

KNOWLEDGE SHARING SESSION

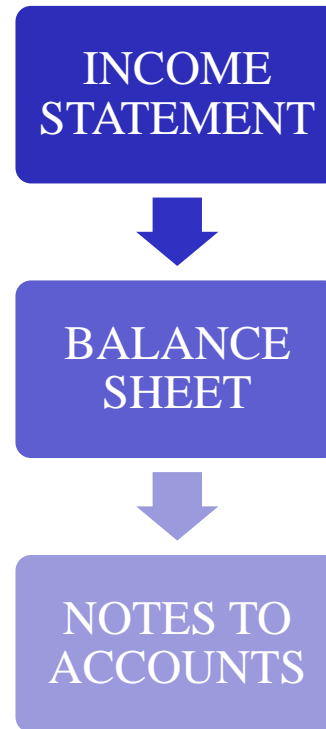
INSIGHTS ON FINANCE AND ACCOUNTING

**PRESENTATION DATE :-
16/12/2017**

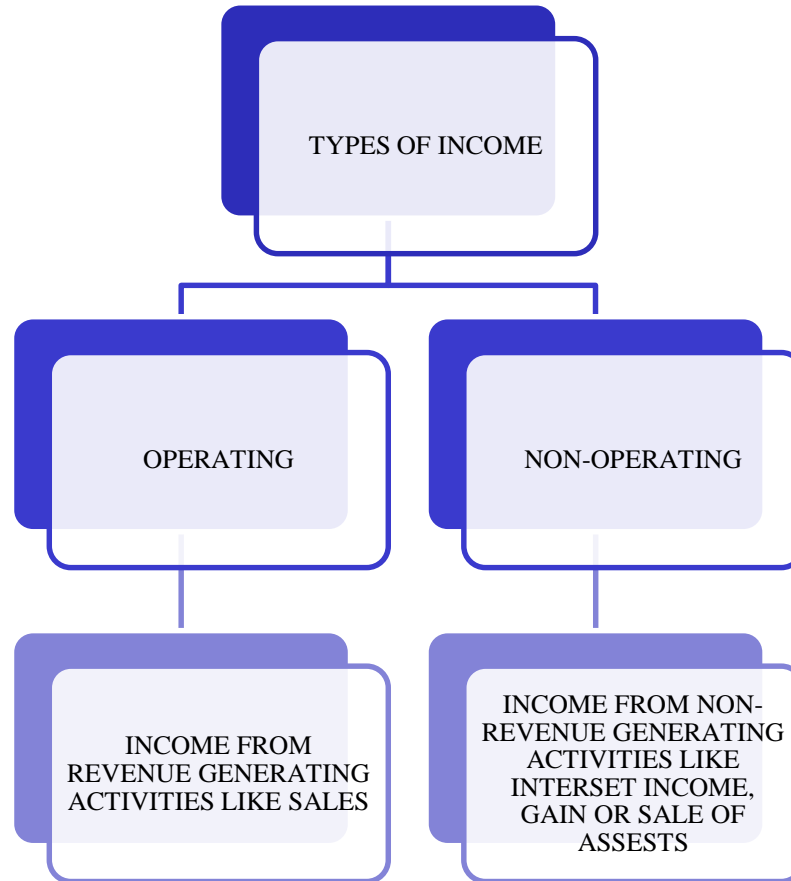
- ❖ **Mr. ANUJ KUMAR**
- ❖ **Mr. GOURAB DEY**
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- ❖ **Ms. SANGEETA KUMARI**

BASICS OF ACCOUNTING

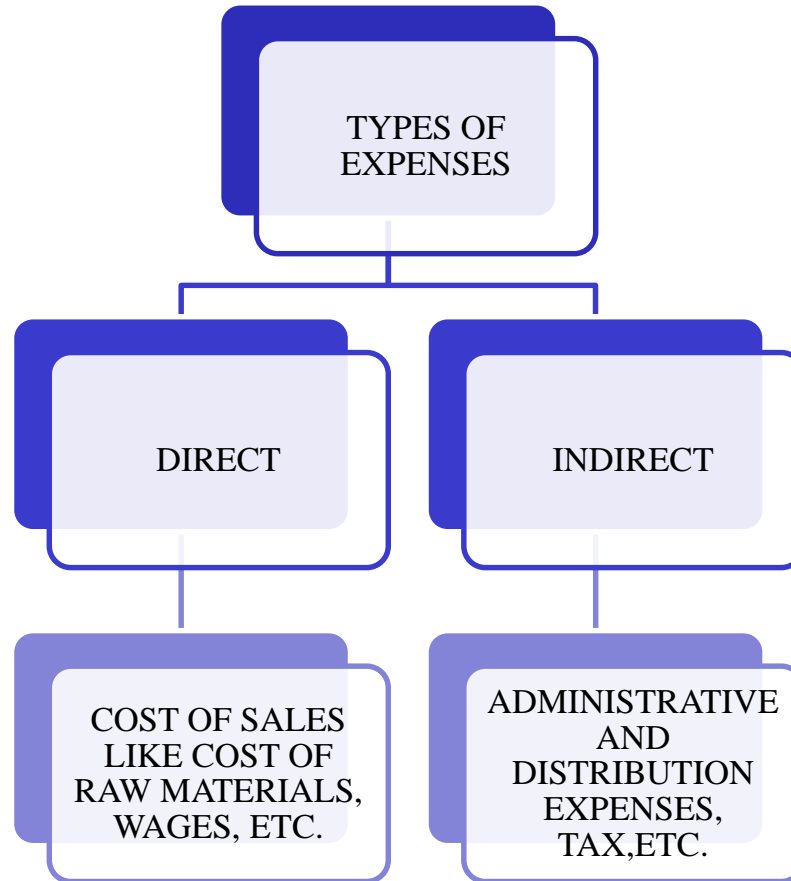
Components of financial statements



- Income- which company generates from it's operating and non-operating activities.



- Expense- which company has to incur to run the business on day to day basis.

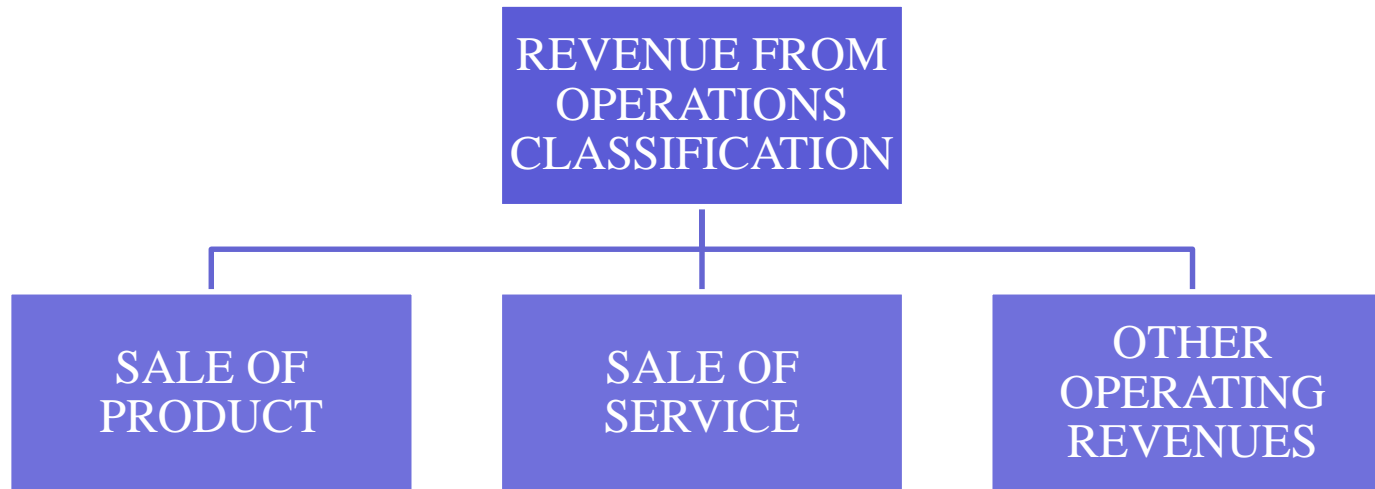


INCOME

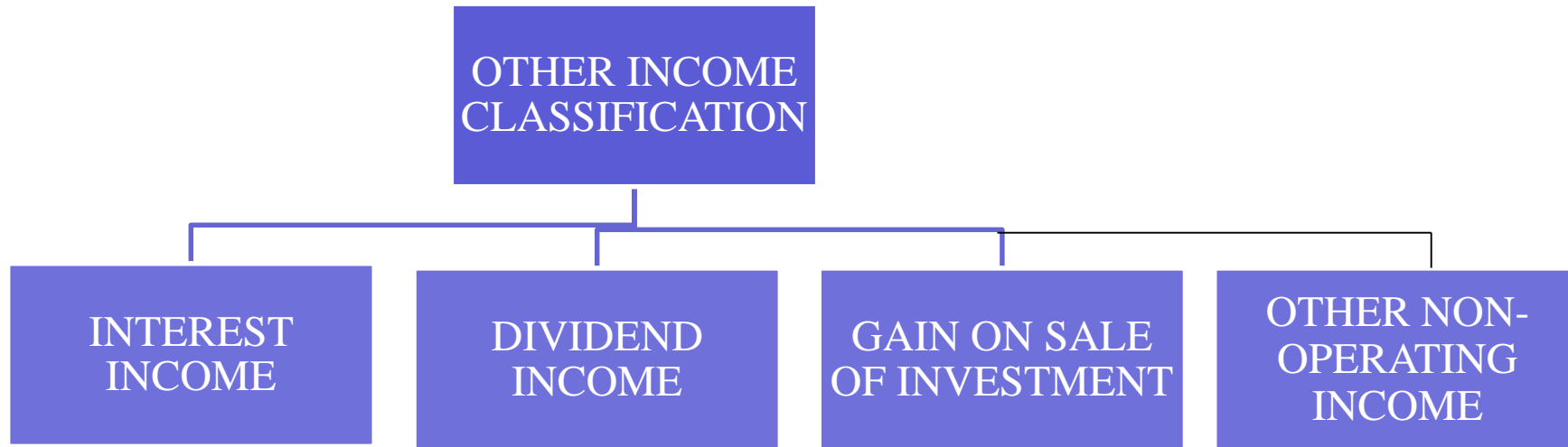
- REVENUE FROM OPERATIONS
- OTHER INCOME

EXPENSES

- COST OF SALES(COS)
- DEPRECIATION & AMORTIZATION
- FINANCE COST
- OTHER EXPENSES



Other revenue would include revenue arising from sale of scrap materials.



FORMAT OF INCOME STATEMENT OR PROFIT&LOSS(P&L A/C)

PARTICULARS	CURRENT YR	PREV YR
REVENUE(A)	XXX	XXX
COS(B)	XXX	XXX
GROSS PROFIT(C)= (A-B)	XXX	XXX
OTHER INCOME(D)	XXX	XXX
ADMINISTRATIVE COST (E)	XXX	XXX
DISTRIBUTIVE COST(F)	XXX	XXX
OTHER EXPENSES(G)	XXX	XXX
OPERATING PROFIT(H)=(C+D-E-F-G)	XXX	XXX
INTEREST EXPENSE(I)	XXX	XXX
PROFIT BEFORE TAX(PBT)(J)=H-I	XXX	XXX
TAX EXPENSE(K)	XXX	XXX
PROFIT AFTER TAX(PAT) OR NET PROFIT(L)=J-K	XXX	XXX

Prepare Income Statement from the following information:

PARTICULARS	AMOUNT
Cost of sales	50000
Interest expense	10000
Administrative expenses	40000
Distribution expenses	20000
Sale price of each product	300
No of units sold	500
Tax Rate	30%

INCOME STATEMENT	AMOUNT
Revenue(Sales Price* Units sold)(300*500)	150000
COS	50000
Gross Profit	100000
Administrative expenses	40000
Distribution expenses	20000
Operating Profit	40000
Interest Expense	10000
Profit before Tax	30000
Tax expense(@30%)	9000
Profit After Tax	21000

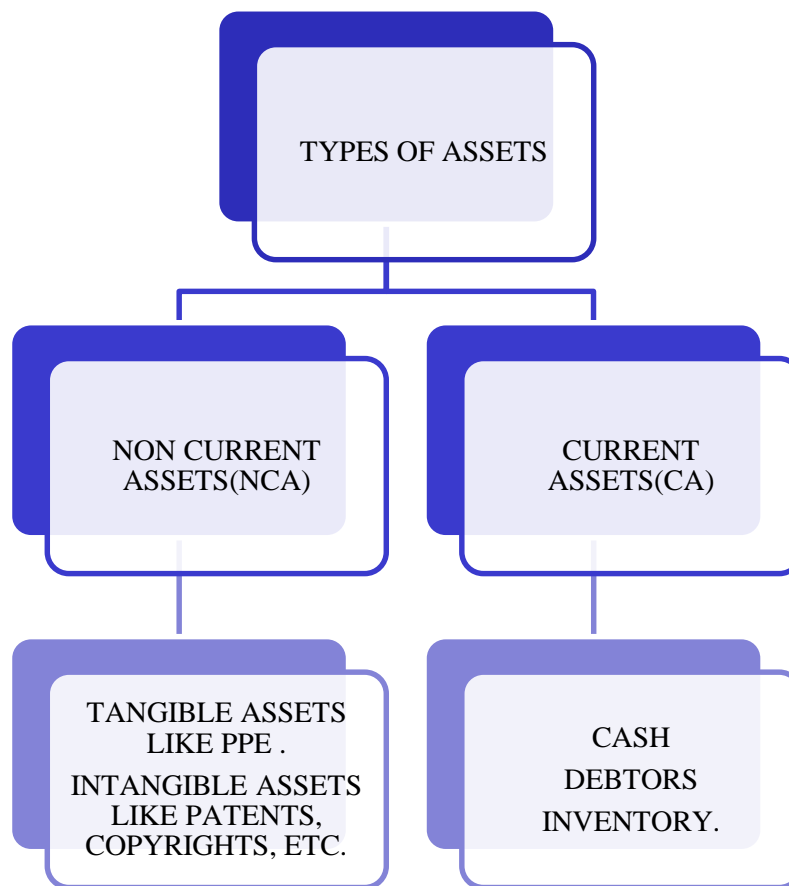
Prepare Income Statement from the following information:

PARTICULARS	AMOUNT
Cost of sales	50000
Purchased Office Furniture(Life 4 years)	80000
Interest expense	10000
Administrative expenses	40000
Distribution expenses	20000
Sale price of each product	300
No of units sold	500
Tax Rate	30%

INCOME STATEMENT	AMOUNT
Revenue(Sales Price* Units sold)(300*500)	150000
COS	50000
Gross Profit	100000
Administrative expenses(Including dep. of 20000)	60000
Distribution expenses	20000
Operating Profit	20000
Interest Expense	10000
Profit before Tax	10000
Tax expense(@30%)	3000
Profit After Tax	7000

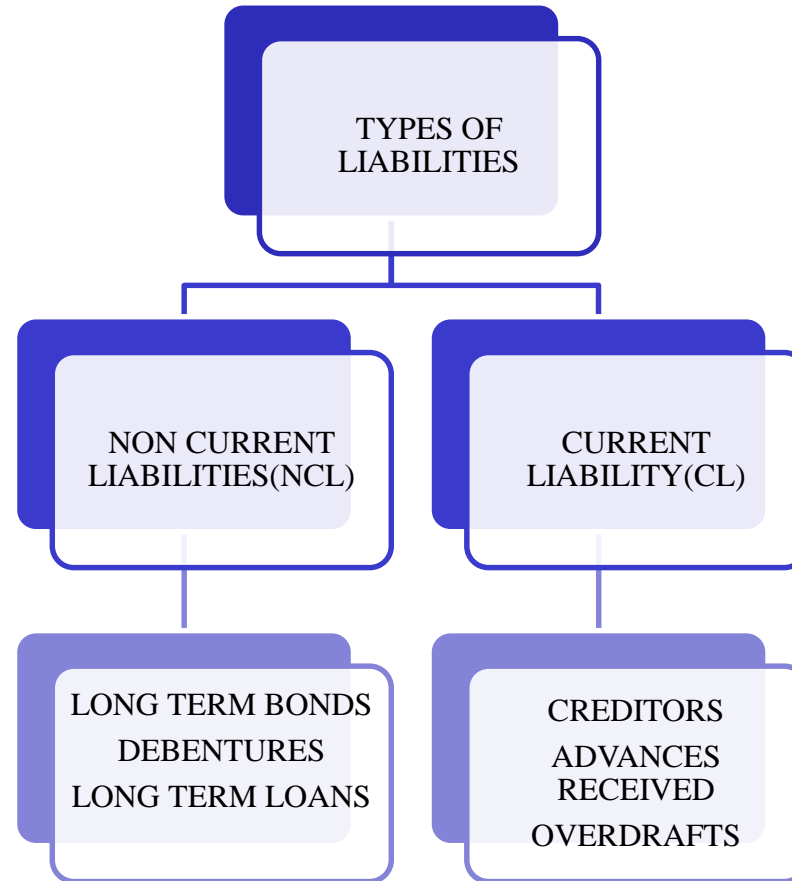
ASSET , LIABILITY AND EQUITY

- Assets- Things which are owned by an organization to generate future economic benefits.



ASSET , LIABILITY AND EQUITY

- Liabilities- It's the present obligation of the company arising from the past event.



- ❑ **EQUITY**-Amount invested by the owners of the organization is known as equity capital. It's the amount to start the business being contributed by the promoters.

Prepare Balance Sheet from the following information:

PARTICULAR	AMOUNT	PARTICULAR	AMOUNT
Property	100000	Creditors	20000
Patent	50000	Share Capital	400000
Short-term Loan	30000	Inventory	40000
Retained Earnings	50000	Bank Overdraft	10000
Furniture and fixtures	100000	Plant & equipment	200000
Long- term Loan	90000	Goodwill	50000
Debtors	20000	Cash	40000

ASSETS	AMOUNT
Non-Current Assets	
PPE(Property +Plant & Equipment)	300000
Furniture & Fixtures	100000
Goodwill	50000
Patents	50000
Current Assets	
Inventory	40000
Debtors	20000
Cash & Equivalent	40000
Total Assets	600000

EQUITY & LIABILITY	AMOUNT
Equity	
Share Capital	400000
Retained Earnings	50000
Non-Current Liability	
Long-term Loan	90000
Current Liabilities	
Short- Term Loans	30000
Creditors	20000
Bank Overdrafts	10000
Total Liability	150000
Total Equity &Liabilities	600000

ACCOUNTING EQUATION

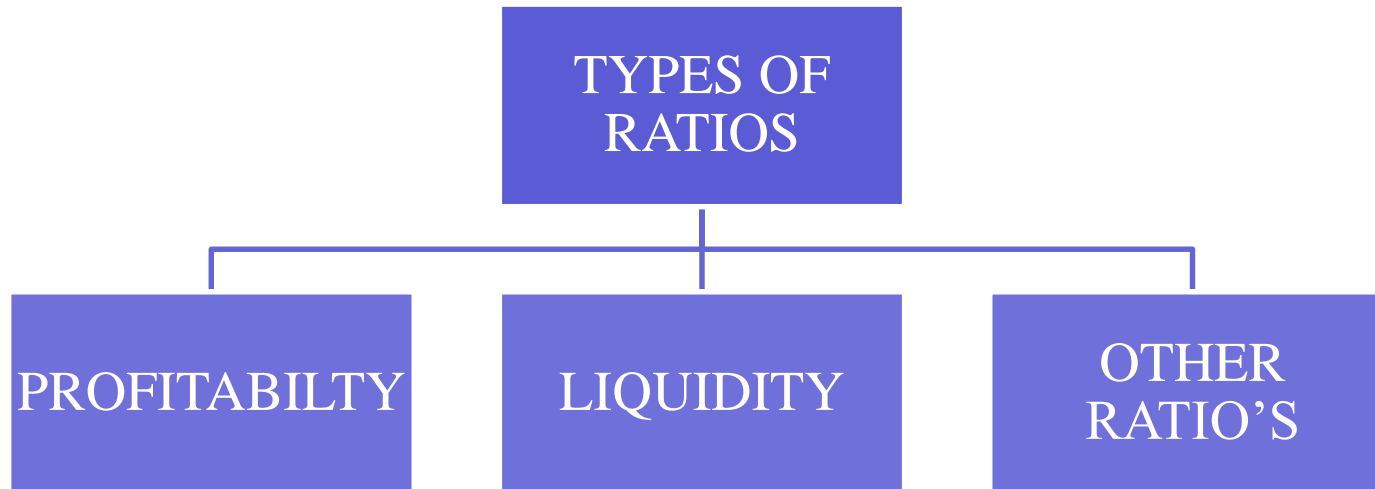


Items of expense which are paid in cash are:

- Cost of Sales
- Office and Administration Expense
- Tax Expense
- Interest Expense

Items of expense which are not paid in cash:

- Depreciation
- Amortization



Ratio is logical relationship between two variables(Line items) of financial statement.

PROFITABILITY RATIO: Activity 4

1. GROSS PROFIT(GPM)

- $= \text{GROSS PROFIT} / \text{REVENUE} * 100$
- $= 100,000 / 150,000 * 100$

2. OPERATING PROFIT(OPM)

- $= \text{Opr. Profit} / \text{Revenue} * 100$
- $= 20,000 / 150,000 * 100$

3. NET PROFIT(NPM)

- $= \text{Net Profit} / \text{Revenue} * 100$
- $= 7000 / 150,000 * 100$

4. EBITDA MARGIN

$$= \text{EBITDA} / \text{Revenue} * 100$$
$$= 40,000 / 150,000 * 100$$

1.CURRENT RATIO

- =Current Asset/Current Liability
- =100,000/60,000=1.67

2.LIQUID RATIO

- =Current Assets less inventory/Current liability
- =100,000-40,000/60,000=1

OTHER RATIO: Activity 4

1.DEBT RATIO

- $= \text{Total debt} / \text{Total Equity}$
- $= 120,000 / 450,000 = 0.27$ times

2.RETURN ON EQUITY(ROE)

- $= \text{PAT} / \text{Total Equity} * 100$
- $= 7000 / 450,000 = 2\%$

3. RETURN ON INVESTMENT(ROI)

- $= \text{EBIT} / \text{Investments} * 100$
- =Higher is good.

- Parent company or holding company which is an individual entity & has one or more subsidiary company
- Subsidiary company: A company in which parent company has more than 50% stake
- If parent company has more than 20% but upto 50% stake in another company , the other company is called an Associate
- If any company has one or more subsidiary company, then the company has to mandatorily prepare a consolidated financial statement

