

5. FINANCIAL STATEMENTS OF COMPANIES

5.1 Proper Books of Account

| Particulars | Description |
|--|---|
| Items to be kept | <ol style="list-style-type: none"> 1. Books of Accounts, 2. Other relevant Books and Papers, 3. Financial Statements for every Financial Year. |
| Basic conditions as to Books | <ol style="list-style-type: none"> 1. True and Fair view of the state of affairs of the Company (and its Branches if any), 2. To explain the transactions effected at Registered Office and Branches, 3. Accrual Basis, and 4. Double Entry System of Accounting. |
| Place of Keeping | <ol style="list-style-type: none"> 1. Registered Office, 2. Any other place in India as Board of Directors may decide. <p>Note: In case of (2) above, a written notice shall be filed with ROC providing full address of other place.</p> |
| Branch Accounts | <ol style="list-style-type: none"> 1. For Local or Foreign Branches: [as per Sec.128] <ol style="list-style-type: none"> (a) Proper books of accounts relating to Branch's transactions shall be kept at the Branch. (b) Proper Summarised Returns shall be sent periodically to the Registered Office, or other place where books are kept. 2. For Foreign Branches [As per Rules]: Summarised Returns of the Books of A/c kept and maintained outside India shall be sent to the Registered Office at quarterly intervals, which shall be kept and maintained at the Registered Office, and kept open to Directors for inspection. |
| Period | <ol style="list-style-type: none"> 1. Normal Period: Books of Accounts along with vouchers shall be kept by every Company for 8 preceding Financial Years. 2. Shorter Period: The Company in existence less than 8 years, shall maintain books in respect of all such preceding years. 3. Longer Period: If the Central Government has ordered an investigation on the Company, it should maintain the books for such longer period as directed in this regard. |
| Inspection of Books of A/c – General Points | <ol style="list-style-type: none"> 1. Items: Books of Accounts, and the other books and papers maintained. 2. Inspection: By any Director. 3. Place: Registered Office or other place where they are kept. 4. Time: During Business Hours. |

5.2 Balance Sheet and P&L Account [Sec.129]

| Particulars | Description |
|--|--|
| Financial Statements [Sec.2(40)] | <p>"Financial Statement" in relation to a Company, includes –</p> <ol style="list-style-type: none"> (a) A Balance Sheet as at the end of the Financial Year, (b) A Profit and Loss Account or an Income and Expenditure Account (in the case of a Company carrying on any activity not for Profit) for the Financial Year, (c) Cash Flow Statement for the Financial Year, (d) A Statement of Changes in Equity, if applicable, and (e) Any Explanatory Note annexed to, or forming part of, any document referred to above. <p>Note 1: The Financial Statement, with respect to One Person Company, Small Company and Dormant Company, may not include the Cash Flow Statement.</p> <p>Note 2: Financial Statement shall include any Notes annexed to or forming part of Financial Statements, giving information required to be given and allowed to be given in the form of such Notes.</p> |
| Basic Requirements as to Financial Statements | <ol style="list-style-type: none"> 1. Give a true and fair view of the state of affairs of the Company(ies), 2. Comply with the Accounting Standards notified u/s 133, and 3. Be in the form(s) provided in Schedule III. 4. Items contained in Financial Statements shall be in accordance with the Accounting Standards. |

| Particulars | Description | | | | | | | | | |
|--|--|---|-------------------|--|----------------------------------|------------------------------|--|-----------------------|--|-------------------|
| Above Basic requirements, not applicable to | 1. Any Insurance Company, or 2. Any Banking Company, or 3. Any Company engaged in the Generation or Supply of Electricity, or 4. Any other Class of Company for which a form of Financial Statement is specified under the Act governing such class of Company. | | | | | | | | | |
| Disclosure Exempted under Specific Acts = True and Fair | 1. Where the disclosure of certain matters in Financial Statements are not required under the Governing Act (as listed below), then – 2. Financial Statements shall not be treated as not disclosing a true and fair view of the state of affairs of the Company. 3. Category of Company / Relevant Law: <table border="1"> <tr> <td>Insurance Company</td> <td>Insurance Act, 1938, or Insurance Regulatory and Development Authority Act, 1999</td> </tr> <tr> <td>Banking Company</td> <td>Banking Regulation Act, 1949</td> </tr> <tr> <td>Company engaged in the Generation or Supply of Electricity</td> <td>Electricity Act, 2003</td> </tr> <tr> <td>Any other Class of Company, governed under separate Act, for which a form of Financial Statement is specified under that Act</td> <td>That relevant Act</td> </tr> </table> | | Insurance Company | Insurance Act, 1938, or Insurance Regulatory and Development Authority Act, 1999 | Banking Company | Banking Regulation Act, 1949 | Company engaged in the Generation or Supply of Electricity | Electricity Act, 2003 | Any other Class of Company, governed under separate Act, for which a form of Financial Statement is specified under that Act | That relevant Act |
| Insurance Company | Insurance Act, 1938, or Insurance Regulatory and Development Authority Act, 1999 | | | | | | | | | |
| Banking Company | Banking Regulation Act, 1949 | | | | | | | | | |
| Company engaged in the Generation or Supply of Electricity | Electricity Act, 2003 | | | | | | | | | |
| Any other Class of Company, governed under separate Act, for which a form of Financial Statement is specified under that Act | That relevant Act | | | | | | | | | |
| If Fin.Statements do not comply with applicable Accounting Standards | The Company shall disclose in its Financial Statements – 1. The deviation from the Accounting Standards, 2. The reasons for such deviation , and 3. The financial effects , if any, arising out of such deviation. | | | | | | | | | |
| Presentation at AGM | At every AGM , the Board of Directors shall lay the Financial Statements for the Financial Year, before such AGM. | | | | | | | | | |
| Consolidated Financial Statements in respect of Subsidiaries | 1. A Company having one or more Subsidiaries, shall, prepare and lay at AGM— (a) its Own Financial Statements (Separate Financial Statements=SFS), and (b) a Consolidated Financial Statement (CFS) of the Company and all its Subsidiaries. 2. CFS shall be in the same form and manner as that of its own, i.e. SFS. 3. The Company shall also attach along with its Financial Statement, a separate Statement containing the salient features of the Financial Statement of its Subsidiary(ies) in Form AOC-1 . 4. For this purpose, Subsidiary shall include Associate Company and Joint Venture . 5. Manner of Consolidation: <table border="1"> <tr> <th>Particulars</th> <th>CFS to be made in accordance with</th> </tr> <tr> <td>Required to prepare CFS under AS</td> <td>Sch III and Applicable AS</td> </tr> <tr> <td>Not Required to prepare CFS under AS</td> <td>Only Sch III</td> </tr> </table> 6. The provisions applicable to the preparation, adoption and audit of the Financial Statements of a Holding Company, shall equally be applicable for Consolidated Financial Statements. | | Particulars | CFS to be made in accordance with | Required to prepare CFS under AS | Sch III and Applicable AS | Not Required to prepare CFS under AS | Only Sch III | | |
| Particulars | CFS to be made in accordance with | | | | | | | | | |
| Required to prepare CFS under AS | Sch III and Applicable AS | | | | | | | | | |
| Not Required to prepare CFS under AS | Only Sch III | | | | | | | | | |
| Power of CG to Exempt | <ul style="list-style-type: none"> • The Central Government may, • on its own or on an application by a class or classes of Companies, • by Notification, exempt any class or classes of Companies, • from complying with any of the requirements of Sec.129 or the Rules, • if it is considered necessary to grant such exemption in the public interest, and • any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the Notification. | | | | | | | | | |
| Non Compliance of Sec.129 | Person covered <p>(a) Managing Director, (b) Whole Time Director incharge of Finance, (c) Chief Financial Officer, (d) Any person authorised by BOD to ensure Compliance with Sec.129 (e) All Directors, in case of absence of any of the Officers in Point (a) to (d).</p> | Punishment <p>(a) Imprisonment of Maximum 1 year, or (b) Fine of Minimum ₹50,000, Maximum ₹ 5,00,000, or (c) Both.</p> | | | | | | | | |

5.3 Financial Statements under Companies Act–Schedule III

GENERAL INSTRUCTIONS

1. **AS vs Schedule III:** Where compliance with the requirements of the Act including Accounting Standards as applicable to the Companies, require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head/sub-head or any changes inter se, in the Financial Statements or Statements forming part thereof, the same shall be made and the requirements of the Schedule III shall stand modified accordingly.
2. **Sch III to supplement AS:**
 - (a) The Disclosure Requirements specified in Part I & Part II of this Schedule are in addition to and not in substitution of the Disclosure Requirements specified in the Accounting Standards prescribed under the Companies Act, 2013.
 - (b) Additional Disclosures specified in the Accounting Standards shall be made in the Notes to Accounts or by way of Additional Statement, unless required to be disclosed on the face of the Financial Statements.
 - (c) Similarly, all other disclosures as required by the Companies Act shall be made in the Notes to Accounts in addition to the requirements set out in this Schedule.
3. **Notes to Accounts:** Notes to Accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required –
 - (a) narrative descriptions or dis-aggregations of items recognized in those Statements, and
 - (b) information about items that do not qualify for recognition in those Statements.

Each item on the face of the Balance Sheet and Statement of P&L shall be cross-referenced to any related information in the Notes to Accounts. In preparing the Financial Statements including the Notes to Accounts, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.
4. **Rounding–Off:** Depending upon the Turnover of the Company, the figures appearing in the Financial Statements (FS) may be rounded off as below. Once a unit of measurement is used, it should be used uniformly in the FS.

| Turnover | Rounding off |
|-----------------|--|
| < ₹ 100 Crores | To the nearest Hundreds, Thousands, Lakhs or Millions, or Decimals thereof |
| ≥ ₹ 100 Crores | To the nearest, Lakhs, Millions or Crores, or Decimals thereof |

5. **Comparatives:** Except in the case of the first Financial Statements laid before the Company (after its incorporation), the Corresponding Amounts (Comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including Notes shall also be given.

7. Definition of Terms:

| Terms | Description |
|--|--|
| Current & Non–Current Assets | <p>Current Assets: An Asset shall classified as Current when it satisfies any of the following criteria –</p> <ul style="list-style-type: none"> (a) It is expected to be realized in, or is intended for sale or consumption in the Company's normal Operating Cycle, (b) It is held primarily for the purpose of being traded, (c) It is expected to be realized within 12 months after the Reporting Date, (d) It is Cash or Cash Equivalent unless it is restricted from being exchanged or used to settle a Liability for atleast 12 months after the Reporting Date. <p>Non–Current Assets: All other Assets shall be classified as Non–Current.</p> |
| Current Liability & Non–Current Liabilities | <p>Current Liabilities: A Liability shall classified as Current when it satisfies any of the following –</p> <ul style="list-style-type: none"> (a) It is expected to be settled in the Company's normal Operating Cycle, (b) It is held primarily for the purpose of being traded, (c) It is due to be settled within 12 months after the Reporting Date, or (d) The Company does not have an unconditional right to defer settlement of the Liability for atleast 12 months after the reporting date (Terms of a Liability that could, at the option of the counterparty, result in its settlement by the issue of Equity Instruments do not affect its classification.) <p>Non–Current Liabilities: All other Liabilities shall be classified as Non–Current.</p> |
| Operating Cycle (OC) | An Operating Cycle is the time between the Acquisition of Assets for processing & their realization in Cash or Cash Equivalents. Where the Normal Operating Cycle cannot be identified, it is assumed to have duration of 12 months. |

| Terms | Description |
|---|---|
| Trade Receivable / Payable (TR / TP) | <ul style="list-style-type: none"> • A Receivable shall be classified as a Trade Receivable, if it is in respect of the amount due on account of Goods Sold or Services Rendered in the normal course of Business. • A Payable shall be classified as a Trade Payable, if it is in respect of the amount due on account of Goods Purchased or Services Received in the Normal Course of Business. |
| Others | For Schedule III purposes, the terms used herein shall be as per the applicable Accounting Standards. |

PART I – FORM OF BALANCE SHEET

Name of the Company : Balance Sheet as at : (Rupees in.....)

| | Particulars | Note | Figures as at the end of Current Reporting Period | Figures as at the end of the Previous Reporting Period |
|---|-------------|------|---|--|
| 1 | 2 | 3 | 4 | |
| I. EQUITY AND LIABILITIES | | | | |
| (1) Shareholders' Funds | | | | |
| (a) Share Capital | | | | |
| (b) Reserves & Surplus | | | | |
| (c) Money Received against Share Warrants | | | | |
| (2) Share Application money pending allotment | | | | |
| (3) Non-Current Liabilities | | | | |
| (a) Long Term Borrowings | | | | |
| (b) DTL (Net) | | | | |
| (c) Other Long Term Liabilities | | | | |
| (d) Long Term Provisions | | | | |
| (4) Current Liabilities | | | | |
| (a) Short Term Borrowings | | | | |
| (b) Trade Payables [GSR 679 (E) dated 04.09.15] | | | | |
| (A) Total Outstanding Dues of Micro Enterprises and Small Enterprises, and | | | | |
| (B) Total Outstanding dues of Creditors other than Micro Enterprises and Small Enterprises. | | | | |
| (c) Other Current Liabilities | | | | |
| (d) Short Term Provisions | | | | |
| TOTAL | | | | |
| II. ASSETS | | | | |
| (1) Non-Current Assets | | | | |
| (a) Fixed Assets | | | | |
| (i) Tangible Assets | | | | |
| (ii) Intangible Assets | | | | |
| (iii) Capital WIP | | | | |
| (iv) Intangible Assets under Development | | | | |
| (b) Non-Current Investments | | | | |
| (c) DTA (Net) | | | | |
| (d) Long Term Loans & Advances | | | | |
| (e) Other Non-Current Assets | | | | |
| (2) Current Assets | | | | |
| (a) Current Investments | | | | |
| (b) Inventories | | | | |
| (c) Trade Receivables | | | | |
| (d) Cash & Cash Equivalents | | | | |
| (e) Short Term Loans & Advances | | | | |
| (f) Other Current Assets | | | | |
| TOTAL | | | | |

Disclosure Requirements: General Instructions for preparation of Balance Sheet

| Item | Description |
|---------------------------------|--|
| A Share Capital | <p>For each Class of Share Capital (different classes of Preference Shares to be treated separately):</p> <ul style="list-style-type: none"> (a) Number and Amount of Shares Authorized, (b) Number of Shares Issued, Subscribed and Fully Paid, and Subscribed but not Fully Paid, (c) Par Value per Share, (d) Reconciliation of No. of Shares Outstanding at the Beginning and at the end of the Reporting Period, (e) Rights, Preferences and Restrictions attaching to each class of Shares including restrictions on the distribution of Dividends and the Repayment of Capital, (f) Shares in respect of each Class in the Company held by its Holding Company or its ultimate Holding Company including Shares held by or by Subsidiaries or Associates of the Holding Company or the ultimate Holding Company in aggregate, (g) Shares in Company held by each Shareholder holding more than 5% Shares specifying number of Shares held, (h) Shares Reserved for issue under Options and Contracts/ Commitments for the sale of Shares/ Disinvestment, including the Terms and Amounts, (i) For the period of 5 years immediately preceding the date as at which the B/Sheet is prepared – <ul style="list-style-type: none"> • Aggregate Number & Class of Shares allotted as Fully Paid Up pursuant to Contract(s) without payment being received in Cash. • Aggregate Number and Class of Shares allotted as fully Paid Up by way of Bonus Shares. • Aggregate Number & Class of Shares bought back. (j) Terms of any Securities Convertible into Equity/Preference Shares issued along with the earliest date of conversion in descending order starting from the farthest such date, (k) Calls Unpaid (showing aggregate value of Calls Unpaid by Directors and Officers), (l) Forfeited Shares (amount originally paid up). |
| B Reserves & Surplus | <p>Reserves & Surplus shall be classified as:</p> <ul style="list-style-type: none"> (a) Capital Reserves, (b) Capital Redemption Reserve, (c) Securities Premium Reserve, (d) Debenture Redemption Reserve, (e) Revaluation Reserve, (f) Share Options Outstanding Account, (g) Other Reserves (specify the nature & purpose of each Reserve and the amount in respect thereof), (h) Surplus, i.e. balance in Statement of P&L disclosing allocations & appropriations such as Dividend, Bonus Shares and Transfer to/from Reserves etc. (Additions & Deductions since last Balance Sheet to be shown under each of specified heads). <p>Notes:</p> <ol style="list-style-type: none"> 1. Fund: A Reserve specifically represented by Earmarked Investments shall be termed as a 'Fund'. 2. Profit and Loss Account (Dr.): Debit balance of Statement of P&L shall be shown as a Negative Figure under the head 'Surplus'. Similarly, the balance of 'Reserves & Surplus', after adjusting Negative balance of Surplus, if any, shall be shown under the head 'Reserves & Surplus' even if the resulting figure is in the negative. |
| C Long-Term Borrowings | <p>Long-Term Borrowings shall be classified as –</p> <ul style="list-style-type: none"> (a) Bonds/Debentures, (b) Term loans – (i) from Banks, and (ii) from Other Parties, (c) Deferred Payment Liabilities, (d) Deposits, (e) Loans & Advances from Related Parties, (f) Long-Term Maturities of Finance Lease Obligations, (g) Other Loans and Advances (specify nature). <p>Notes:</p> <ol style="list-style-type: none"> 1. Security-wise Classification: Borrowings shall further be sub-classified as Secured and Unsecured. Nature of Security shall be specified separately in each case. 2. Guarantees: Where Loans have been guaranteed by Directors or Others, the aggregate amount of such loans under each head shall be disclosed. |

| Item | Description |
|--|---|
| | <p>3. Maturity Date-wise: Bonds / Debentures (along with the Rate of Interest and particulars of Redemption or Conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest Redemption or Conversion Date, as the case may be.</p> <p>4. Instalment Redemption: Where Bonds/Debentures are redeemable by Instalments, the Date of Maturity for this purpose must be reckoned as the Date on which the First Instalment becomes due.</p> <p>5. Re-issue Powers: Particulars of any redeemed Bonds/ Debentures which the Company has power to reissue shall be disclosed.</p> <p>6. Terms of Repayment: Terms of Repayment of Term Loans and Other Loans shall be stated.</p> <p>7. Default: Period and amount of continuing default as on the Balance Sheet date in repayment of Loans and Interest, shall be specified separately in each case.</p> |
| D Other Long-Term Liabilities | It shall be classified as – (a) Trade Payables, and (b) Others. |
| E Long Term Provisions | It shall be classified as – (a) Provision for Employee Benefits, and Others (specify nature). |
| F Short-Term Borrowings | <p>Short-Term Borrowings shall be classified as –</p> <p>(a) Loans Repayable on demand – (i) from Banks, and (ii) Other Parties,</p> <p>(b) Loans and Advances from Related Parties,</p> <p>(c) Deposits,</p> <p>(d) Other Loans and Advances (specify nature)</p> <p>Notes:</p> <ol style="list-style-type: none"> Security-wise Classification: Borrowings shall further be sub-classified as Secured and Unsecured. Nature of security shall be specified separately in each case. Guarantees: Where Loans have been guaranteed by Directors or others, the aggregate amount of such Loans under each head shall be disclosed. Default: Period and amount of default as on the Balance Sheet Date in repayment of Loans and Interest shall be specified separately in each case. |
| F Trade A Payables [GSR 679 (E) dated 04.09.15] | <p>The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the Notes–</p> <p>(a) Principal Amount and Interest due thereon (to be shown separately) remaining unpaid to any Supplier at the end of each accounting year,</p> <p>(b) Amount of Interest paid by the Buyer u/s 16 of the Micro, Small and Medium Enterprises Development Act, 2006, (MSMEDA) along with Amount of the payment made to the Supplier beyond the appointed day during each accounting year,</p> <p>(c) Amount of Interest Due and Payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the Interest specified under MSMEDA,</p> <p>(d) Amount of Interest accrued and remaining unpaid at the end of each accounting year; and</p> <p>(e) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the Small Enterprise, for the purpose of disallowance of a deductible expenditure u/s 23 of MSMEDA.</p> |
| G Other Current Liabilities | <p>It shall be classified as –</p> <p>(a) Current Maturities of Long-Term Debt,</p> <p>(b) Current Maturities of Finance Lease Obligations,</p> <p>(c) Interest Accrued but not due on Borrowings,</p> <p>(d) Interest Accrued and due on Borrowings,</p> <p>(e) Income Received in Advance,</p> <p>(f) Unpaid Dividends,</p> <p>(g) Application Money received for allotment of securities and due for Refund and Interest Accrued thereon, (Refer Note below)</p> <p>(h) Unpaid Matured Deposits and Interest Accrued thereon,</p> <p>(i) Unpaid Matured Debentures and Interest Accrued thereon,</p> <p>(j) Other Payables (specify nature).</p> <p>Notes:</p> <ol style="list-style-type: none"> Share Application Money includes Advances towards allotment of Share Capital. Terms and Conditions including the Number of Shares proposed to be issued, the Amount of Premium, if any, and the period before which shares shall be allotted shall be disclosed. |

| Item | Description |
|---------------------------------------|---|
| | <p>3. It shall also be disclosed whether the Company has sufficient Authorized Capital to cover the Share Capital Amount resulting from Allotment of Shares out of such Share Application Money.</p> <p>4. Further, the period for which the Share Application Money has been pending beyond the period for Allotment as mentioned in the document inviting application for shares along with the reason for such Share Application Money being pending shall be disclosed.</p> <p>5. Share Application Money not exceeding the Issued Capital and to the extent not refundable shall be shown under the head 'Equity' and Share Application Money to the extent refundable i.e., the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under 'Other Current Liabilities'.</p> |
| H Short Term Provisions | It shall be classified as – (a) Provision for Employee Benefits, (b) Others (specify nature). |
| I Tangible Assets | <p>1. Classification shall be given as – (a) Land, (b) Buildings, (c) Plant and Equipment, (d) Furniture & Fixtures, (e) Vehicles, (f) Office Equipment, (g) Others (Specify Nature).</p> <p>2. Assets under Lease shall be separately specified under each class of Asset. [See Note in J]</p> |
| J Intangible Assets | <p>Classification shall be given as – (a) Goodwill, (b) Brands / Trademarks, (c) Computer Software, (d) Mastheads and Publishing Titles, (e) Mining Rights, (f) Copyrights, and Patents and Other Intellectual Property Rights, Services and Operating Rights, (g) Recipes, Formulae, Models, Designs and Prototypes, (h) Licenses and Franchise, (i) Others (specify nature).</p> <p>Notes (for Both Tangible Assets and Intangible Assets):</p> <p>1. A Reconciliation of the Gross and Net Carrying Amounts of each Class of Assets at the Beginning and End of the reporting period showing Additions, Disposals, Acquisitions through Business Combinations and other Adjustments and the related Depreciation and Impairment Losses/Reversals shall be disclosed separately.</p> <p>2. Where sums have been written off on a Reduction of Capital or Revaluation of Assets or where sums have been added on Revaluation of Assets, every Balance Sheet subsequent to date of such write-off, or addition shall show the Reduced or Increased figures as applicable and shall by way of a Note also show the Amount of the Reduction or Increase as applicable together with the date thereof for the first 5 years subsequent to the date of such Reduction or Increase.</p> |
| K Non-Current Invest's. | <p>Non-Current investments shall be classified as Trade Investments and Other Investments, and further classified as Investments in –</p> <p>(a) Property,</p> <p>(b) Equity Instruments,</p> <p>(c) Preference Shares,</p> <p>(d) Government / Trust Securities,</p> <p>(e) Debentures or Bonds,</p> <p>(f) Mutual Funds,</p> <p>(g) Partnership Firms, and</p> <p>(h) Other Non-Current Investments (specify nature).</p> <p>Notes:</p> <p>1. Under each classification, details shall be given of Names of Bodies Corporate (indicating separately whether such bodies are – (i) Subsidiaries, (ii) Associates, (iii) Joint Ventures, or (iv) Controlled Special Purpose Entities) in whom Investments have been made and the nature and extent of the Investment so made in each such Body Corporate (showing separately Investments which are partly-paid). In regard to Investments in the capital of Partnership Firms, the Names of the Firms (with the Names of all their Partners, Total Capital and the Shares of each Partner) shall be given.</p> <p>2. Investments carried at other than at Cost to be separately stated specifying its basis for valuation.</p> <p>3. The following shall also be disclosed –</p> <p>(a) Aggregate amount of Quoted Investments and Market Value thereof,</p> <p>(b) Aggregate amount of Unquoted Investments,</p> <p>(c) Aggregate Provision for Diminution in value of Investments.</p> |
| L Long Term Loans and Advances | <p>1. General Classification: Long Term Loans and Advances shall be classified as –</p> <p>(a) Capital Advances,</p> <p>(b) Security Deposits,</p> <p>(c) Loans and Advances to Related Parties (giving details thereof),</p> <p>(d) Other Loans and Advances (specify nature).</p> |

| Item | Description |
|-----------------------------------|---|
| | <p>2. Security-wise Classification: The above shall be separately sub-classified as –</p> <ul style="list-style-type: none"> (a) Secured, considered Good (b) Unsecured, considered Good (c) Doubtful. <p>3. Bad / Doubtful: Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p> <p>4. Directors, etc.: Loans and Advances due by Directors or Other Officers of the Company or any of them either severally or jointly with any other persons or amounts due by Firms or Private Companies respectively in which any Director is a Partner or a Director or a Member should be separately stated.</p> |
| M Other Non-Current Assets | <p>1. Other Non-Current Assets shall be classified as –</p> <ul style="list-style-type: none"> (a) Long-term Trade Receivables (including Trade Receivables on Deferred Credit Terms) (b) Others (specify nature) <p>2. Security-wise Classification: Long-Term Receivables shall be separately sub-classified as –</p> <ul style="list-style-type: none"> (a) Secured, considered Good (b) Unsecured, considered Good (c) Doubtful. <p>3. Bad / Doubtful: Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p> <p>4. Directors, etc.: Debts due by Directors or Other Officers of the Company or any of them either severally or jointly with any other person or debts due by Firms or Private Companies respectively in which any Director is a Partner or a Director or a Member should be separately stated.</p> |
| N Current Investments | <p>Current Investments shall be classified as –</p> <ul style="list-style-type: none"> (a) Investments in Equity Instruments, (b) Investment in Preference Shares, (c) Investments in Government or Trust Securities, (d) Investments in Debentures or Bonds, (e) Investments in Mutual Funds, (f) Investments in Partnership Firms, (g) Other Investments (specify nature). <p>Notes:</p> <ol style="list-style-type: none"> 1. Under each classification, details shall be given of Names of Bodies Corporate [indicating separately whether such Bodies are – (i) Subsidiaries, (ii) Associates, (iii) Joint Ventures, or (iv) Controlled Special Purpose Entities] in whom Investments have been made and the nature and extent of the Investment so made in each such Body Corporate (showing separately Investments which are partly-paid). In regard to Investments in the Capital of Partnership Firms, the names of the Firms (with the names of all their Partners, total capital and the Shares of each Partner) shall be given. 2. The following shall also be disclosed: <ul style="list-style-type: none"> (a) Basis of Valuation of individual Investments, (b) Aggregate Amount of Quoted Investments and Market Value thereof, (c) Aggregate Amount of Unquoted Investments, (d) Aggregate Provision made for Diminution in Value of Investments. |
| O Inventories | <p>Inventories shall be classified as –</p> <ul style="list-style-type: none"> (a) Raw Materials, (b) Work In Progress, (c) Finished Goods, (d) Stock-in-Trade (in respect of goods acquired for Trading), (e) Stores and Spares, (f) Loose Tools, (g) Others (specify nature) <p>Note: Goods-in-Transit shall be disclosed under the relevant sub-head of Inventories. Mode of Valuation shall be stated.</p> |
| P Trade Receivables | <p>1. Aggregate amount of Trade Receivables outstanding for a period exceeding 6 months from the date they are due for payment should be separately stated.</p> |

| Item | Description |
|---|--|
| P Trade Receivables | <p>2. Security-wise Classification: Trade Receivables shall be separately sub-classified as –</p> <ul style="list-style-type: none"> (a) Secured, considered Good (b) Unsecured, considered Good (c) Doubtful. <p>3. Bad / Doubtful: Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p> <p>4. Directors, etc.: Debts due by Directors or Other Officers of the Company or any of them either severally or jointly with any other person or debts due by Firms or Private Companies respectively in which any Director is a Partner or a Director or a Member should be separately stated.</p> |
| Q Cash and Cash Equivalents | <p>Cash and Cash Equivalents shall be classified as –</p> <ul style="list-style-type: none"> (a) Balances with Banks, (b) Cheques, Drafts on Hand, (c) Cash on Hand, (d) Others (specify nature). <p>Notes:</p> <ol style="list-style-type: none"> 1. Earmarked Balances with Banks (e.g. for Unpaid Dividend) shall be separately stated. 2. Balances with Banks to the extent held as Margin Money or Security against the Borrowings, Guarantees, Other Commitments shall be disclosed separately. 3. Repatriation restrictions, if any, in respect of Cash and Bank Balances shall be separately stated. 4. Bank Deposits with more than 12 months Maturity shall be disclosed separately. |
| R Short Term Loans and Advances | <p>1. General Classification: Short-Term Loans and Advances shall be classified as –</p> <ul style="list-style-type: none"> (a) Loans and Advances to Related Parties (giving details thereof), (b) Others (specify nature). <p>2. Security-wise Classification: The above shall also be sub-classified as –</p> <ul style="list-style-type: none"> (a) Secured, considered Good, (b) Unsecured, considered Good, (c) Doubtful. <p>3. Bad / Doubtful: Allowance for Bad and Doubtful Loans and Advances shall be disclosed under the relevant heads separately.</p> <p>4. Directors, etc.: Loans & Advances due by Directors or Other Officers of the Company or any of them either severally or Jointly with any other person or amounts due by Firms or Private Companies respectively in which any Director is a Partner or a Director or a Member shall be separately stated.</p> |
| S Other Current Assets | <p>This is an all-inclusive heading, which incorporates Current Assets that do not fit into any other Asset Categories.</p> <p>Nature of each item should be specified.</p> |
| T Contingent Liabilities and Commitments | <p>Contingent Liabilities and Commitments (to the extent not provided for) –</p> <p>A. Contingent Liabilities shall be classified as –</p> <ol style="list-style-type: none"> 1. Claims against the Company not Acknowledged as Debt, 2. Guarantees, 3. Other Money for which the Company is contingently liable. <p>B. Commitments shall be classified as –</p> <ol style="list-style-type: none"> 1. Estimated amount of Contracts remaining to be executed on Capital Account & not provided for, 2. Uncalled Liability on Shares and other Investments partly paid, 3. Other Commitments (specify nature). |
| U Proposed Dividends | <p>The amount of Dividends Proposed to be distributed to Equity and Preference Shareholders for the period and the related Amount per Share shall be disclosed separately. Arrears of Fixed Cumulative Dividends on Preference Shares shall also be disclosed separately.</p> |
| V Unutilized Proceeds of Securities | <p>Where in respect of an issue of Securities made for a specific purpose, the whole or part of the Amount has not been used for the Specific Purpose at the Balance Sheet Date, there shall be indicated by way of Note how such Unutilized Amounts have been used or invested.</p> |
| W Lower Realisable Value | <p>If, in the opinion of the Board, any of the Assets other than Fixed Assets and Non-Current Investments do not have a value on realization in the ordinary course of business atleast equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.</p> |

PART II – FORM OF STATEMENT OF PROFIT AND LOSS**Name of the Company** :**Profit and Loss Statement for the year ended** : (Rupees in.....)

| | Particulars | Note No. | Figures for the Current Reporting Period | Figures for the Previous Reporting Period |
|-------------|--|-----------------|---|--|
| I | Revenue from Operations | | XXX | XXX |
| II | Other Income | | XXX | XXX |
| III | Total Revenue (I + II) | | XXX | XXX |
| IV | Expenses: | | | |
| | Cost of Materials Consumed | | XXX | XXX |
| | Purchases of Stock-In-Trade | | XXX | XXX |
| | Changes in Inventories of Finished Goods / Work-in-Progress and Stock-In-Trade | | XXX | XXX |
| | Employee Benefits Expense | | | |
| | Finance Costs | | | |
| | Depreciation and Amortization Expense | | | |
| | Other Expenses | | | |
| | Total Expenses | | XXX | XXX |
| V | Profit before Exceptional & Extraordinary Items & Tax(III-IV) | | XXX | XXX |
| VI | Exceptional Items | | XXX | XXX |
| VII | Profit before Extraordinary Items and Tax (V -VI) | | XXX | XXX |
| VIII | Extraordinary Items | | XXX | XXX |
| IX | Profit before Tax (VII-VIII) | | XXX | XXX |
| X | Tax Expense: | | | |
| | (1) Current Tax | | XXX | XXX |
| | (2) Deferred Tax | | XXX | XXX |
| XI | Profit / (Loss) for the period from Continuing Operations (IX-X) | | XXX | XXX |
| XII | Profit / (Loss) from Discontinuing Operations | | XXX | XXX |
| XIII | Tax Expense of Discontinuing Operations | | XXX | XXX |
| XIV | Profit / (Loss) from Discontinuing Operations (After Tax) (XII-XIII) | | XXX | XXX |
| XV | Profit / (Loss) for the period (XI + XIV) | | XXX | XXX |
| XVI | Earnings per Equity Share: | | | |
| | (1) Basic | | XXX | XXX |
| | (2) Diluted | | XXX | XXX |

Disclosure Requirements: General Instructions for preparation of Statement of P&L

| Item | Description | |
|----------------------------------|--|--|
| 1 Sec.8 Companies | The provisions of this Part shall apply to the Income and Expenditure Account referred to in Sec.2(40)(ii), in like manner as they apply to a Statement of Profit and Loss. | |
| 2 Revenue from Operations | For Company other than a Finance Company: Revenue from Operations shall disclose separately in the Notes, Revenue from – (a) Sale of Products (b) Sale of Services (c) Other Operating Revenues (d) Less: Excise Duty | For Finance Company: Revenue from Operations shall include Revenue from: (a) Interest & (b) Other Financial Services Revenue under each of the above heads shall be disclosed separately by way of Notes to Accounts to the extent applicable. |

| Item | Description |
|---------------------------|--|
| 3 Finance Costs | Finance Costs shall be classified as – (a) Interest Expenses, (b) Other Borrowing Costs, (c) Applicable Net Gain/Loss on Foreign Currency Transactions and Translation. |
| 4 Other Income | Other Income shall be classified as – (a) Interest Income (in case of a Company other than a Finance Company), (b) Dividend Income, (c) Net Gain/Loss on Sale of Investments, (d) Other Non-Operating Income (Net of Expenses directly attributable to such income). |
| 5 Additional Info. | A Company shall disclose by way of Notes, additional information regarding Aggregate Expenditure and Income on the following items referred below – |

(i) Employee Benefits, etc:

- (a) **Employee Benefits Expense** [showing separately –
 (i) Salaries & Wages, (ii) Contribution to PF and other Funds, (iii) Expense on ESOP and Employee Stock Purchase Plan (ESPP), (iv) Staff Welfare Expenses]
- (b) Depreciation and Amortization Expense,
- (c) Any item of Income or Expenditure which exceeds 1% of Revenue from Operations or ₹ 1,00,000 whichever is higher,
- (d) Interest Income,
- (e) Interest Expense,
- (f) Dividend Income,
- (g) Net Gain / Loss on Sale of Investments,
- (h) Adjustments to the Carrying Amount of Investments,
- (i) Net Gain / Loss on Foreign Currency Transaction & Translation (other than considered as Finance Cost),
- (j) **Payments to the Auditor** as – (a) Auditor, (b) For Taxation Matters, (c) For Company Law Matters, (d) For Management Services, (e) For Other Services, (f) For Reimbursement of Expenses,
- (k) Items of Exceptional and Extraordinary Nature,
- (l) Prior Period Items.

(ii) Materials, Goods, Services, etc.

- (a) In the case of **Manufacturing Companies** –
 - Raw Materials under broad heads.
 - Goods Purchased under broad heads.
- (b) In the case of **Trading Companies**, Purchases in respect of goods Traded in by the Company under broad heads.
- (c) In the case of **Companies rendering or supplying services**, Gross Income derived from Services Rendered or Supplied, under broad heads.
- (d) In the case of a Company, which falls under **more than one** of the categories mentioned in (a), (b) and (c) above, it shall be sufficient compliance with the requirements herein if Purchases, Sales and Consumption of Raw Material and the Gross Income from Services rendered is shown under broad heads.
- (e) In the case of **Other Companies**, Gross Income derived under broad heads.

(iii) In the case of all concerns having Works-in-Progress, Works-in-Progress under broad heads.

(iv) Reserves – Creation & Utilisation:

- (a) The aggregate, if material, of any amounts set aside or proposed to be set aside, to Reserve, but not including Provisions made to meet any Specific Liability, Contingency or Commitment known to exist at the date as to which the Balance-Sheet is made up.
- (b) The aggregate, if material, of any amounts withdrawn from such Reserves.

(v) Provision – Creation & Utilisation:

- (a) The aggregate, if material, of the amounts set aside to Provisions made for meeting Specific Liabilities, Contingencies or Commitments.
- (b) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

(vi) Expenses, etc: Expenditure incurred on each of the following items, separately for each item:

- | | |
|---|--|
| (a) Consumption of Stores and Spare Parts, (b) Power and Fuel, (c) Rent, (d) Repairs to Buildings, | (e) Repairs to Machinery, (f) Insurance, (g) Rates and Taxes, excluding, Taxes on Income, (h) Miscellaneous Expenses. |
|---|--|

(vii) **Subsidiaries Information:** (a) Dividends from Subsidiary Cos, (b) Provisions for Losses of Subsidiary Companies.

(viii) **FOREX Information:** The P&L A/c shall also contain by way of a Note the following information, namely –

- (a) Value of Imports calculated on **CIF basis** by the Company during the Financial Year in respect of –(I) Raw Materials, (II) Components and Spare Parts, (III) Capital Goods,
- (b) Expenditure in Foreign Currency during the Financial Year on account of Royalty, Know-How, Professional and Consultation Fees, Interest, and Other Matters,
- (c) Total Value if all **Imported** Raw Materials, Spare Parts and Components consumed during the Financial Year and the Total Value of all **Indigenous** Raw Materials, Spare Parts and Components similarly consumed and the Percentage of each to the Total Consumption,
- (d) Amount **remit** during the year in Foreign Currencies on account of **Dividends** with a specific mention of the total number of Non-Resident Shareholders, the Total Number of Shares held by them on which the Dividends were due and the year to which the Dividends related.
- (e) Earnings in Foreign Exchange classified under the following heads, namely –
 - Export of Goods calculated on FOB Basis,
 - Royalty, Know-How, Professional & Consultation Fees,
 - Interest and Dividend,
 - Other Income, indicating the nature thereof.

Note: Broad heads shall be decided taking into account the concept of **Materiality** and **Presentation of True and Fair view of Financial Statements**.

Nature of Disclosure Requirements:

- (a) Schedule III sets out the **minimum requirements** for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss and Notes.
- (b) **Line Items, Sub-Line Items and Sub-Totals** shall be presented as an addition or substitution on the face of the Financial Statements, when such presentation is relevant to –
 - an understanding of the Company's Financial Position or Performance, or
 - cater to Industry/sector-specific disclosure requirements, or
 - when required for compliance with the amendments to Companies Act or under Accounting Standards.

Schedule III requirements for Consolidation of Financial Statements – Not for Inter (IPC) Syllabus.

Practical Questions in Schedule III & Financial Statements

Illustration 1: Schedule III Classification of Items

M 14

State under which head these Accounts should be classified in Balance Sheet as per Schedule III of the Companies Act:

| Question | Answer |
|---|---|
| (i) Share Application Money received in excess of Issued Share Capital. | Other Current Liabilities |
| (ii) Share Option Outstanding Account. | Reserves & Surplus |
| (iii) Unpaid Matured Debentures and Interest accrued thereon. | Other Current Liabilities |
| (iv) Uncalled Liability on Shares and other partly paid Investments. | Contingent Liabilities |
| (v) Calls Unpaid. | Reduction from Paid-Up Capital |
| (vi) Intangible Assets under Development. | Non-Current Assets: Fixed Assets |
| (vii) Money received against Share Warrants. | Shareholder's Fund: Share Warrant |
| (viii) Long Term Maturity of Finance Lease Obligation. | Non-Current Liabilities: Long Term Borrowings |

Illustration 2: Schedule III – Operating Cycle, WIP Disclosure

N 13

(i) Vasudha Ltd provides following information:

Raw Material Stock Holding Period: 3.5 months,

Work-in-Progress Holding Period: 1 month

Finished Goods Holding Period: 4.5 months,

Debtors Collection Period: 6 months

You are required to compute the Operating Cycle of Vasudha Ltd. What would happen if the Trade Payables of the Company are paid in 14 months – whether these should be classified as Current or Non-Current Liability?

- (ii) The Management of Kshitij Ltd contents that the Work-in-Progress is not valued since it is difficult to ascertain the same in view of the multiple processes involved. They opine that the value of Opening and Closing Work-in-Progress would be more or less than same. Accordingly, the Management had not separately disclosed the Work-in-Progress in its Financial Statements. Comment in line with Schedule III.

Solution:

- | |
|--|
| (i) Operating Cycle = $3.5 + 1 + 4.5 + 6 = 15$ months. If Trade Payables are aid in 14 months, they should be classified as Current Liability (within the Operating Cycle). |
| (ii) Schedule III requires disclosure of Changes in Inventories in WIP in the Profit and Loss Account. Also, as per AS-2 and Schedule III Disclosure Requirements, Inventories include WIP as a separate item. Hence, disclosure of WIP is required. Difficulty in ascertainment, more or less same value, etc. are not valid excuses for non-reporting of items in Financial Statements. However, if WIP is not material as such, it may not be disclosed in the Financial Statements. |

Illustration 3: Operating Cycle as per Companies Act

M 14 (F)

KAY Ltd is in the process of finalizing its accounts for year ended 31st March 2014, and furnishes the following information:

- (i) Finished Goods normally are held for 30 days before sale.
- (ii) Sales realization from Debtors usually takes 60 days from date of Credit Invoice.
- (iii) Raw Materials are held in stock to cover one month's production requirements.
- (iv) Packing Materials, being specifically made for the Company and having lead time of 90 days is held in stock for 90 days.
- (v) The holding period in respect of Unfinished Goods is 30 days.
- (vi) Being a monopoly, KAY Ltd enjoys a credit period of 12.5 months from its Suppliers who sometimes at the end of their credit period opt for conversion of their dues into long term debt of KAY Ltd.

Compute the Operating Cycle of KAY Ltd as per Schedule III of Companies Act. As the Suppliers of the Company are paid off after a credit period of 12.5 months should this be part of Current Liability? Would your answer be the same if the Creditors are settled in 330 days?

Solution:

1. Computation of Operating Cycle:

| Details | Days |
|--|------------|
| (a) Raw Materials Holding Period | 30 |
| (b) Packing Materials Lead Time & Holding Time | 90 |
| (c) WIP Holding Time | 30 |
| (d) Finished Goods Holding Time | 30 |
| (e) Credit Period given for Debtors | 60 |
| Operating Cycle | 240 |

2. Treatment of Packing Materials:

- (a) Packing Materials are used in relation to Finished Goods (at the time of sale). Lead Time + Holding Time = 180 days in relation to Packing Materials.
- (b) As the time taken for manufacturing Finished Goods (from the date of procurement of raw material) is 90 days, the lead time & packing materials of 180 days is already assumed to have included the 90 days referred above. Hence, the effective time limit considered for Operating Cycle in relation to Packing Materials is 90 days (180–90)

3. Treatment of Sundry Creditors:

- (a) As per ICAI Guidance Note, Credit Period given by the Suppliers (12.5 months or 330 days) shall be ignored while calculating Operating Cycle, since the relevant Working Capital in any case would have been used for conversion purposes.
- (b) Also, if the Credit Period offered by Creditors is 12.5 months, then it will be classified as "Non Current Liabilities", since neither it is payable within 12 months nor within 1 Operating Cycle of 240 days
- (c) If the credit period of Sundry Creditors is 330 days, then it will be classified as "Current Liability" since it is not payable within 1 Operating Cycle of 240 days, but payable within 12 months.

Illustration 4: Preparation of Balance Sheet

N 13

On 31st March, Bose and Sen Ltd provides to you the following Ledger Balances after preparing its Profit and Loss Account for the year ended 31st March:

| Credit Balances | ₹ | Debit Balances | ₹ |
|--|-------------|------------------------|-------------|
| Equity Share Capital, fully paid Shares of ₹ 10 each | 70,00,000 | Calls in Arrears | 7,000 |
| General Reserve | 15,49,100 | Land | 14,00,000 |
| Loan from State Finance Corporation | 10,50,000 | Buildings | 20,50,000 |
| Secured by hypothecation of P & M (repayable within 1 yr ₹ 2,00,000) | | Plant & Machinery | 36,75,000 |
| Loans: Unsecured (Long Term) | 8,47,000 | Furniture & Fixtures | 3,50,000 |
| Sundry Creditors for Goods & Expenses (Payable within 6 months) | 14,00,000 | Stocks: Finished Goods | 14,00,000 |
| Profit & Loss Account | 7,00,000 | Raw Materials | 3,50,000 |
| Provision for Taxation | 3,25,500 | Sundry Debtors | 14,00,000 |
| Proposed Dividend | 4,20,000 | Advances: Short-Term | 2,98,900 |
| Provision for Dividend Distribution Tax | 71,400 | Cash in Hand | 2,10,000 |
| | | Balances with Banks | 17,29,000 |
| | | Preliminary Expenses | 93,100 |
| | | Patents & Trade Marks | 4,00,000 |
| Total | 1,33,63,000 | Total | 1,33,63,000 |

The following additional information is also provided:

- (i) 4,20,000 fully paid Equity Shares were allotted as consideration for Land & Buildings.
- (ii) Cost of Building ₹ 28,00,000
Cost of Plant & Machinery ₹ 49,00,000
Cost of Furniture & Fixtures ₹ 4,37,500
- (iii) Sundry Debtors for ₹ 3,80,000 are due for more than 6 months.
- (iv) 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.
- (v) Unsecured Loan includes ₹ 2,00,000 from a Bank and ₹ 1,00,000 from Related Parties.

You are not required to give previous year figures. You are required to prepare the Balance Sheet of the Company as on 31st March, as required under the Companies Act.

Note: In the questions, Balance Sheet may be given in 'T' form also. However, in the solution, Students should prepare the Balance Sheet in Schedule III Form, for Corporate Entities.

Solution: Balance Sheet of Bose and Sen Ltd as on 31st March

| Particulars as at 31 st March | | Note | This Year | Prev. Yr |
|--|---|------|--------------------|----------|
| I | 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: | 3 | 16,97,000 | |
| (3) | Current Liabilities: | | | |
| | (a) Trade Payables | | 14,00,000 | |
| | (b) Other Current Liabilities | 4 | 2,00,000 | |
| | (c) Short Term Provisions | 5 | 8,16,900 | |
| | Total | | 1,32,62,900 | |
| II | ASSETS | | | |
| (1) | Non-Current Assets | | | |
| | Fixed Assets: Tangible Assets | 6 | 74,75,000 | |
| | Intangible Assets – Patents and Trade Marks | | 4,00,000 | |
| (2) | Current Assets: | | | |
| | (a) Inventories | 7 | 17,50,000 | |
| | (b) Trade Receivables | 8 | 14,00,000 | |
| | (c) Cash and Cash Equivalents | 9 | 19,39,000 | |
| | (d) Short Term Loans and Advances | | 2,98,900 | |
| | Total | | 1,32,62,900 | |

Note 1: Share Capital

| Particulars | | This Year | Prev. Yr |
|--|---|----------------------|----------|
| Authorised: | Equity Shares of each Preference Shares of each | | |
| Issued, Subscribed & Paid up: | 7,00,000 Equity Shares of ₹ 10 each Out of the above, 4,20,000 Shares of ₹10 each are allotted for Non Cash Consideration Less: Calls in Arrears | 70,00,000 (7,000) | |
| Total | | 69,93,000 | |

Note 2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

| Particulars | Opg. Bal. | Additions | Deductions | Ctg. Bal |
|---------------------|-----------|-----------|------------|---------------------|
| General Reserve | | - | - | 15,49,100 |
| Surplus (P & L A/c) | | - | - | (See Note) 6,06,900 |
| Total | | - | - | 21,56,000 |

Note for Preliminary Expenses:

As per AS-26, Intangible Assets can be recognized in the Balance Sheet only when there is a future economic benefit expected out of the Assets. Considering this view point, Preliminary Expenses cannot be retained in the Balance Sheet as an Asset and can be adjusted against P&L A/c. So, Net Revised P&L Balance = Given 7,00,000 (-) 93,100 = **6,06,900**.

In this solution, Preliminary Expenses have been adjusted / written off against P&L A/c balance given in the question.

Note 3: Long Term Borrowings

| Particulars | | This Year | Prev. Yr |
|---------------------------------------|---|----------------------|----------|
| (a) Term Loans from Banks: | Secured against Hypothecation of Plant and Machinery (10,50,000 less Amount Repayable within one year shown under Other Current Liabilities = (10,50,000 - 2,00,000) Unsecured | 8,50,000 2,00,000 | |
| (b) Loans from Related Parties | Unsecured | 1,00,000 | |
| (c) Loans from Other Parties | Unsecured | 5,47,000 | |
| Total | | 16,97,000 | |

Note 4: Other Current Liabilities

| Particulars | This Year | Prev. Yr |
|--|-----------------|----------|
| Current Maturities of Long Term Debt – Loan from State Finance Corporation | 2,00,000 | |
| Total | 2,00,000 | |

Note 5: Short Term Provisions

| Particulars | | This Year | Prev. Yr |
|---|--|-----------------|----------|
| Provision for Taxation | | 3,25,500 | |
| Proposed Dividend | | 4,20,000 | |
| Provision for Dividend Distribution Tax | | 71,400 | |
| Total | | 8,16,900 | |

Note 6: Tangible Fixed Assets (Note: In the absence of data, Other Columns are not filled up in this Table).

| Item | Gross Block / Cost | | | Depreciation | | | Net Block / WDV | |
|--------------------------|--------------------|-----------------|------------------|--------------|-----------------|------------------|--------------------|------------------|
| | Opg. Bal. | Addns / (Dedns) | Ctg Bal | Opg. Bal. | Addns / (Dedns) | Ctg Bal | As at Yr Beginning | As at Yr End |
| Tangible Assets | | | | | | | | |
| Land | | | 14,00,000 | | | 0 | | 14,00,000 |
| Building | | | 28,00,000 | | | (b/f) 7,50,000 | | 20,50,000 |
| Furniture | | | 4,37,500 | | | (b/f) 87,500 | | 3,50,000 |
| Plant & M/c | | | 49,00,000 | | | (b/f) 12,25,000 | | 36,75,000 |
| Total | | | 95,37,500 | | | 20,62,500 | | 74,75,000 |
| Intangible Assets | | | | | | | | |
| Patents/Trademarks | | | 4,00,000 | | | | | 4,00,000 |

Note 7: Inventories

| Particulars | This Year | Prev. Yr |
|----------------|------------------|-----------------|
| Raw Materials | 3,50,000 | |
| Finished Goods | 14,00,000 | |
| Total | 17,50,000 | |

Note 8: Trade Receivables (assumed as Secured and considered good)

| Particulars | This Year | Prev. Yr |
|---|------------------|-----------------|
| Sundry Debtors | | |
| (a) Debt Outstanding for a period exceeding 6 months from the date they are due for payment | 3,80,000 | |
| (b) Other Debts (balancing figure) | 10,20,000 | |
| Total | 14,00,000 | |

Note 9: Cash and Cash Equivalents

| Particulars | This Year | Prev. Yr |
|--|------------------|-----------------|
| Balances with Banks | | |
| – Scheduled Banks (17,29,000 – 18,000) | 17,11,000 | |
| – Other Banks | 18,000 | |
| Cash on Hand | 17,29,000 | |
| | 2,10,000 | |
| Total | 19,39,000 | |

Out of the above, Bank Balances to the extent of ₹ 5,00,000 have Maturity Period less than 12 Months, and Bank Balances to the extent of ₹12,29,000 have Maturity Period more than 12 Months.

Illustration 5: Preparation of Balance Sheet

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From the following particulars furnished by Ajatashatru Limited prepare the Balance Sheet as at 31st March as required by Companies Act. Give Footnotes to the Balance Sheet if necessary. (in ₹)

| Particulars | 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 |
| Stock: Finished Goods | 2,00,000 | |
| Raw Materials | 50,000 | 2,50,000 |
| Provision for Taxation | | 68,000 |
| Sundry Debtors | 2,00,000 | |
| Advances | 42,700 | |
| Proposed Dividend | | 60,000 |
| Profit and Loss Account | | 1,00,000 |
| Cash Balance | 30,000 | |
| Cash at Bank | 2,47,000 | |
| Preliminary Expenses | 13,300 | |
| Loans (Unsecured) | | 1,21,000 |
| Sundry Creditors (For Goods and Expenses) | | 2,00,000 |
| Total | 19,09,000 | 19,09,000 |

The following additional information is also provided –

1. Miscellaneous Expenses included ₹ 5,000 Audit Fees and ₹ 700 for Out of Pocket Expenses paid to the Statutory Auditors.
2. 2,000 Equity Shares were issued for consideration other than cash.
3. Debtors of ₹ 52,000 are due for more than six months.

4. Cost of Assets were as under: (a) Building – ₹ 4,00,000, (b) Plant and Machinery – ₹ 7,00,000, and (c) Furniture – ₹ 62,500.
5. The balance of ₹ 1,50,000 in the Loan Account with State Finance Corporation, which is secured by Hypothecation of Plant & Machinery includes ₹ 7,500 Interest Accrued but not due.
6. Balance at Bank includes ₹ 2,000 with Perfect Bank Limited, which is not a Scheduled Bank.
7. Bills Receivable for ₹ 2,75,000 maturing on 30th June have been discounted.
8. The Company had contract for the erection of Machinery at ₹ 1,50,000, which is still incomplete.

Solution:

Balance Sheet of Ajatashatru Limited as on 31st March

| Particulars as at 31 st March | | Note | This Year | Prev. Yr |
|---|---|-----------|------------------|----------|
| I EQUITY AND LIABILITIES: | | | | |
| (1) Shareholders' Funds: | | | | |
| (a) Share Capital | 1 | 9,99,000 | | |
| (b) Reserves and Surplus | 2 | 2,96,700 | | |
| (2) Non-Current Liabilities: | | | | |
| Long Term Borrowings | 3 | 2,63,500 | | |
| (3) Current Liabilities: | | | | |
| (a) Trade Payables – Sundry Creditors | | 2,00,000 | | |
| (b) Other Current Liabilities – Interest Accrued but not due on Borrowing | 4 | 7,500 | | |
| (c) Short Term Provisions | | 1,28,000 | | |
| Total | | | 18,94,700 | |
| II ASSETS | | | | |
| (1) Non-Current Assets | | | | |
| Fixed Assets: Tangible Assets | 5 | 11,25,000 | | |
| (2) Current Assets: | | | | |
| (a) Inventories | 6 | 2,50,000 | | |
| (b) Trade Receivables | 7 | 2,00,000 | | |
| (c) Cash and Cash Equivalents | 8 | 2,77,000 | | |
| (d) Short Term Loans and Advances | | 42,700 | | |
| Total | | | 18,94,700 | |

Note: Contingent Liabilities and Commitments, refer **Note 9**.

Note: Proposed Dividend = 6% of Paid Up Capital ₹ 10,00,000 = ₹ 60,000.

$$\text{Dividend Per Share} = \frac{60,000}{10,000 \text{ Shares}} = ₹ 6.00$$

Note 1: Share Capital

| Particulars | | This Year | Prev. Yr |
|--|--|-----------------|----------|
| Authorised: |Equity Shares of eachPreference Shares of each | | |
| Issued, Subscribed & Paid up: | 10,000 Equity Shares of ₹ 100 each | 10,00,000 | |
| Less: Unpaid Calls | | (1,000) | |
| Total | | 9,99,000 | |

Note 2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

| Particulars | Opg. Bal. | Additions | Deductions | Ctg. Bal |
|---------------------|-----------------|---|--|-----------------|
| General Reserve | 2,10,000 | Nil | Nil | 2,10,000 |
| Surplus (P & L A/c) | Nil | (before considering Proposed Dividend) = 1,60,000 | Prelim Exp. w/off = 13,300 Proposed Dividend = 60,000 | 86,700 |
| Total | 2,10,000 | 1,60,000 | 73,300 | 2,96,700 |

Note 3: Long Term Borrowings

| Particulars | This Year | Prev. Yr |
|---|-----------------|----------|
| (a) Term Loans from Banks: From State Finance Corpn. (Secured by Hypothecation of P & M) | 1,42,500 | |
| (b) Loans from Other Parties: Unsecured | 1,21,000 | |
| Total | 2,63,500 | |

Note 4: Short Term Provisions

| Particulars | This Year | Prev. Yr |
|------------------------|-----------------|----------|
| Provision for Taxation | 68,000 | |
| Proposed Dividend | 60,000 | |
| Total | 1,28,000 | |

Note 5: Tangible Fixed Assets

| Item | Gross Block / Cost | | | Depreciation | | | Net Block / WDV | |
|------------------------|--------------------|-----------------|------------------|--------------|-----------------|-----------------|--------------------|------------------|
| | Opg Bal. | Addns / (Dedns) | Ctg Bal | Opg Bal. | Addns / (Dedns) | Ctg Bal | As at Yr Beginning | As at Yr End |
| Column | (1) | (2) | (3)=1± 2 | (4) | (5) | (6)=4±5 | (7)=1-4 | (8)=3-6 |
| Land | | | 2,00,000 | | | 0 | | 2,00,000 |
| Building | | | 4,00,000 | | | 50,000 | | 3,50,000 |
| Plant & Machinery | | | 7,00,000 | | | 1,75,000 | | 5,25,000 |
| Furniture and Fittings | | | 62,500 | | | 12,500 | | 50,000 |
| Total | | | 13,62,500 | | | 2,37,500 | | 11,25,000 |

Note: In the absence of information, the Other Columns are not filled up in the above table.

Note 6: Inventories

| Particulars | This Year | Prev. Yr |
|--------------------|------------------|-----------------|
| Raw Materials | 50,000 | |
| Finished Goods | 2,00,000 | |
| Total | 2,50,000 | |

Note 7: Trade Receivables (assumed as Secured and considered good)

Note 8: Cash and Cash Equivalents

| Particulars | This Year | Prev. Yr |
|---------------------|------------------|-----------------|
| Balances with Banks | 2,47,000 | |
| Cash on Hand | 30,000 | |
| Total | 2,77,000 | |

Note 9: Contingent Liabilities & Commitments (to the extent not provided for):

| Particulars | This Year | Prev. Yr |
|--|-----------|----------|
| (a) Contingent Liabilities For Bills Receivable discounted | 2,75,000 | |
| (b) Commitments Estimated Amount of Contract remaining to be executed on Capital Account (Frection of Machinery) and not provided for | 1,50,000 | |

Illustration 6: Preparation of Balance Sheet
N 91

From the following, prepare the Balance Sheet of Balaram Ltd as at 31st March as required by Companies Act. Give Notes at the foot of the Balance Sheet as may be necessary: (amount in ₹)

| Particulars | Dr. | Cr. |
|---|------------------|------------------|
| Equity Capital (Face value of ₹ 100) | | 15,00,000 |
| Calls in Arrears | 5,000 | |
| Land | 3,50,000 | |
| Building | 9,50,000 | |
| Plant and Machinery | 9,00,000 | |
| Furniture | 50,000 | |
| General Reserve | | 2,50,000 |
| Loan from State Financial Corporation | | 3,00,000 |
| Term Loans from Banks | | 5,00,000 |
| Stock of – Finished Goods | 8,00,000 | |
| – Raw Materials | 2,00,000 | |
| Provision for Taxation | | 80,000 |
| Sundry Debtors | 5,50,000 | |
| Advances | 45,000 | |
| Proposed Dividend | | 2,10,000 |
| Profit and Loss A/c | | 4,00,000 |
| Cash Balance | 35,000 | |
| Cash at Bank | 1,50,000 | |
| Preliminary Expenses | 15,000 | |
| Loans (Unsecured) | | 2,00,000 |
| Sundry Creditors (For Goods) | | 6,10,000 |
| Total | 40,50,000 | 40,50,000 |

The following additional information is provided –

1. 5,000 Equity Shares were issued for consideration other than cash.
2. Debtors of ₹ 1,02,000 are due for more than six months.
3. Cost of Assets are as follows: (a) Building – ₹ 13,00,000, (b) Plant & Machinery – ₹ 20,00,000, and (c) Furniture – ₹ 65,000.
4. The Balance of ₹ 3,00,000 in the Loan Account with State Financial Corporation is inclusive of ₹ 20,000 for interest accrued but not due. The Loan is secured by Hypothecation of Building.
5. The Balance of ₹ 5,00,000 in the Term Loan Account with Bank is inclusive of ₹ 10,000 towards interest accrued and due. The Loan is secured by hypothecation of Plant and Machinery.
6. Bills Receivable for ₹ 2,00,000 maturing on 15th May, have been discounted.
7. The Company had a contract for the Erection of Machinery at ₹ 2,50,000 which is incomplete on 31st March.

Solution:

Balance Sheet of Balaram Ltd as on 31st March

| Particulars as at 31 st March | | Note | This Year | Prev. Yr |
|--|---------------------------------------|------|------------------|----------|
| I | EQUITY AND LIABILITIES: | | | |
| (1) | Shareholders' Funds: | | | |
| | (c) Share Capital | 1 | 14,95,000 | |
| | (d) Reserves and Surplus | 2 | 6,35,000 | |
| (2) | Non-Current Liabilities: | | | |
| | Long Term Borrowings | 3 | 9,70,000 | |
| (3) | Current Liabilities: | | | |
| | (d) Trade Payables – Sundry Creditors | | 6,10,000 | |
| | (e) Other Current Liabilities | 4 | 30,000 | |
| | (f) Short Term Provisions | 5 | 2,90,000 | |
| | Total | | 40,30,000 | |

| Particulars as at 31 st March | | | | Note | This Year | Prev. Yr |
|--|--|--|--------------|----------|------------------|----------|
| II ASSETS | | | | | | |
| (1) Non-Current Assets | | | | | | |
| Fixed Assets: Tangible Assets | | | | 6 | 22,50,000 | |
| (2) Current Assets: | | | | | | |
| (e) Inventories | | | | 7 | 10,00,000 | |
| (f) Trade Receivables | | | | 8 | 5,50,000 | |
| (g) Cash and Cash Equivalents | | | | 9 | 1,85,000 | |
| (h) Short Term Loans and Advances | | | | | 45,000 | |
| | | | Total | | 40,30,000 | |

Note: Contingent Liabilities and Commitments, refer Note 10.

Note: Proposed Dividend = 14% of Paid Up Capital ₹ 15,00,000 = ₹ 2,10,000.

$$\text{Dividend Per Share} = \frac{2,10,000}{15,000 \text{ Shares}} = ₹ 6.00$$

Note 1: Share Capital

| Particulars | | | This Year | Prev. Yr |
|--|--------------------------------------|--|------------------|----------|
| Authorised: |Equity Shares of each | | | |
| |Preference Shares of each | | | |
| Issued, Subscribed & Paid up: | 15,000 Equity Shares of ₹ 100 each | | 15,00,000 | |
| Less: Unpaid Calls | | | (5,000) | |
| | Total | | 14,95,000 | |

Note 2: Reserves and Surplus (showing appropriations and transfers) (all figures for this year)

| Particulars | Opg. Bal. | Additions | Deductions | Cig. Bal |
|---------------------|-----------------|---|--|---------------------------------|
| General Reserve | 2,50,000 | Nil | Nil | 2,50,000 |
| Surplus (P & L A/c) | Nil | (before considering Proposed Dividend) = 6,10,000 | Prelim Exp. w/off = 15,000 Proposed Dividend = 2,10,000 | 3,85,000 |
| Total | 2,50,000 | 6,10,000 | | 2,25,000 6,35,000 |

Note: Preliminary Expenses is **not recognised** as Asset as per AS-26, and is hence fully written off out of Surplus.

Note 3: Long Term Borrowings

| Particulars | | | This Year | Prev. Yr |
|--|--------------|--|-----------------|----------|
| (a) Term Loans from Banks | | | | |
| Secured – From State Finance Corpn. (Secured by Hypothecation of Building) | | | 2,80,000 | |
| – Term Loan (Secured by Hypothecation of Plant & Machinery) | | | 4,90,000 | |
| (b) Loans from Other Parties | Unsecured | | 2,00,000 | |
| | Total | | 9,70,000 | |

Note 4: Other Current Liabilities

| Particulars | | This Year | Prev. Yr |
|---|--|---------------|----------|
| Interest Accrued but not due on Loan from SFC | | 20,000 | |
| Interest Accrued and due on Term Loan from bank | | 10,000 | |
| Total | | 30,000 | |

Note 5: Short Term Provisions

| Particulars | | This Year | Prev. Yr |
|------------------------|--|-----------------|----------|
| Provision for Taxation | | 80,000 | |
| Proposed Dividend | | 2,10,000 | |
| Total | | 2,90,000 | |

Note 6: Tangible Fixed Assets (Note: In the absence of data, Other Columns are not filled up in this Table).

| Item | Gross Block / Cost | | | Depreciation | | | Net Block / WDV | |
|--------------|--------------------|-----------------|------------------|--------------|-----------------|------------------|--------------------|------------------|
| | Opg Bal. | Addns / (Dedns) | Ctg Bal | Opg Bal. | Addns / (Dedns) | Ctg Bal | As at Yr Beginning | As at Yr End |
| Column | (1) | (2) | (3)=1± 2 | (4) | (5) | (6)=4±5 | (7)=1-4 | (8)=3-6 |
| Land | | | 3,50,000 | | | 0 | | 3,50,000 |
| Building | | | 13,00,000 | | | 3,50,000 | | 9,50,000 |
| Furniture | | | 65,000 | | | 15,000 | | 50,000 |
| Plant & M/c | | | 20,00,000 | | | 11,00,000 | | 9,00,000 |
| Total | | | 37,15,000 | | | 14,65,000 | | 22,50,000 |

Note 7: Inventories

| Particulars | This Year | Prev. Yr |
|----------------|------------------|----------|
| Raw Materials | 2,00,000 | |
| Finished Goods | 8,00,000 | |
| Total | 10,00,000 | |

Note 8: Trade Receivables (assumed as Secured and considered good)

| Particulars | This Year | Prev. Yr |
|---|-----------------|----------|
| Sundry Debtors | | |
| (a) Debt Outstanding for a period exceeding 6 months from the date they are due for payment | 1,02,000 | |
| (b) Other Debts (balancing figure) | 4,48,000 | |
| Total | 5,50,000 | |

Note 9: Cash and Cash Equivalents

| Particulars | This Year | Prev. Yr |
|---------------------|-----------------|----------|
| Balances with Banks | 1,50,000 | |
| Cash on Hand | 35,000 | |
| Total | 1,85,000 | |

Note 10: Contingent Liabilities & Commitments (to the extent not provided for):

| Particulars | This Year | Prev. Yr |
|--|-----------|----------|
| (a) Contingent Liabilities: Bills Receivable discounted maturing on 15 th May | 2,00,000 | |
| (b) Commitments: Estimated Amount of Capital Contract remaining to be executed (Erection of Machinery) and not provided for | 2,50,000 | |