

Chapter
33

PREPARATION OF FINANCIAL STATEMENTS
Question 1
NB Pg. No.

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 31st March, 20X1.

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

Particulars	₹	Particulars	₹
Inventory	6,80,000	Equity Shares	
Furniture	2,00,000	Capital (Shares of ₹ 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
Materials consumed	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 & Equipment	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		
	85,35,000		85,35,000

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

Solution :

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

	Schedule No. (1)	Rupees as at the end of 31st March 20X1 (2)
Equity and Liabilities		
(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 payables		2,81,000
Total		46,66,000
Assets		
(1) Non current assets		
(a) PPE		
(b) Intangible assets (goodwill)	4	30,05,000
(2) Current assets		2,65,000
(a) Inventories		
(b) Trade receivables		8,23,000
(c) Cash and bank balances		4,40,000
(d) Short term loans and advances	5	53,000
Total	6	80,000
		46,66,000

Haria Chemicals Ltd.
Statement of Profit and Loss for the year ended 31st March, 20X1

	Schedule	Figures
Revenue from operations		
Other income	7	42,68,000
Expenses	(A)	56,000
Cost of materials consumed		
Change in inventory of finished goods	8	23,19,000
Employee benefit expenses	9	(1,43,000)
Finance cost	10	9,00,000
Other expenses	11	1,71,000
Profit before tax (A - B)	(B)	4,76,000
Provision for tax		37,23,000
Profit for the period		6,01,000
		—
		6,01,000

Notes to Accounts
1. Share capital

Authorised:

Equity share capital of ₹ 10 each

 ₹
25,00,000

Issued and Subscribed:

Equity share capital of ₹ 10 each

 ₹
25,00,000

2. Reserves and Surplus

Balance as per last balance sheet

 ₹
1,39,000

Balance in profit and loss account

 ₹
6,01,000

-

 ₹
7,40,000

3. Long term Borrowings

11% Debentures

 ₹
5,00,000

Bank loans (assumed long-term)

 ₹
6,45,000

4. PPE

	Gross block	Depreciation	Net Block
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	—	2,45,000
Total	31,51,000	1,46,000	30,05,000

5. Cash and bank balances

Cash and cash equivalents

 ₹
45,000

Current account balance

 ₹
8,000

Cash

 ₹
Nil

Other bank balances

 ₹
53,000

6. Short-term loans and Advances

Loan to directors

 ₹
80,000

7. Other Income

Rent received

 ₹
46,000

Transfer fees

 ₹
10,000

 ₹
56,000

8. Changes in inventory of finished goods, WIP & Stock in trade

Opening inventory

 ₹
6,80,000

Closing inventory

 ₹
(8,23,000)

 ₹
(1,43,000)

9. Employee benefit expense

Wages

 ₹
9,00,000

10. Finance cost

Interest on bank loans

 ₹
1,16,000

Debenture interest

 ₹
55,000

 ₹
1,71,000

11. Other Expenses

Consumables		84,000
Preliminary expenses		10,000
Bad debts		35,000
Discount		40,000
Rentals		25,000
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

Question 2
NB Pg. No.

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 31st March, 20X2:

	Dr. ₹	Cr. ₹
Authorised Capital-divided into 5,000 6% Preference Shares of ₹100 each and 10,000 equity Shares of ₹100 each		
Subscribed Capital -		15,00,000
5,000 6% Preference Shares of ₹100 each		
Equity Capital		5,00,000
Purchases - Wines, Cigarettes, Cigars, etc.		8,05,000
- Foodstuffs	45,800	
Wages and Salaries	36,200	
Rent, Rates and Taxes	28,300	
Laundry	8,900	
Sales - Wines, Cigarettes, Cigars, etc.		750
- Food		68,400
Coal and Firewood		57,600
Carriage and Cooliage	3,290	
Sundry Expenses	810	
Advertising	5,840	
Repairs	8,360	
Rent of Rooms	4,250	
Billiard		48,000
Miscellaneous Receipts		5,700
Discount received		2,800
Transfer fees		3,300
Freehold Land and Building		700
Furniture and Fittings	8,50,000	
		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 ₹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		2,00,000	
	19,75,000	19,75,000	
Wages and Salaries Outstanding	1,280		
Inventory on 31st March, 20X2			
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 ₹7,20,000, that is 6,000 shares fully paid and 2,000 shares ₹60 paid. The directors made a call of ₹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 @ ₹90 per share as fully paid. The Directors declared a dividend of 8% on equity shares on 2nd April, 20X2, transferring any amount that may be required from General Reserve. Ignore Taxation.

Solution :

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

Particulars	Note No	₹
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	13,00,000
b Reserves and Surplus	2	2,68,745
2 Non-current liabilities		
a Long-term borrowings	3	2,00,000
3 Current liabilities		
a Trade Payables	4	42,000
b Other current liabilities	5	13,280
	Total	18,24,025
ASSETS		
1 Non-current assets		
i PPE	6	9,14,985
ii Intangible assets (Goodwill)		5,00,000
iii Non-current investments		2,72,300

2 Current assets		7	38,900
i Inventories			
ii Trade receivables			19,260
iii Cash and bank balances		8	78,580
	Total		18,24,025

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
III.	Total Income (I + II)		1,86,500
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 expenses (Preliminary expenses written off)		8,000
	Total expenses		1,64,255
V.	Profit (Loss) for the period (III - IV)		22,245

Notes to accounts

1 Share Capital		₹
Equity share capital		
Authorised		
10,000 Equity shares of ₹100 each		10,00,000
Issued & subscribed		
8,000 Equity Shares of ₹100 each	(A)	8,00,000
Preference share capital		
Authorised		
5,000 6% Preference shares of ₹ 100 each		5,00,000
Issued & subscribed		
5,000 6% Preference shares of ₹ 100 each	(B)	5,00,000
	Total (A + B)	13,00,000
2 Reserves and Surplus		
Capital reserve [100 x (90 - 40)]		5,000
General reserve		2,00,000

Surplus (Profit & Loss A/c)
Add: Balance from previous year

3 Long-term borrowings

Secured

6% Debentures

4 Trade Payables

5 Other current liabilities

Wages and Salaries Outstanding

Interest on debentures

6 PPE

Freehold Land & Buildings

Less: Depreciation

Furniture and Fittings

Less: Depreciation

7 Inventories

Wines, Cigarettes & Cigars, etc.

Foodstuffs

8 Cash and bank balances

Cash and cash equivalents

Cash at bank

Cash in hand

Other bank balances

9 Revenue from operations

Sale of products

Wines, Cigarettes, Cigars etc.

Food

Sale of services

Room Rent

Billiards

10 Other Income

Transfer fees

Miscellaneous Receipts

Discount received

11 Cost of materials consumed

Opening Inventory

	22,245	
Total	41,500	63,745
		2,68,745
		2,00,000
Total		2,00,000
		42,000
	1,280	
	12,000	13,280
Total		13,280
		8,50,000
	(17,000)	8,33,000
	86,300	
	(4,315)	81,985
Total		9,14,985
		22,500
		16,400
Total		38,900
		76,380
		2,200
		Nil
Total		78,580
	68,400	
	57,600	1,26,000
	48,000	
	5,700	53,700
Total		1,79,700
	700	
	2,800	
	3,300	
Total		6,800
	5,260	



Add: Purchases during the year		36,200	
Less: Closing Inventory		(16,400)	25,060
12 Purchases of Inventory-in-Trade	Total	25,060	25,060
Wines, Cigarettes etc.			
13 Changes in inventories of finished goods	Total	45,800	45,800
work-in-progress and Inventory-in-Trade			
Wines, Cigarettes etc.			
Opening Inventory		12,800	
Less: Closing Inventory		(22,500)	(9,700)
14 Employee benefits expense	Total	(9,700)	(9,700)
Wages and Salaries			
Add: Wages and Salaries Outstanding		28,300	
15 Other operating expenses	Total	29,580	29,580
Rent, Rates and Taxes			
Coal and Firewood			8,900
Laundry			3,290
Carriage and Coolage			750
Repairs			810
			4,250
16 Selling and administrative expenses	Total	18,000	18,000
Advertising			
Sundry Expenses			8,360
17 Finance costs	Total	5,840	14,200
Interest on Debentures ($2,00,000 \times 6\%$)			
18 Depreciation and amortisation expense	Total	12,000	12,200
Land and Buildings ($8,50,000 \times 2\%$)			
Furniture & Fittings ($86,300 \times 5\%$)		17,000	4,315
			21,315
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, 20X2. Such dividends will be disclosed in notes only.	Total	21,315	21,315

Question 3 : (RTP Nov'21)

NB Pg. No.

State under which head these 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) Money received against share warrant.

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) Shareholders' Fund/Money received against share warrants

Question 4 : (RTP May'22) (MTP Mar'24)

NB Pg. No.

Following is the trial balance of Delta limited as on 31.3.20X2.

(Figures in ₹'000)

Particulars	Debit	Particulars	Credit
Land at cost	800	Equity share capital	500
		(shares of ₹ 10 each)	
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.X1)	75
Trade receivables	120	Securities premium	40
Inventories (31-3-X2)	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		
	2455		2455

Additional Information:

- (i) The authorized share capital of the company is 80,000 shares of ₹10 each.
- (ii) The company revalued the land at ₹9,60,000.
- (iii) Equity share capital includes shares of ₹50,000 issued for consideration other than cash.
- (iv) Suspense account of ₹10,000 represents cash received from the sale of some of the machinery on 1.4.20X1. The cost of the machinery was ₹24,000 and the accumulated depreciation thereon being ₹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 ₹5,000 with ABC Bank Ltd., which is not a Scheduled Bank.

(vii) Make provision for income tax @30%.

(viii) Trade receivables of ₹50,000 are due for more than six months.

You are required to prepare Delta Limited's Balance Sheet as at 31.3.20X2 and Statement of Profit and Loss with notes to accounts for the year ended 31.3.20X2 as per Schedule III. Ignore previous year's figures & taxation.

(14 Marks)

Solution :

Delta Limited
Balance Sheet as at 31st March 20X2

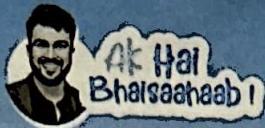
Particulars	Note No.	(₹ in '000)
A. Equity and Liabilities		
1. Shareholders' funds		
(a) Share Capital	1	495.00
(b) Reserves and Surplus	2	807.20
2. Non-Current Liabilities		
(a) Long Term Borrowings	3	300.00
3. Current Liabilities		
(a) Trade Payables		30.00
(b) Short-term provision	4	163.80
	Total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

Statement of Profit and Loss for the year ended 31st March 20X2

Particulars	Note No.	(₹ in '000)
I. Revenue from Operations		
II. Other Income		1200.00
III. Total Income (I + II)	8	6.00
IV. Expenses:		1,206.00
Purchases (adjusted)		
Finance Costs		400.00
Depreciation (10% of 800)	9	30.00
Other expenses		80.00
Total Expenses	10	150.00
V. Profit / (Loss) for the period before tax (III - IV)		660.00
VI. Tax expenses @30%		546.00
VII. Profit for the period		163.80
		382.20

Notes to Accounts

	Particulars	(₹ in '000)
1	Share Capital Equity Share Capital Authorised 80,000 Shares of ₹ 10/- each Issued, Subscribed and Called-up 50,000 Shares of ₹ 10/- each (Out of the above 5,000 shares have been issued for consideration other than cash) Less: Calls in arrears	800 500 (5) 495
2	Reserves and Surplus Securities Premium Revaluation Reserve ₹ (960 – 800) General Reserve Surplus i.e. Profit & Loss Account Balance Opening Balance Add: Profit for the period	40.00 160.00 150.00 75.00 382.20 457.20 807.20
3	Long-Term Borrowings 10% Debentures	300
4.	Short - term provision Provision for tax	163.80
5	Property, plant & equipment Land Opening Balance Add: Revaluation adjustment Closing Balance Plant and Machinery Opening Balance Less: Disposed off Less: Depreciation ₹ (150 – 20 +80) Closing Balance Total	800 160 960 824 (24) 800 (210) 590 1,550
6	Trade receivables Debits outstanding for a period exceeding six months Other debts	50 70 120
7	Cash and Cash Equivalents Cash at Bank With scheduled banks With others (ABC Bank Limited)	23 5



	Cash in hand	2	30
8	Other Income		
	Profit on sale of machinery		
	Sale value of machinery	10	
	Less: Book value of machinery (24 - 20)	(4)	6
9	Finance Costs		
10	Other Expenses:		30
	Factory expenses	80	
	Selling expenses	25	
	Administrative expenses	45	
			150

Question 5 : (MTP Jan'25)

NB Pg. No.

The following is the Trial Balance of Omega Limited as on 31.3.20X2:

(Figures in ₹ '000)

	Debit		Credit
Land at cost	220	Equity Capital (Shares of ₹10 each)	300
Plant & Machinery at cost	770	10% Debentures	200
Trade Receivables	96	General Reserve	130
Inventories (31.3.X2)	86	Profit & Loss A/c	72
Bank	20	Securities Premium	40
Adjusted Purchases	320	Sales	700
Factory Expenses	60	Trade Payables	52
Administration Expenses	30	Provision for Depreciation	172
Selling Expenses	30	Suspense Account	4
Debenture Interest	20		
Interim Dividend Paid	18		
	1670		1670

Additional Information:

- The authorised share capital of the company is 40,000 shares of ₹10 each.
- The company on the advice of independent valuer wish to revalue the land at ₹3,60,000.
- Declared final dividend @ 10% on 2nd April, 20X2.
- Suspense account of ₹4,000 represents cash received for the sale of some of the machinery on 1.4.20X1. The cost of the machinery was ₹10,000 and the accumulated depreciation thereon being ₹8,000.
- Depreciation is to be provided on plant and machinery at 10% on cost.

You are required to prepare Omega 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. Ignore previous years' figures & taxation.

Solution :

Omega Limited
Balance Sheet as at 31st March, 20X2

Particulars	Note No.	(₹ in 000)
Equity and Liabilities		
1. Shareholders' funds		
A Share capital	1	300
B Reserves and Surplus	2	530
2. Non-Current liabilities	3	200
A Long term borrowings		
3. Current liabilities		52
A Trade Payables		
	Total	1082
Assets		
1. Non-current assets	4	880
A PPE (Property, Plant & Equipment)		
2. Current assets		
A Inventories		86
B Trade receivables		96
C Cash and bank balances		20
	Total	1082

Omega Limited
Statement of Profit and Loss for the year ended 31st March, 20X2

Particulars	Notes	(E in 000)
I. Revenue from operations		700
II. Other Income	5	2
III. Total Income		702
IV. Expenses:		
Purchases		320
Finance costs	6	20
Depreciation (10% of 760*)		76
Other expenses	7	120
Total Expenses		536
V. Profit (Loss) for the period (III - IV)		166

Notes to accounts

		(₹ in 000)
1.	Share Capital	
	Equity share capital	
	Authorised	
	40,000 shares of E 10 each	400
	Issued & subscribed & called up	

	30,000 shares of E 10 each		300
2.	Reserves and Surplus		
	Securities Premium Account		40
	Revaluation reserve (360 - 220)		140
	General reserve		130
	Profit & loss Balance		
	Opening balance	72	
	Profit for the period	166	238
	Less: Appropriations		
	Interim Dividend	(18)	220
			530
3.	Long term borrowing		
	10% Debentures		200
4.	PPE		
	Land		
	Opening balance	220	
	Add: Revaluation adjustment	140	
	Closing balance		360
	Plant and Machinery		
	Opening balance	770	
	Less: Disposed off	(10)	
		760	
	Less: Depreciation (172-8+76)	(240)	
	Closing balance		520
		Total	880
5.	Other Income		
	Profit on sale of machinery:		
	Sale value of machinery	4	
	Less: Book value of machinery (10-8)	(2)	2
6.	Finance costs		
	Debenture interest		20
7.	Other expenses:		
	Factory expenses	60	
	Selling expenses	30	
	Administrative expenses	30	120

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, 20X2. Such dividends will be disclosed in notes only.

Question 6 :

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:

NB Pg. No.

Credit Balances:

	₹
Equity shares capital, fully paid shares of ₹10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation	10,50,000
(Secured by hypothecation of Plant & Machinery Repayable within one year (2,00,000)	
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
	1,33,63,000

Debit Balances:

	₹
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
	1,33,63,000

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 ₹28,00,000
- (iii) Cost of Plant & Machinery ₹49,00,000
- (iv) Cost of Furniture & Fixture ₹4,37,500
- (v) Trade receivables for ₹3,80,000 are due for more than 6 months.
- (vi) The amount of Balances with Bank includes ₹18,000 with a bank which is not a scheduled Bank and the deposits of ₹5 lakhs are for a period of 9 months.
- (vii) Unsecured loan includes ₹2,00,000 from a Bank and ₹1,00,000 from related parties.
- (viii) Entire amount of Preliminary expenses to be written off, by adjusting from opening balance of General Reserve.

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 31st March, 20X1**

Particulars		Notes	Figures at the end of current reporting period (₹)
Equity and Liabilities			
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 Payables		14,00,000
b	Short term borrowings	4	2,00,000
c	Short-term provisions	5	8,16,900
	Total		1,32,62,900
Assets			
1	Non-current assets		
a	PPE	6	74,75,000
b	Intangible assets (Patents & Trade Marks)		4,00,000
2	Current assets		
a	Inventories	7	17,50,000
b	Trade receivables	8	14,00,000
c	Cash and bank balances	9	19,39,000
d	Short-term loans and advances		2,98,900
	Total		1,32,62,900

Notes to accounts

			₹
1	Share Capital		
	Equity share capital		
	Issued, subscribed and called up		
	7,00,000 Equity Shares of ₹ 10 each	70,00,000	
	Out of the above 4,20,000 shares have been issued for consideration other than cash)		
	Less: Calls in arrears	(7,000)	<u>69,93,000</u>
		Total	69,93,000
2	Reserves and Surplus		
	General Reserve	15,49,100	
	Less: Preliminary expenses	(93,100)	14,56,000
	Surplus (Profit & Loss A/c)		7,00,000

		Total	
3	Long-term borrowings		21,56,000
	Secured		
	Term Loans		
	Loan from State Finance Corporation (₹ 10,50,000 – ₹ 2,00,000) (Secured by hypothecation of Plant and Machinery)		8,50,000
	Unsecured		
	Bank Loan	2,00,000	
	Loan from related parties	1,00,000	
	Others	5,47,000	8,47,000
		Total	16,97,000
4	Short term borrowings		
	Current maturities of long-term debt- Instalment repayable within one year		2,00,000
5	Short-term provisions		
	Provision for taxation		8,16,900
6	Property, plant and equipment		
	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
		Total	74,75,000
7	Inventories		
	Raw Material		3,50,000
	Finished goods		14,00,000
			17,50,000
8	Trade receivables		
	Debts outstanding for a period exceeding six months		3,80,000
	Other Debts		10,20,000
		Total	14,00,000
9	Cash and bank balances		
	Cash and cash equivalents	12,11,000	
	Cash at bank with Scheduled Banks with others	18,000	12,29,000
	Cash in hand		2,10,000

Other bank balances		
Bank deposits for period of 9 months		5,00,000
	Total	19,39,000

Question 7 :

NB Pg. No.

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

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

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

- Closing stock is more than opening stock by ₹1,60,000.
- Provide for doubtful debts @ 4% on Debtors.
- Make a provision for income tax @30%.
- Depreciation expense included depreciation of ₹16,000 on Building and that of ₹24,000 on Machinery.
- The directors declared a dividend @ 25% on 2nd April, 20X2 and transfer to General Reserve @ 10%.
- Bills Discounted but not yet matured ₹20,000.

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

Particulars	Note No.	(₹ In lacs)
I Revenue from operations		10,40,000

II	Other income (interest on investment)		24,000
III	Total income [I + II]		10,64,000
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
	Total Expenses		7,60,000
V	Profit before Tax (III-IV)		3,04,000
VI	Tax Expenses @ 30%		(91,200)
VII	Profit for the period		2,12,800

Balance Sheet of Ring Ltd. as at 31ST March, 20X2

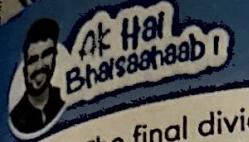
	Particulars	Note No.	₹
I	EQUITY AND LIABILITIES		
	(1) Shareholders' Funds		
	(a) Share Capital	1	4,00,000
	(b) Reserves and Surplus	2	3,42,800
	(2) Non-Current Liabilities		
	(a) Long-term Borrowings (14% debentures)		4,00,000
	(3) Current Liabilities		
	(a) Trade Payable (Sundry Creditors)		1,84,000
	(b) Other Current Liabilities	3	42,000
	(c) Short-Term Provisions	4	91,200
	Total		14,60,000
II	ASSETS		
	(1) Non-Current Assets		
	(a) PPE	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		1,20,000
	(Advance Payment of Tax)		
	e) Other Current Assets		4,000
	(Interest accrued on investments)		
	Total		14,60,000

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



Notes to Accounts:

		Total Income (I + II)	Expenses	Profit
1.	Share Capital			
	Authorised Capital			
	10,000 Equity Shares of ₹ 100 each	10,00,000		
	Issued Capital			
	4,000 Equity Shares of ₹ 100 each	4,00,000		
	Subscribed Capital and fully paid			
	4,000 Equity Shares of ₹ 100 each	4,00,000		
2.	Reserve and Surplus			
	General Reserve [₹ 80,000 + ₹ 21,280]	1,01,280		
	Balance of Statement of Profit & Loss Account	50,000		
	Opening Balance	2,12,800		
	Add: Profit for the period	2,62,800		
	Appropriations			
	Transfer to General Reserve @ 10%	(21,280)		2,41,520
				<u>3,42,800</u>
3.	Other Current Liabilities			
	Unclaimed Dividend	10,000		
	Outstanding Expenses	4,000		
	Interest accrued on Debentures	28,000		
				<u>42,000</u>
4.	Short-Term Provision			
	Provision for Tax			91,200
5	Property, plant and equipment			
	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
				<u>5,70,000</u>
6	Inventories			
	Closing Stock of Finished Goods	1,80,000		
	Loose Tools	46,000		2,26,000
7	Trade Receivables Sundry Debtors			
	Less: Provision for Doubtful Debts	2,50,000		
		(10,000)		2,40,000
8.	Other Expenses			
	Rent			52,000
	Directors' Fees			20,000
	Bad Debts			12,000
	Provision for Doubtful Debts (4% of ₹ 2,50,000 less ₹ 6,000)			4,000
	Sundry Expenses			36,000
				<u>1,24,000</u>



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, 20X2. Such dividends will be disclosed in notes only.

Question 8 : (MTP Mar'21, Jan'25) (RTP May'20, RTP May'23) (PYQ Nov'19)

NB Pg. No.

From the following particulars furnished by Alpha Ltd., prepare the Balance Sheet as on 31st March 20X1 as required by Part I, Schedule III to the Companies Act, 2013.

Particulars		Debit ₹	Credit ₹
Equity Share Capital (Face value of ₹ 100 each)			50,00,000
Call in Arrears		5,000	
Land & Building		27,50,000	
Plant & Machinery		26,25,000	
Furniture		2,50,000	
General Reserve			10,50,000
Loan from State Financial Corporation			7,50,000
Inventory:			
Raw Materials	2,50,000		
Finished Goods	10,00,000	12,50,000	
Provision for Taxation			6,40,000
Trade receivables		10,00,000	
Short term Advances		2,13,500	
Profit & Loss Account			4,33,500
Cash in Hand		1,50,000	
Cash at Bank		12,35,000	
Unsecured Loan			6,05,000
Trade payables (for Goods and Expenses)			8,00,000
Loans & advances from related parties			2,00,000
		94,78,500	94,78,500

The following additional information is also provided:

- 10,000 Equity shares were issued for consideration other than cash.
- Trade receivables of ₹2,60,000 are due for more than 6 months.
- The cost of the Assets were:
 - Building ₹30,00,000, Plant & Machinery ₹35,00,000 and Furniture ₹3,12,500
- The balance of ₹7,50,000 in the Loan Account with State Finance Corporation is inclusive of ₹37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery.
- Balance at Bank includes ₹10,000 with Omega Bank Ltd., which is not a Scheduled Bank.
- Transfer ₹20,000 to general reserve is proposed by Board of directors.
- Board of directors declared dividend of 5% on the paid up capital on 2nd April, 20X1. (15 Marks)



Solution :

Alpha Ltd.

Balance Sheet as at 31st March, 20X1

	Particulars	Notes	₹
	Equity and Liabilities		
1	Shareholders' funds		
a	Share capital	1	49,95,000
b	Reserves and Surplus	2	14,83,500
2	Non-current liabilities		
	Long-term borrowings	3	13,17,500
3	Current liabilities		
a	Trade Payables		8,00,000
b	Short-term provisions	5	6,40,000
c	Short-term borrowings	4	2,00,000
d	Other Current Liabilities: Interest accrued		
	Total		94,73,500
	Assets		
1	Non-current assets		
	PPE	6	56,25,000
2	Current assets		
a	Inventories	7	12,50,000
b	Trade receivables	8	10,00,000
c	Cash and bank balances	9	13,85,000
d	Short-term loans and advances		2,13,500
	Total		94,73,500

Notes to accounts

₹
1 Share Capital
Equity share capital
Issued & subscribed & called up
50,000 Equity Shares of ₹ 100 each
(of the above 10,000 shares have been issued for consideration other than cash)
Less: Calls in arrears
Total
2 Reserves and Surplus
General Reserve
Add: current year transfer
Profit & Loss balance
Profit for the year
Less: Appropriations:

	Transfer to General reserve	(20,000)	4,13,500
Total			14,83,500
3 Long-term borrowings			
Secured Term Loan			7,12,500
State Financial Corporation Loan (7,50,000-37,500)			
(Secured by hypothecation of Plant and Machinery)			
Unsecured Loan			6,05,000
	Total		13,17,500
4 Short term Borrowings			
Loans and advances			2,00,000
5 Short-term provisions			
Provision for taxation			6,40,000
6 Property, plant and equipment			
Land and Building		30,00,000	
Less: Depreciation		(2,50,000) (b.f.)	27,50,000
Plant & Machinery		35,00,000	
Less: Depreciation		(8,75,000) (b.f.)	26,25,000
Furniture & Fittings		3,12,500	
Less: Depreciation		(62,500) (b.f.)	2,50,000
	Total		56,25,000
7 Inventories			
Raw Materials		2,50,000	
Finished goods		10,00,000	
	Total		12,50,000
8 Trade receivables			
Outstanding for a period exceeding six months		2,60,000	
Other Amounts		7,40,000	
	Total		10,00,000
9 Cash and bank balances			
Cash and cash equivalents			
Cash at bank			
with Scheduled Banks		12,25,000	
with others (Omega Bank Ltd.)		10,000	12,35,000
Cash in hand			1,50,000
Other bank balances			Nil
	Total		13,85,000

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, 20X1. Such dividends will be disclosed in notes only.



Question 9:

NB Pg. No.

From the following particulars furnished by Pioneer Ltd., prepare the Balance Sheet as at 31st March, 20X1 as required by Schedule III of the Companies Act. Give notes at the foot of the Balance Sheet as may be found necessary -

	Debit	Credit
	₹	₹
Equity Capital (Face value of ₹100)		10,00,000
Calls in Arrears	1,000	
Land	2,00,000	
Building	3,50,000	
Plant and Machinery	5,25,000	
Furniture	50,000	
General Reserve		2,10,000
Loan from State Financial Corporation		1,50,000
Inventory :		
Finished Goods	2,00,000	
Raw Materials	50,000	2,50,000
Provision for Taxation		68,000
Trade receivables	2,00,000	
Advances		42,700
Dividend Payable		60,000
Profit and Loss Account		86,700
Cash Balance	30,000	
Cash at Bank		2,47,000
Loans (Unsecured)		1,21,000
Trade payables (For Goods and Expenses)		2,00,000
	18,95,700	18,95,700

The following additional information is also provided :

1. 2,000 equity shares were issued for consideration other than cash.
 2. Trade receivables of ₹52,000 are due for more than six months.
 3. The cost of assets:

Building	₹4,00,000
Plant and Machinery	₹7,00,000
Furniture	₹62,500
 4. The balance of ₹1,50,000 in the loan account with State Finance Corporation is inclusive of ₹7,500 for interest accrued but not due. The loan is secured by hypothecation of the Plant and Machinery.
 5. Balance at Bank includes ₹2,000 with Perfect Bank Ltd., which is not a Scheduled Bank.
 6. The company had contract for the erection of machinery at ₹1,50,000 which is still incomplete.

Solution :

Pioneer Ltd.

Balance Sheet as at 31st March, 20X1

Particulars		Notes	₹
Equity and Liabilities			Total
1	Shareholders' funds		
a	Share capital	1	9,99,000
b	Reserves and Surplus	2	2,96,700
2	Non-current liabilities		
a	Long-term borrowings	3	2,63,500
3	Current liabilities		
a	Trade Payables		2,00,000
b	Other current liabilities	4	67,500
c	Short-term provisions	5	68,000
		Total	18,94,700
Assets			
1	Non-current assets		
a	PPE	6	11,25,000
2	Current assets		
a	Inventories	7	2,50,000
b	Trade receivables	8	2,00,000
c	Cash and bank balances	9	2,77,000
d	Short-term loans and advances		42,700
		Total	18,94,700

Notes to accounts

1 Share Capital

Equity share capital

Issued & subscribed & called up

10,000 Equity Shares of ₹ 100 each

(Of the above 2,000 shares have been issued for consideration other than cash)

Less: Calls in arrears

Total

10,00,000

(1,000)

9,99,000

9,99,000

2 Reserves and Surplus

General Reserve

Surplus (Profit & Loss A/c)

Total

2,10,000

86,700

2,96,700

3 Long-term borrowings

Secured-Term Loans

Loan from State Financial Corporation (1,50,000 - 7,500)

(Secured by hypothecation of Plant and Machinery)

Unsecured loan

1,42,500

1,21,000

2,63,500

4 Other current liabilities

Interest accrued but not due on loans (SFC)

7,500



Dividend Payable		Total	60,000
Total			67,500
5 Short-term provisions			
Provision for taxation			68,000
			68,000
6 PPE			
Land			2,00,000
Buildings			4,00,000
Less: Depreciation			(50,000) (b.f.)
Plant & Machinery			3,50,000
Less: Depreciation			(1,75,000) (b.f.)
Furniture & Fittings			5,25,000
Less: Depreciation			62,500
			(12,500) (b.f.)
			50,000
7 Inventories		Total	11,25,000
Raw Material			50,000
Finished goods			2,00,000
Total			2,50,000
8 Trade receivables			
Debts outstanding for a period exceeding six months			52,000
Other Debts			1,48,000
			2,00,000
9 Cash and bank balances		Total	
Cash and cash equivalents			2,45,000
Cash at bank			2,000
with Scheduled Banks			2,47,000
with others (Perfect Bank Ltd.)			30,000
Cash in hand			Nil
Other bank balances			2,77,000

Note: Estimated amount of contract remaining to be executed on capital account and not provided for ₹1,50,000. It has been assumed that the company had given this contract for purchase of machinery.

Question 10 : (MTP May'20, MTP Oct'21)

NB Pg. No.

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

Particulars	Amount (₹)	
	Debit	Credit
Equity Share Capital, fully paid shares of ₹50 each		
Calls in arrear		80,00,000
Land	15,000	
Buildings	25,00,000	
	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	
Total	1,76,24,000	1,76,24,000

- The following additional information was also provided in respect of the above balances:
- 50,000 fully paid equity shares were allotted as consideration for land. The cost of assets were:

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

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

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

- Bills Receivable for ₹1,60,000 maturing on 15th June, 20X1 has been discounted.
 - Short term borrowings includes:
- | | |
|---------------------|---------------------|
| Loan from Naya bank | ₹1,16,000 (Secured) |
| Loan from directors | ₹48,000 |
- Transfer of ₹35,000 to general reserve has been proposed by the Board of directors out of the profits for the year.
 - Inventory of finished goods includes loose tools costing ₹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 :

(15 Marks)

SR Ltd.
Balance Sheet as at 31st March, 20X1

Particulars	Notes	Figures at the end of current reporting period (₹)
Equity and Liabilities		
1 Shareholders' funds	1	79,85,000
a Share capital		
b Reserves and Surplus	2	30,21,000
2 Non-current liabilities	3	42,66,000
a Long-term borrowings		
3 Current liabilities	4	9,40,000
a Short-term borrowings		
b Trade Payables	5	8,13,000
c Other current liabilities	6	2,04,000
d Short-term provisions		3,80,000
Total		1,76,09,000
Assets		
1 Non-current assets	7	92,00,000
a PPE		
2 Current assets	8	58,00,000
a Inventories		
b Trade receivables	9	17,50,000
c Cash and cash equivalents	10	4,84,000
d Short-term loans and advances		3,75,000
Total		1,76,09,000

Notes to accounts

			₹
1. Share Capital			
Equity share capital			
Issued, subscribed and called up			
1,60,000 Equity Shares of ₹ 50 each	80,00,000		
(Out of the above 50,000 shares have been issued for consideration other than cash)			
Less: Calls in arrears	(15,000)	79,85,000	
2. Reserves and Surplus			
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
			30,21,000
3.	Long-term borrowings		
	Secured: Term Loans		
	Loan from Public Finance		24,96,000
	Corporation [repayable after 3 years ($\text{₹ } 26,30,000 - \text{₹ } 1,34,000$ for interest accrued but not due)]		
	(secured by hypothecation of land)		
	Unsecured		
	Bank Loan (Nixes bank) 9,00,000		
	($\text{₹ } 13,80,000 - \text{₹ } 4,80,000$ repayable within 1 year)		
	Loan from Directors 8,50,000		
	Others 20,000		17,70,000
		Total	42,66,000
4.	Short-term borrowings		
	Loan from Naya bank (Secured) 1,16,000		
	Loan from Nixes bank repayable within one year (Current maturity of 4,80,000		
	Long term borrowing)		
	Loan from Directors 48,000		
	Others 2,96,000		9,40,000
5.	Other current liabilities		
	Unpaid dividend 70,000		
	Interest accrued but not due on borrowings 1,34,000		2,04,000
	Short-term provisions		
	Provision for taxation 3,80,000		
7.	PPE		
	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		
		Total	92,00,000
8.	Inventories		
	Raw Material 13,00,000		
	Finished goods 40,00,000		
	Loose tools 5,00,000		58,00,000
9.	Trade receivables		
	Outstanding for a period exceeding six months 4,86,000		



	Others		Total	12,64,000
				17,50,000
10.	Cash and cash equivalents			
	Balances with banks			3,58,000
	with Scheduled Banks			56,000
	with others banks			4,14,000
	Cash in hand			70,000
			Total	4,84,000

Note: There is a contingent liability amounting to ₹ 1,60,000

Question 11 : (Past Exam May'23)

NB Pg. No.

The following balances are extracted from the books of Traves Limited as on 31st March 2023:

Particulars	Amount (₹)	
	Debit	Credit
7% Debentures		48,45,000
Plant & Machinery (at cost)	37,43,400	
Trade Receivable	35,70,000	
Land	97,37,000	
Debenture Interest	3,39,150	
Bank Interest	13,260	
Sales		47,22,600
Transfer Fees		38,250
Discount received		66,300
Purchases	28,86,600	
Inventories 1.04.2022	4,97,250	
Factory Expenses	2,58,060	
Rates, Taxes and Insurance	65,025	
Repairs	1,49,685	
Sundry Expenses	1,27,500	
Selling Expenses	26,520	
Directors Fees	38,250	
Interest on Investment for the year 2022-2023		55,000
Provision for depreciation		5,96,700
Miscellaneous receipts		1,42,800

Additional information:

- Closing inventory on 31.03.2023 is ₹ 4,76,850,
- Miscellaneous receipts represent cash received from the sale of the Plant on 01.04.2022. The cost of the Plant was ₹ 1,65,750 and the accumulated depreciation thereon is ₹ 24,865.
- The Land is re-valued at 1,08,63,000.
- Depreciation is to be provided on Plant & Machinery at 10% p.a. on cost.
- Make a provision for income tax @ 25%.
- The Board of Directors declared a dividend of 10% on Equity shares on 4th April, 2023.

You are required to prepare a Statement of Profit and Loss as per Schedule III of the Companies Act, 2013 for the year ended 31.03.2023. (Ignore previous year figures) (10 Marks)

Solution :

Statement of Profit and Loss of Traves Limited. for the year ended 31st March, 2023

Particulars	Notes	Amount
I. Revenue from operations	1	47,22,600
II. Other income	2	1,61,465
III Total Income (I + II)		48,84,065
IV Expenses:		
Purchases of Inventory-in-Trade		28,86,600
Changes in inventories of finished goods, work-in progress and Inventory-in-Trade	3	20,400
Finance costs	4	3,52,410
Depreciation and amortization expenses	5	3,57,765
Other expenses	6	6,65,040
V Total expenses		42,82,215
Profit (Loss) for the period (III - IV) before tax		6,01,850
VI Provision for tax		(1,50,463)
VII Profit for the period		4,51,387

Notes to accounts

	₹
1. Revenue from operations	47,22,600
Sale	
2. Other Income	38,250
Transfer fees	
Discount received	66,300
Interest on Investment	55,000
Profit on sale of plant	1,915
Total	1,61,465
3. Changes in inventories of finished goods, work-InProgress and Inventory-in-Trade Opening Inventory	4,97,250
Less: Closing Inventory	(4,76,850)
Total	20,400
4. Finance costs	
Interest on Debentures	3,39,150
Total	3,52,410
5. Depreciation and Amortization expenses	3,57,765
Depreciation on Plant & Machinery	
(10% x 37,43,400 - 1,65,750)	
6. Other expenses	
Factory expense	2,58,060

Rent, Taxes and Insurance	65,025
Repairs	1,49,685
Sundry expenses	1,27,500
Selling expenses	26,520
Directors fees	38,250
Total	6,65,040

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 financial statements) as per accounting standards. Hence, it is not recognized in the financial statement for the year ending 31st March 2023. Such dividend will be disclosed in notes only.

Question 12 : (MTP Apr'21, Apr'22, Oct'23, Jan'25) (RTP Nov'18)

NB Pg. No.

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. (14 Marks)

Solution :

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

I	EQUITY AND LIABILITIES:	Note	₹
1)	(a) Share Capital	1	1,60,00,000
	(b) Reserves and Surplus	2	110,68,000
(2)	Non-current Liabilities		
	Long term Borrowings- Terms Loans (Secured)		40,00,000
(3)	Current Liabilities		
	(a) Trade Payables		45,80,000
	(b) Other current liabilities	3	8,00,000
	(c) Short-term Provisions (Provision for taxation)		10,20,000

	Total ASSETS		3,74,68,000
II	Non-current Assets		
(1)	(a) Property, Plant and Equipment		
	(b) Non-current Investments	4	214,00,000
(2)	Current Assets:		9,00,000
	(a) Inventories		
	(b) Trade Receivables	5	48,00,000
	(c) Cash and Cash Equivalents	6	48,20,000
	(d) Short-term Loans and Advances		38,40,000
	Total	7	17,08,000
			3,74,68,000

Notes to accounts

		(₹)
1.	Share Capital	
	Authorized, issued, subscribed & called up	
	1,20,000, Equity Shares of ₹ 100 each	1,20,00,000
	40,000 10% Redeemable Preference Shares of 100 each	40,00,000 1,60,00,000
2.	Reserves and Surplus	
	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
3.	Other current liabilities	
	Loan from other parties	8,00,000
4.	Property, plant and equipment	214,00,000
	Plant and Machinery (WDV)	
5.	Inventories	
	Finished Goods	30,00,000
	Stores	16,00,000
	Loose Tools	2,00,000 48,00,000
6.	Trade Receivables	
	Trade receivables	49,00,000
	Less: Provision for Doubtful Debts	(80,000) 48,20,000
7.	Short term loans & Advances	
	Staff Advances*	2,20,000
	Other Advances*	14,88,000 17,08,000

* Considered to be short term.

Question 13 : (MTP Nov'21, Apr'23)

NB Pg. No.

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 (₹)
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 ₹ 2,09,000 is included in the value of secured loans of ₹ 18,12,000.

(5 Marks)

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

1. Long-Term Borrowings	
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
2. Short-Term Borrowings	
(Unsecured loan)	
– from bank	2,25,000
Current maturities of long-term debt	
– From banks	1,24,000
– From others	85,000
	4,34,000

Question 14 : (RTP May'19)

Shweta Ltd. has the Authorized Capital of Rs. 15,00,000 consisting of 6,000 6% 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, 2018:

NB Pg. No.

Particulars	Dr.	Cr.
Investment in Shares at cost		
Purchases	1,50,000	
Selling Expenses	14,71,500	
Inventory as at the beginning of the year	2,37,300	
Salaries and Wages	4,35,600	
Cash on Hand	1,56,000	
Interim Preference dividend for the half year to 30th September	36,000	
Bills Receivable	18,000	
Interest on Bank overdraft	1,24,500	
Interest on Debentures upto 30th Sep (1st half year)	29,400	
Debtors	11,250	
Trade payables	1,50,300	
Freehold property at cost	2,63,550	
Furniture at cost less depreciation of Rs. 45,000	10,50,000	
6% Preference share capital	1,05,000	
Equity share capital fully paid up	6,00,000	
5% mortgage debentures secured on Freehold properties	6,00,000	
Income tax paid in advance for the current year	4,50,000	
Dividends	30,000	
Profit and Loss A/c (opening balance)	12,750	
Sales (Net)	85,500	
Bank overdraft secured by hypothecation of stocks and receivables	20,11,050	
Technical knowhow fees at cost paid during the year	4,50,000	
Audit fees	18,000	
Total	44,72,850	44,72,850

You are required to prepare the Profit and Loss Statement for the year ended 31st March, 2018 and the Balance Sheet as on 31st March, 2018 as per Schedule III of the Companies Act, 2013 after taking into account the following -

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 include Rs. 4,500 being dishonoured 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. Investment in shares is to be treated as non-current investments.

8. Interest on Debentures for the half year ending on 31st March was due on that date.
9. Provide Provision for taxation Rs.12,000.
10. Technical Knowhow Fees is to be written off over a period of 10 years.
11. Salaries and Wages include Rs. 30,000 being Director's Remuneration.
12. Trade receivables include Rs. 18,000 due for more than six months.

Solution :

(a) Statement of Profit and Loss of Shweta Ltd. for the year ended 31st March, 2018

Particulars	Note	Rs.
I Revenue from Operations		20,11,050
II Other income (Divided income)		12,750
III Total Revenue (I &+ II)		20,23,800
IV Expenses:		
(a) Purchases (14,71,500 - Advertisement Expenses 15,000)		14,56,500
(b) Changes in Inventories of finished Goods / Work in progress (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
Total Expenses		19,95,150
V Profit before exceptional, extraordinary items and tax (III-IV)		28,650
VI Exceptional items -		
VII Profit before extra ordinary items and tax (V-IV)		28,650
VIII Extraordinary items -		
IX Profit before tax (VII-VIII)		28,650
X Tax expense:		
Current Tax		12,000
XI Profit/Loss for the period (after tax)		16,650

Balance sheet of Shweta Ltd. as on 31st March, 2018

	Particulars as on 31st March	Note	Note
I			
(1) Shareholders funds:			
(a) Share capital		1	12,00,000
(b) Reserves and surplus		2	66,150
(2) Noncurrent liabilities:			
Long term borrowings		3	4,50,000
(3) Current liabilities:			
(a) Short term borrowings		4	4,50,000
(b) Trade payables			2,63,550
(c) Other current liabilities		5	29,250
Total			24,58,950

II	ASSETS		
(1)	Non-current Assets		
	(a) Property, Plant & Equipment		
	(i) Tangible assets		
	(ii) Intangible assets	6	11,49,900
	(b) Noncurrent investments (Shares at cost)	7	4,05,000
			1,50,000
	Current Assets:		
	(a) Inventories		
	(b) Trade receivables		4,27,500
	(c) Cash and Cash equivalents - Cash on hand	8	2,72,550
	(d) Short term loans and advances -Income tax (paid 30,000 -Provision 12,000)		.36,000
			18,000
	Total		24,58,950

Note: There is a Contingent liability for Bills receivable discounted with Bank Rs. 6,000.

Notes to accounts

		(Rs.)
1.	Share Capital	
	Authorized	
	90,000 Equity Shares of Rs. 10 each	9,00,000
	6,000 6% Preference shares of Rs. 100 each	6,00,000 15,00,000
	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
2.	Reserves and Surplus	
	Balance as on 1st April, 2017	85,500
	Add: Surplus for current year	16,650 1,02,150
	Less: Preference Dividend	36,000
	Balance as on 31st March, 2018	66,150
3.	Long Term Borrowings	
	5% Mortgage Debentures (Secured against Freehold Properties)	4,50,000
4.	Short Term Borrowings	
	Secured Borrowings: Loans Repayable on Demand Overdraft from Banks (Secured by Hypothecation of Stocks & Receivables)	4,50,000
5.	Other Current Liabilities	
	Interest Accrued and due on Borrowings (5% Debentures)	11,250
	Unpaid Preference Dividends	18,000 29,250
6.	Tangible Property, Plant & Equipment	
	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
7.	Intangible Fixed Assets	4,50,000	
	Technical knowhow	45,000	4,05,000
	Less: Written off		
8.	Trade Receivables		
	Sundry Debtors (a) Debt outstanding for 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
9.	Employee benefit expenses		
	Amount as per Trial Balance	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
10.	Finance Costs		
	Interest on bank overdraft	29,400	
	Interest on debentures	22,500	51,900
11.	Other Expenses		
	Payment to the auditors	18,000	
	Director₹ remuneration	30,000	
	Selling expenses	2,37,300	
	Technical knowhow written off (4,50,000/10)	45,000	
	Advertisement (Goods and Articles Distributed)	15,000	
	Bad Debts (4,500 x50%)	2,250	3,47,550

Working Note

Calculation of Sundry Debtors-Other Debts	
Sundry Debtors as given in Trial Balance	1,50,300
Add Back: Bills Receivables Dishonored	4,500
Less: Bad Debts written off - 50% Rs.	1,54,800
	4,500

Adjusted Sundry Debtors	(2,250)
Less: Debts due for more than 6 months (as per information given)	1,52,550
Total of other Debtors i.e. Debtors outstanding for less than 6 months	(18,000)
	1,34,550

Question 15 : (RTP May'18, May'21, May'24) (MTP Oct'20, Mar'22)

NB Pg. No.

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:

	Rs.		Rs.
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	3,75,000	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)	
Purchases	12,32,500	Bank Overdraft	12,67,000
Wages	13,68,000		
Freehold Land	16,25,000	Trade Payables (for goods)	2,40,500
Plant & Machinery	7,50,000	Sales	36,17,000
Engineering Tools	1,50,000	Rent (Cr.)	30,000
Trade Receivables	4,00,500	Transfer fees received	6,500
Advertisement	15,000	Profit & Loss A/c (Cr.)	67,000
Commission & Brokerage	67,500	Repairs to Building	56,500
Business Expenses	56,000	Bad debts	25,500

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. (16 Marks)

Solution :

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

	Particulars	Note No.	(Rs.)
I	Equity and Liabilities		
	(a) Share Capital	1	19,90,000
II	(b) Reserves and Surplus (as per amendment)	2	1,08,200
	Current Liabilities		2,40,500
	(a) Trade Payables	3	13,28,000
	(b) Other Current Liabilities		
	(c) Short-Term Provisions (as per amendment)	4	3,58,800

	Total		40,25,500
	ASSETS		
(1)	Non-Current Assets		
	(a) Property, Plant & Equipment		
	(i) Tangible Assets	5	29,30,000
(2)	Current Assets		
	(a) Inventories		7,08,000
	(b) Trade Receivables	6	3,59,500
	(c) Cash and Cash Equivalents	7	28,000
	Total		40,25,500

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
III	Total Revenue [I + II]		36,53,500
IV	Expenses:		
	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
	Total Expenses		32,53,500
V	Profit before Tax (III-IV)		4,00,000
VI	Tax Expenses @ 30%		(1,20,000)
VII	Profit for the period		2,80,000

Notes to Accounts:
1. Share Capital

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

2. Reserves and Surplus

General Reserve		7,000
Surplus i.e. Balance in Statement of Profit & Loss:		
Opening Balance	67,000	
Add: Profit for the period	2,80,000	
Less: Transfer to Reserve @ 2.5%	(7,000)	
Less: Equity Dividend [12% of (20,00,000-10,000)]	(2,38,800)	101200
		108200

3. Other Current Liabilities

Bank Overdraft	12,67,000
Outstanding Expenses [25,000+36,000]	61,000
	13,28,000

4. Short-term Provisions

Provision for Tax	1,20,000
Equity Dividend payable	2,38,800
	3,58,800

5. 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
	30,50,000		1,20,000	29,30,000

6. Trade Receivables

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

7. Cash & Cash Equivalent

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

8. Other Income

Miscellaneous Income (Transfer fees)	6,500
Rental Income	30,000
	36,500

9. Employee benefits expenses

Wages	13,68,000
Add: Outstanding wages	25,000
	13,93,000

10. Finance Cost

Interest on Bank overdraft	1,11,000
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11. 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
	4,40,000

Working Note
Calculation of dividend:

Particulars	Rs.
Dividend distributed by Company	2,38,800

Question 16 : (Past Exam July'21)

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

NB Pg. No.

	Dr.	Cr.
Equity Capital (Shares of ₹ 100 each)		
5,000, 6% preference shares of ₹ 100 each		8,05,000
9% Debentures		5,00,000
General Reserve		4,00,000
Profit & Loss A/c (of previous year)		40,00,000
Sales		72,000
Trade Payables		60,00,000
Provision for Depreciation on Plant & Machinery		10,40,000
Suspense Account		1,72,000
Land at cost		40,000
Plant & Machinery at cost	24,00,000	
Trade Receivables	7,70,000	
Inventories (31-03-2021)	19,60,000	
Bank	9,50,000	
	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	
	1,30,29,000	1,30,29,000

Additional Information:

(i) The authorized share capital of the company is:

5,000, 6% preference shares of ₹ 100 each	5,00,000
10,000, equity shares of ₹ 100 each	10,00,000

Issued equity capital as on 1st April 2020 stood at ₹ 7,20,000, that is 6,000 shares fully paid and 2,000 shares ₹ 60 paid. The directors made a call of ₹ 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 @ ₹ 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 value wishes to revalue the land at ₹ 36,00,000.

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

(20 Marks)

Solution :

H Ltd Balance Sheet as at 31st March 2021

Particulars	Note No	Amount in ₹
Equity and Liabilities		
I. Shareholders' Funds		
a. Share Capital	1	13,00,000
b. Reserves and Surplus	2	53,91,900
II. Non-Current Liabilities		
a. Long Term Borrowings	3	4,00,000
III. Current Liabilities		
a. Trade Payables	4	10,40,000
b. Other Current Liabilities	5	70,000
Total		82,01,900
Assets		
I. Non-Current Assets		
a. Property, Plant and Equipment	6	40,61,000
b. Intangible Assets	7	10,00,000



II. Current Assets		
a. Inventories		9,50,000
b. Trade Receivables		9,60,000
c. Cash and Cash equivalents		2,30,900
Total		82,01,900

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

Particulars	Note No	Amount in ₹
I. Revenue from operations		60,00,000
Total Revenue		60,00,000
II. Expenses		
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
III. Profit/(Loss) for the period		1,84,900

Notes to Accounts (Amount in ₹)

1 Share Capital		
a. Authorized Capital		
5,000, 6% Preference shares of ₹ 100/- each		5,00,000
10,000 Equity Shares of ₹100/- each		10,00,000
b. Issued & Subscribed Capital		
5,000, 6% Preference shares of ₹100/- each		5,00,000
8,000, Equity shares of ₹100/- each		8,00,000
Total		13,00,000
2 Reserves & Surplus		
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
Total		53,91,900
3 Long-Term Borrowings		
Secured		
9% Debentures		4,00,000

4	Trade Payables		
5	Other Current Liabilities		10,40,000
	Dividend Payable		
	Preference Dividend		
	Equity Dividend	30,000	
	Total	40,000	
6	Property, Plant and Equipment		70,000
	Land		
	Opening balance		
	Add: Revaluation Adjustment	24,00,000	
	Closing Balance	12,00,000	
	Plant and Machinery		36,00,000
	Opening Balance	7,70,000	
	Less: Disposed off	(1,00,000)	
	Depreciation	(2,09,000)	
	Closing Balance		4,61,000
	Total		40,61,000
7	Intangible Assets		
	Goodwill	12,50,000	
	Less: Amortized (1/5the)	(2,50,000)	
	Total		10,00,000
8	Finance Costs		
	Debenture Interest		36,000
9	Depreciation and Amortization		
	Plant and Machinery	67,000	
	Goodwill	2,50,000	
	Total		3,17,000
10	Other Expenses		
	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
	Total		32,30,000

Note

1. The inventories (31.3.20) amounting ₹ 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 ₹ 9,50,000.



2. 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.

Question 17 : (Past Exam Nov'23)

NB Pg. No.

The following is the Trial Balance of Falgun Ltd., as on 31st March, 2023:

Particulars	Debit Amt. in ₹	Credit Amt. in ₹
Equity Share Capital (Fully paid-up shares of ₹ 100 each)		10,00,000
10% Preference Share Capital of Face Value ₹ 100 each		4,00,000
General Reserve		2,85,000
2,000 10% Debentures of ₹ 100 each		2,00,000
Securities Premium Account		50,000
Land (at Cost)	7,00,000	
Plant and Machinery	14,70,000	
Furniture	4,00,000	
Provision for Depreciation – Plant and Machinery		3,00,000
Provision for Depreciation – Furniture		1,90,000
Trade Receivables	3,10,000	
Trade Payables		72,000
Cash-in-Hand	1,34,000	
Cash-at-Bank	3,05,000	
Bank Over Drafts from Nationalized bank (Long Term) (Secured by Hypothecation of Stocks)		2,00,000
6% Secured Loan from State Finance Corporation (repayable after 3 years) (Secured by Hypothecation of Plant and Machinery)		4,50,000
Unclaimed Dividend		23,000
Loan from Director (Short Term)		1,00,000
Adjusted Purchases	2,25,000	
Closing Stock	1,12,000	
Sales		8,46,000
Carriage Inward	17,200	
Miscellaneous Expenses	10,200	
Selling and Distribution Expenses	46,600	
Depreciation	1,80,000	
Salaries	72,000	
Director's Fees	40,000	
Travelling Expenses (include ₹ 50,000/- for foreign tour)	1,30,000	
Profit and Loss Account		40,000
Office Expenses	28,000	
Rent Received		24,000
Total	41,80,000	41,80,000

Additional Information:

- (i) Authorized Capital – divided into –
 - a. 20,000 equity shares of ₹ 100 each.
 - b. 10,000 10% preference shares or ₹ 100 each
- (ii) Equity shares include, 2,500 equity shares issued for consideration other than cash.
- (iii) The company has land professionally valued and decides to include it in the Balance sheet at its valuation of ₹ 8,50,000.
- (iv) It is proposed to capitalize part of the undistributed profits by making bonus issue to the shareholders by allocating one equity share of ₹ 100 each for every 5 shares held.
- (v) Trade Receivables of ₹ 46,000 are due for more than six months.
There is no doubtful amount.
- (vi) Depreciation expenses include depreciation of ₹ 1,10,000 on Plant and Machinery and that of ₹ 70,000 on Furniture.
- (vii) Cash-at-Bank include ₹ 55,000 with Desire Bank Ltd., which is not scheduled Bank.
- (viii) Miscellaneous expenses included ₹ 5,000 being audit fees paid to auditors.
- (ix) Bill Receivables for ₹ 35,000 maturing on 31st July, 2023 has been discounted.
- (x) Balance of secured loan from State Finance Corporation is inclusive of ₹ 36,000 for interest accrued but not due.
- (xi) Directors declared final dividend @ 8% on 6th April, 2023, transferring any amount that may be required from General Reserve. Ignore Taxation.
- (xii) Interest on debenture for the year is outstanding as on 31st March, 2023. You are required to prepare Balance Sheet as on 31st March, 2023 and Statement of Profit and Loss with Notes to Accounts for the year ending 31st March, 2023 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures. (Ignore taxation).

(All workings should form part of the answer)

(20 Marks)

Solution :

Statement of Profit and Loss of Falgun Ltd.

for the year ended 31st March, 2023

Particulars	Notes	₹
I. Revenue from operations		8,46,000
II. Other income (Rent income)		24,000
III. Total Income (I + II)		8,70,000
IV. Expenses:		
Cost of materials consumed / Cost of purchases	9	2,42,200
Changes in inventories of finished goods, work-in-progress and Inventory-in-Trade		-
Employee benefits expense	10	72,000
Finance costs (Interest on debentures)	11	20,000
Depreciation and amortization expenses	12	1,80,000
Other expenses	13	2,54,800
Total expenses		7,69,000
V. Profit (Loss) for the period (III - IV)		1,01,000



Balance Sheet of Falgun Ltd. as at 31st March, 2023

Particulars	Note No	₹
Equity and Liabilities		
1 Shareholders' funds	1	14,00,000
a Share capital	2	6,26,000
b Reserves and Surplus		
2 Non-current liabilities	3	8,14,000
a Long-term borrowings		
3 Current liabilities	4	1,00,000
a Short term borrowings		
b Trade Payables		72,000
c Other current liabilities	5	79,000
d Short term provisions		
Total		30,91,000
ASSETS		
1 Non-current assets		
a Property, plant and equipment	6	22,30,000
2 Current assets		
a Inventories		1,12,000
b Trade receivables	7	3,10,000
c Cash and bank equivalents	8	4,39,000
d Short term loans & advances		
Total		30,91,000

Note: There is a Contingent Liability for bills discounted but not yet matured amounting ₹ 35,000.

Notes to accounts:

	₹
1 Share Capital	
Authorised capital:	
10,000, 10% preference shares of ₹ 100	10,00,000
20,000 Equity shares of ₹ 100 each	20,00,000
	30,00,000
Issued and subscribed capital:	
4,000, 10% preference shares of ₹ 100 each fully paid	4,00,000
10,000 Equity shares of ₹ 100 each, fully paid	10,00,000
(of the above 2,500* shares have been issued for consideration other than cash)	14,00,000
2 Reserves and Surplus	
Securities premium	50,000
Revaluation reserve	1,50,000
General Reserve	2,85,000
Surplus (Profit & Loss balance)	
Opening balance	40,000
	4,85,000

	Profit for the year	1,01,000	1,41,000
3.	Total Long-term borrowings		6,26,000
	Debentures		
	2,000 10% Debentures of ₹ 100 each	2,00,000	
	Secured: Term Loans		
	6% Loan from State Finance Corporation [repayable after 3 years (₹ 4,50,000 - ₹ 36,000 for interest accrued but not due)] (secured by hypothecation of Plant and machinery)	4,14,000	
	Others		
	Bank overdraft from Nationalized bank (secured by hypothecation of stocks)	2,00,000	
	Total		8,14,000
4.	Short-term borrowings		
	Loan from Directors		1,00,000
5	Other current liabilities		
	Unclaimed dividend	23,000	
	Interest on Debentures	20,000	
	Interest accrued but not due on loans (SFC)	36,000	79,000
6	Property, plant and equipment		
	Land	7,00,000	
	Add: Revaluation Adjustment	1,50,000	8,50,000
	Plant & Machinery	14,70,000	
	Less: Provision for depreciation	(3,00,000)	11,70,000
	Furniture	4,00,000	
	Less: Provision for depreciation	(1,90,000)	2,10,000
	Total		22,30,000
7	Trade receivables		
	Debts outstanding for a period exceeding six months	46,000	
	Other Debts	2,64,000	
		3,10,000	
8	Cash and cash equivalents		
	Cash at bank with Scheduled Banks (3,05,000-55,000)	2,50,000	
	with others	55,000	
	Cash in hand	1,34,000	4,39,000
9	Cost of materials consumed/Cost of purchases		
	Adjusted purchases	2,25,000	
	Carriage inward	17,200	2,42,200
10	Employee benefit expense		
	Salaries		72,000
11	Finance cost		
	Debenture interest		20,000
12	Depreciation and amortization expenses		

	Plant and Machinery	1,10,000	
	Furniture	70,000	
13	Other expenses		1,80,000
	Misc. expenses (10,200-5,000)	5,200	
	Audit fee	5,000	
	Selling & Distribution expenses	46,600	
	Director's fee	40,000	
	Travelling expenses (including foreign tour)	1,30,000	
	Office expenses	28,000	2,54,800

Notes:

1. 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, 2023. Such dividends will be disclosed in notes only.
2. Since Bonus issue is in proposal state, no adjustment has been made in the given answer.

Question 18 : (RTP Nov'19, Nov'22) (MTP Apr'24)

NB Pg. No.

The following balance appeared in the books of Oliva Ltd. as on 31-03-2022.

Particulars	₹	Particulars	₹
Inventory 01-04-2021		Sales	17,10,000
-Raw Material	30,000	Interest	3,900
-Finished goods	46,500	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	4,500
		Long-term	21,000
		Fixed Deposits (unsecured)	25,500
Salaries and wages	40,200	Short -term	1,500
General Charges	16,500	Long - term	3,300
Building	1,01,000	Trade payables	4,800
Plant and Machinery	70,400		3,27,000
Furniture	10,200		
Motor Vehicles	40,800		
Investments: Current	4,500		
Non-Current	7,500		
Trade receivables	2,38,500		
Cash in Bank	2,71,100		
	24,07,200		24,07,200

From the above balance and the following information, prepare the company's statement of Profit and

Loss for the year ended 31st March, 2022 and company's Balance Sheet as on that date:

1. Inventory on 31st March, 2022 - Raw material ₹ 25,800 and finished goods ₹ 60,000.
2. Outstanding Expenses: Manufacturing Expenses ₹ 67,500 & Salaries & Wages ₹ 4,500.
3. Interest accrued on Securities ₹ 300.
4. General Charges prepaid ₹ 2,490.
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. Current maturity of long-term loan is ₹ 1,000.
7. The Taxation provision of 40% on net profit is considered.

(14 Marks)

Solution :

Oliva Ltd.
Balance Sheet as at 31.03.2022

Particulars		Note	Amount
(1) Equity and Liabilities			
(i) Shareholders' funds			
(a) Share Capital			3,15,000
(b) Reserves and surplus	1		50,430
(2) Non-current liabilities			
(a) Long-term borrowings	2		23,300
(3) Current Liabilities			
(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
			8,14,350
II ASSETS			
(1) Non-current assets			
(a) Property, Plant & equipment	6		2,04,160
(b) Non-current investments			7,500
(2) Current assets			
(a) Current investments			4,500
(b) Inventories	7		85,800
(c) Trade receivables			2,38,500
(d) Cash and cash equivalents			2,71,100
(e) Short-term loans and advances	8		2,490
(f) Other current assets	9		300
			8,14,350

Oliva Ltd.

Statement of Profit and loss for the year ended 31.03.2022

Particulars		Note	Amount
I Revenue from operations			17,10,000
II Other income (3,900 +300)			4,200

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

Notes to accounts

No.	Particulars	Amount	Amount
1.	Reserve & Surplus		
	Profit & Loss Account: Balance b/f	21,000	
	Net Profit for the year	29,430	50,430
2.	Long term borrowings		
	Secured loans (21,000 less current maturities 1,000)	20,000	
	Fixed Deposits: Unsecured	3,300	23,300
3.	Short term borrowings		
	Secured loans	4,500	
	Fixed Deposits -Unsecured	1,500	
	Current maturities of long term borrowings	1,000	7,000
4.	Other current liabilities		
	Expenses Payable (67,500 + 4,500)	72,000	72,000
5.	Short term provisions		
	Provision for Income tax		19,620
6.	Property, plant and equipment		
	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
7.	Inventory				
	Raw Material		25,800		
	Finished goods		60,000	85,800	
8.	Short term Loans & Advances				
	General Charges prepaid				2,490
9.	Other Current Assets				
	Interest accrued				300
10.	Cost of material consumed				
	Opening inventory of raw Material	30,000			
	Add: Purchases		12,60,000	12,90,000	
	Less: Closing inventory			(25,800)	12,64,200
11.	Changes in inventory of Finished Goods & WIP				
	Closing Inventory of Finished Goods		60,000		
	Less: Opening Inventory of Finished Goods			(46,500)	13,500
12.	Employee Benefit expenses				
	Salary & Wages (40,200 + 4,500)				44,700
13.	Other Expenses:				
	Manufacturing Expenses (2,70,000 + 67,500)			3,37,500	
	General Charges (16,500 - 2,490)			14,010	3,51,510

Question 19 : (PYQ Sept. 24)

NB Pg. No.

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

Particulars	Dr. (Rs.000)	Particulars	Cr. (Rs.000)
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 A/c	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		
Total	1,127	Total	1,127

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 31st 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.

(14 Marks)

Solution :

Shivam Limited
Balance Sheet as at 31st March 2024

Particulars		Note No.	Rs.(in 000)
I. Equity and Liabilities			
1. Shareholders' funds			
(a) Share capital	1		300.00
(b) Reserves and Surplus	2		232.70
2. Non-Current liabilities			
(a) Long term borrowings	3		135.00
3. Current liabilities			
(a) Trade Payables			35.00
(b) Short-Term Provisions			30.30
Total			733.0
II. Assets			
1. Non-current assets			
(a) Property, Plant and Equipment and Intangible assets			
(i) Property, Plant and Equipment	4		596.0
2. Current assets			
(a) Inventories			58.00
(b) Trade receivables			65.00
(c) Cash and cash equivalents			14.0
Total			733.0

Shivam Limited
Statement of Profit and Loss for the year ended 31st March 2024

Particulars	Notes	Rs.(in '000)
I. Revenue from operations		473.00
II. Other Income	5	1.00
III. Total Income		474.00

IV.	Expenses:			
	Purchases			226.00
	Finance costs			14.00
	Depreciation and Amortisation expenses (10% of 510*)			51.00
	Other expenses	6		82.00
	Total Expenses			373.00
V.	Profit before Tax (III-IV)			101.00
	Tax Expense:			
	Current tax			(30.30)
	Profit for the period (after tax)			70.70

*520 (Plant and machinery at cost) - 10 (Cost of plant and machinery sold)

Notes to accounts

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



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

Question 20 : (MTP Apr'21, Apr'22, Sept'24) (RTP May'21)

NB Pg. No.

Due to inadequacy of profits during the year ended 31st March, 20X2, XYZ Ltd. proposes to declare 10% dividend out of general reserves. From the following particulars, ascertain the amount that can be utilised from general reserves, according to the Companies (Declaration of dividend out of Reserves) Rules, 2014:

17,500 9% Preference shares of ₹100 each, fully paid up	₹ 17,50,000
8,00,000 Equity shares of ₹10 each, fully paid up	80,00,000
General Reserves as on 1.4.20X1	25,00,000
Capital Reserves as on 1.4.20X1	3,00,000
Revaluation Reserves as on 1.4.20X1	3,50,000
Net profit for the year ended 31st March, 20X2	3,00,000
Average rate of dividend during the last three years has been 12%.	(5 Marks)

solution :

Amount that can be drawn from reserves for 10% dividend		
10% dividend on ₹ 80,00,000		₹ 8,00,000
Profits available	3,00,000	
Current year profit	(1,57,500)	
Less: Preference dividend		(1,42,500)
Amount which can be utilised from reserves		6,57,500

Conditions as per Companies (Declaration of dividend out of Reserves) Rules, 20X1:

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. ₹ 12,25,000 [10% of (80,00,000+17,50,000+25,00,000)]

Condition III

The balance of reserves after drawl ₹ 18,42,500 (₹ 25,00,000 - ₹ 6,57,500) should not fall below 15% of its paid up capital i.e. ₹ 14,62,500 (15% of ₹ 97,50,000)

Since all the three conditions are satisfied, the company can withdraw ₹ 6,57,500 from accumulated reserves (as per Declaration and Payment of Dividend Rules, 2014.)

Question 21 (PYQ May 24)

NB Pg. No.

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

1. Equity shares of Rs.100 each	Rs.500 lakhs
2. General Reserve	Rs.100 lakhs
3. Loss for the year ending 31st 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 follows:

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. (4 Marks)

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) × 10%]
Condition is Satisfied
- 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 = Rs.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.) $(12+14+10)/3 = 12\%$.

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 [Rs.500 lakhs + Rs.100 lakhs] = Rs.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) Rs.45,00,000

15% of paid-up capital Rs.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 = Rs.1,00,00,000 of the year

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

Reserves available = Rs.25,00,000 Maximum permissible Divisible Profits

Permissible withdrawal as above = Rs. 25,00,000

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

Maximum permissible Divisible profit

Actual permissible rate of Dividend = (Rs.20,00,000 / Rs.5,00,00,000) x 100 = 4%

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

Question 22 (MTP Oct'19)

NB Pg. No.

Future Ltd. had the following items under the head "Reserves and Surplus" in the Balance Sheet as on 31st March, 2019:

	Amount Rs. in lakhs
Securities Premium Account	80
Capital Reserve	60
General Reserve	90

The company had an accumulated loss of Rs. 250 lakhs on the same date, which it has disclosed under the head "Statement of Profit and Loss" as asset in its Balance Sheet. Comment on accuracy of this treatment in line with Schedule III to the Companies Act, 2013. (4 Marks)

Solution :

Note 6 (B) given under Part I of Schedule III to the Companies Act, 2013 provides that debit balance of Statement of Profit and Loss (after all allocations and appropriations) shall be shown as a negative figure under the head Surplus. Similarly, the balance of Reserves and Surplus, after adjusting negative balance of surplus, shall be shown under the head Reserves and Surplus even if the resulting figure is in the negative. In this case, the debit balance of profit and loss i.e. Rs. 250 lakhs exceed the total of all the reserves i.e. Rs. 230 lakhs. Therefore, balance of Reserves and Surplus after adjusting debit balance of profit and loss is negative by Rs. 20 lakhs, which should be disclosed on the face of the balance sheet. Thus, the treatment done by the company is incorrect.