Intangible Assets
    PPE

| | (a) | | (b) | |
|---|---|---|---|---|
| Machinery | 200000 | | 200000 | |
| − Acc. Dep | (70000) | (50000 + 20000) | (65000) | (50000 + 15000) |
| | 130000 | | 135000 | |

## 6) Trial Balance

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

**P&L**

Dep. & Amortisation Expense

Dep. on Machinery — 10000

**B/s**

Non current Assets

PPE & Intangible Assets

PPE

Machinery — 200000

− Acc. Dep. — (50000)

150000

## 7) Trial Balance

Trader

| | Dr. | Cr. |
|---|---|---|
| Opening Stock | 50000 | |
| Purchases | 400000 | |

Closing Stock 30000

**P&L**

Purchases — 400000

Change in Inventory — 20000

(50000 - 30000)

**B/s**

Current Assets

Inventories — 30000

8

## Trial Balance

Cl. stk To Purch.

| | Dr. | Cr. |
|---|---|---|
| Closing Stock | 50000 | |
| Adjusted Purchases | 300000 | |

(Op. stk + Purch. − Cl. stk)

**P&L**

~~Purchases~~ Adj. Purchases 300000

~~Change in Inventory~~

**B/S**

Current Assets

Inventories 50000

9 If written

Closing stock is 20000 more than opening stock

Clos. stk = 50000 Opening stock : 30000

Op. stk + Purchases − Clos. stk = Adj. Purch.

30000 + Purchases − 50000 = 300000

Purchases = 320000

**P&L**

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

**B/S**

Current Assets

Inventories 50000

## 10 Dividend Related

### Case 1: Appearing in Trial Balance

**(a)** Trial Balance

| | Dr. | Cr. |
|---|---|---|
| Dividend Payable/ Unclaimed Dividend | | 50000 |

**Entry Passed:**

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

B/S: Current Liabilities

Other current Liabilities

Dividend Payable (Unclaimed Dividend) 50000

**(b)** Trial Balance

| | Dr. | Cr. |
|---|---|---|
| Dividend/ Interim D/D Paid | 30000 | |

**Entry Passed:**

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

B/S: Note to Reserve & Surplus

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

## Case 2: Appearing Outside Trial Balance

a) Dividend Proposed or Declared after 31/3 : No Accounting Entry.

Disclosure in Notes to A/cs of Dividend Proposed.

b) Dividend Declared : / Declared on 31/3

Entry :

P&L A/c - Dr

To Dividend Payable

1 B/S : Note to Reserve & Surplus

| | |
|---|---|
| P&L / Surplus | XX |
| - Dividend Payable | (XX) |

2 B/S : Current Liabilities

Other current Liabilities

| | |
|---|---|
| Dividend Payable | XX |

## (11) Share Forfeiture & Reissue

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

Calls in Arrears on 3000 shares @ 2/share

### (1)

Calls in Arrears ✓

Share Forfeiture ✗

**Share capital**

| | |
|---|---|
| 20000 sh. of 10 each | 200000 |
| − Calls in Arrears (3000 X 2) | (6000) |
| Paid up cap. | 194000 |

Dividend on : 194000

### (2)

Calls in Arrears ✓

Share Forfeiture ✓

Share Reissue ✗

**Entry:**

| | |
|---|---|
| Share capital A/c - Dr | 3000X10 |
| To Share F.F. A/c | 3000X8 |
| To Calls in Arrears A/c | 3000X2 |

**Share capital**

| | |
|---|---|
| 17000 Sh. of 10 each | 170000 |
| + Share F.F. | 24000 |
| | 194000 |

Dividend on : 170000

### (3)

Share Reissue ✓

Reissued at 5/share

**Entry:**

| | |
|---|---|
| Bank A/c - Dr | 3000 X 5 |
| Share F.F. A/c - Dr. | 3000 X 5 |
| To Share capital | 3000 X 10 |
| Share F.F. A/c - Dr | 3000 X 3 |
| To Capital Reserve | 3000 X 3 |

**Share capital**

| | |
|---|---|
| 20000 shares of 10 each | 200000 |

**Res. & surplus**

| | |
|---|---|
| Capital Reserve | 3000 X 3 |

Dividend on : 200000