12. PREPARATION OF FINANCIAL STATEMENTS

SOLUTIONS TO ASSIGNMENT PROBLEMS

PROBLEM NO: 1

a) Equity and Liabilities

b) Reserves and Surplus (Shareholders Funds)

c) Short-term provisions (Current Liabilities)

d) Current Asset

e) Other Current Liabilities

f) Contingent Liabilities and Commitments

g) Short-term provisions (Current Liabilities)

h) Reserves and Surplus

i) Contingent Asset

j) Contingent Asset

k) Contingent Liabilities and Commitments

l) Shareholders funds (Money received against share warrants)

PROBLEM NO: 2

a) Computation of Operating Cycle

Particulars	Days
a) Raw Material 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

b) Treatment of Packing Materials:

i) 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.

ii) 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 considering for Operating Cycle in relation to Packing materials is 90 days (180 - 90).

c) Treatment of Sundry Creditors:

i) As per ICAI Guidance Note on Revised Schedule VI, 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.

ii) 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.

iii) 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.

PROBLEM NO: 3

Schedule III to the companies Act does not require that the amounts for which WIP have been completed at the beginning and at the end of the accounting period should be disclosed in the statement of profit and loss. Therefore, the non-disclosure in the financial statements by the company may not amount to violation of Schedule III if the differences between opening and closing WIP are not material.

PROBLEM NO: 4

As per the definition of current liability of Schedule III-

One of the 4 conditions says "the company does not have an unconditional right to defer settlement of the liability for at least 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 and do not affect its classification."

In the given case, Astha Ltd. does not have and unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The position will be same even when the FCCB holders are expected to convert their holdings into equity shares of Astha Ltd. **Expectations cannot be called as unconditional rights.** Thus, in both the situations, Astha Ltd. **should classify** the FCCBs as **current liabilities** as on 31st March, 2016.

PROBLEM NO: 5

Schedule III has come into force for the Balance Sheet and Profit and Loss Account prepared for the financial year commencing on or after 1st April, 2014. As per Part I of the Schedule III, a company should, inter alia, disclose in notes to accounts for the period of 5 years immediately preceding the balance sheet date (31st March, 2015 in the instant case) the aggregate number and class of shares allotted as fully paid-up bonus shares. Schedule III does not require a company to disclose the source from which bonus shares have been issued. Therefore, non-disclosure of source from which bonus shares have been issued does not violate the Schedule III to the Companies Act.

PROBLEM NO: 6

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) should be shown as a negative figure under the head 'Surplus'. Similarly, the balance of 'Reserves and Surplus', after adjusting negative balance of surplus, should 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. 500 lakhs exceeds the total of all the reserves i.e. Rs. 460 lakhs. Therefore, balance of 'Reserves and Surplus' after adjusting debit balance of profit and loss is negative by Rs. 40 lakhs, which should be disclosed on the face of the balance sheet. Thus the treatment done by the company is incorrect.

PROBLEM NO: 7

As per Schedule III, a liability should be classified as current when it satisfies any of the following criteria:

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 twelve months after the reporting date; or

d) The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

In the given case, instalments due on 30.09.2019 and 31.03.2019 will be shown under the head 'other current liabilities' as per criteria (c).

Therefore, in the balance sheet as on 31.03.2019, Rs. 8,00,000 (Rs. 1,00,000 x 8 instalments) will be shown under the heading 'Long term Borrowings' and Rs. 2,00,000 (Rs. 1,00,000 x 2 instalments) will be shown under the heading 'Other Current Liabilities' as current maturities of loan from bank.

PROBLEM NO: 8

a)

6. Tangible Assets

Particulars	Cost	Provision for depreciation	Closing WDV
Buildings	400	20	380
Plant and Equipment	200	40	160
Vehicles	50	10	40
Furniture and Fixtures	60	6	54
	710	76	634

7. Intangible Assets

Particulars	Cost	Provision for depreciation	Closing WDV
Brands	200	20	180
Computer Software	90	54	36
	290	74	216

b)

14. Contingent Liabilities and Commitments (To the extent not provided for)

i)	**Contingent Liabilities**	
	Bills Discounted but not yet matured	2
ii)	**Commitments**	
	a) Uncalled Liability on partly paid Shares (300 lakhs shares of X Ltd. of Rs. 10 each, Rs. 8 paid up)	600
	b) Uncalled liability on partly paid debentures held as investments (6 lakhs, 14% Debentures of Rs.100 each, Rs.80 paid up)	120

PROBLEM NO: 9

As per para 4 of the 'General Instructions for preparation of Statement of Profit and Loss' given in the Schedule III to the Companies Act, 2013, 'Other Income' does not include Operating Income. However, rent income arising from leasing of real estate properties is an operating income as Real Estate is one of the divisions of Combine Ltd. There is a separate head for operating income i.e. Revenue from Operations. Therefore, classification of rent income as '**Other Income**' in the Statement of Profit and Loss **will not be correct**. It would, infact, be shown under the heading 'Revenue from Operations' only.

PROBLEM NO: 10

Computation of Net Profits

Particulars	Amount (Rs.)	Amount (Rs.)
Balance from Trading Account		38,35,414
Add: Interest on Investments		10,964
Transfer Fees Received		537
Profit on Sale of Plant		8,000
Total		38,54,915
Less: Administrative, Selling and Finance Expenses	5,75,804	
Contribution to National Defence Fund	20,000	
Directors Fees	54,780	
Interest on Debentures	21,380	
Depreciation of Fixed Assets	4,69,713	11,41,677
Net Profits for Managerial Remuneration		**27,13,238**

a) **Profit on Sale of Plant:** It is assumed that the Cost of Plant and Machinery is over and above Rs. 40,000 (given a WDV of Rs.32,000 and the value realised being Rs.40,000) Profits to extent of the difference between the Original Cost and WDV can be considered for the purpose of determining the Net Profit. Hence, in this case, the entire Rs.8,000 has been considered for determining the Net Profit.

b) **Maximum Remuneration Payable to the Managing Director:**

= 5% of Net Profit (Computed) = 5% x Rs.27,13,238 = Rs.1,35,662

However, Managing Director's Remuneration as per the above P&L Account is Rs. 3,70,500

c) **Maximum Remuneration Payable under Schedule V (Inadequate Profits):** Where the Company has no profits or its profits are inadequate, it may pay Remuneration to any Managerial Person, within the limits specified in Schedule V. The ceiling limits are based on the Effective Capital of the Company. In the above case, the Effective Capital of the Company is not known. However, presuming the basic limit of Effective Capital of "Negative or Less than Rs.5 Crores", the Maximum Permissible Remuneration is Rs.60,00,000 p.a.

d) **Audit Observation:** Remuneration of Rs.3,70,500 paid to Managing Director exceeds the limits u/s 197, but is within the limits specified by Schedule V.

PROBLEM NO: 11

Calculation of effective capital and maximum amount of monthly remuneration

	(Rs. in lakhs)
Paid up equity share capital	120
Paid up Preference share capital	20
Reserve excluding Revaluation reserve (150- 10)	140
Securities premium	40
Long term loans	40
Deposits repayable after one year	20
	380
Less: Accumulated losses not written off	(20)
Investments	(180)
Effective capital for the purpose of managerial remuneration	**180**

Since Kumar Ltd. is incurring losses and no special resolution has been passed by the company for payment of remuneration, managerial remuneration will be calculated on the basis of effective capital of the company, therefore maximum remuneration payable to the Managing Director should be @ Rs. 60,00,000 per annum.

Note: Revaluation reserve, and application money pending allotment are not included while computing effective capital of Kumar Ltd.

PROBLEM NO: 12

Computation of effective capital:

	Where star ltd. is a non-investment company	**Where star ltd. is a investment company**
Paid-up share capital:		
45,000, 14% Preference shares	45,00,000	45,00,000
3,60,000 Equity shares	2,88,00,000	2,88,00,000
Capital reserves (5,85,000 – 4,50,000)	1,35,000	1,35,000
Securities premium	1,50,000	1,50,000
15% Debentures	1,95,00,000	1,95,00,000
Public Deposits	11,10,000	11,10,000
(A)	5,41,95,000	5,41,95,000

Investments	2,25,00,000	
Profit and Loss account (Dr. balance)	45,75,000	45,75,000
(B)	2,70,75,000	45,75,000
Effective capital (A - B)	**2,71,20,000**	**4,96,20,000**

PROBLEM NO: 13

Amount that can be drawn from reserves for (10% dividend on Rs. 80,00,000 i.e. Rs. 8,00,000)

Profits available:

Current year profit Rs. 1,42,500

Amount which can be utilized from reserves (Rs. 8,00,000 – 1,42,500) Rs. 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 ie. Rs. 10,50,000 [10% of (80,00,000 + 25,00,000)]

Condition III: The balance of reserves after drawl Rs. 18,42,500 (Rs. 25,00,000 - Rs. 6,57,500) should not fall below 15 % of its paid up capital ie. Rs. 12,00,000 (15% of Rs. 80,00,000].

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

PROBLEM NO: 14

NOTE: Through current surcharge rate on DDT is 12% the question is on the basis of the information given in the question. However, education cess of 3% is applied though not given in the question.

Therefore, total DDT arrives of 17.304%.

Yes. Corporate Dividend Tax (CDT)* is payable by the company which has provided has provided for

The payment of dividend. CDT is payable even if no income tax is payable. This is payable by a domestic Company on distribution of profits to its shareholders.

In the given case Corporate Dividend Tax would be worked out as under:

i) Gross up of dividend:

10,00,000 x 100/85 = 11,76,470

ii) CDT = 11,76,470 x 17.304% = 2,03,576.36.

The liability in respect of CDT arises on the profits are distributed as dividends where as

The normal income tax liability arises on the earning of the taxable profits.

Since the CDT

Liability relates to distribution of profits as dividends which are adjusted n as appropriation / allocation of profits in the ‘Notes to Accounts ‘of ‘Reserves and Surplus’. It is appropriate that the liability in respect of DDT should also be adjusted therein.

CDT liability should be presented separately in the ‘Notes to Accounts’ of ‘Reserves and Surplus’ as follows.

Dividend	xxxxx	
Dividend Corporate tax thereon	xxxxx	xxxxx

*Corporate Dividend Tax is also known as ‘Dividend Distribution Tax’

PROBLEM NO: 15

Bose and Sen Ltd.

Balance sheet as on 31st March, 2015

Particulars	Notes	Figures at the end of current reporting period (Rs.)
Equity and Liabilities		
1. Shareholders' funds		
a. Share capital	1	69,93,000
b. Reserves & 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. Other current liabilities	4	2,00,000
c. Short-term provision	5	8,16,900
Total		**1,32,62,900**
Assets		
1. Non- current Assets		
a. Fixed Assets Tangible Assets	6	74,75,000
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 cash equivalents	9	19,39,000
d. Short term loans and advances		2,98,900
Total		**1,32,62,900**

Notes to Accounts:

	Particulars	Amount (Rs.)	Amount (Rs.)
1	**Share Capital**		
	Equity share capital Issued, subscribed and called up 7,00,000 Equity Shares of Rs.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)	69,93,000
	Total		**69,93,000**
2	**Reserves and Surplus**		
	General Reserve		15,49,100
	Surplus (Profit & Loss a/c)	7,00,000	
	Less: Preliminary expenses	(93,100)*	6,06,900
	Total		**21,56,000**
3	**Long-term borrowings**		
	Secured		
	Term Loans - Loan from State Finance Corporation (Rs.10,50,000 - Rs.2,00,000) (Secured by hypothecation of Plan 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	**Other current Liabilities**		
	Loan Installment repayable within one year		**2,00,000**
5	**Short-term provisions**		
	Provision for taxation		**8,16,900**
6	**Tangible assets**		
	Land		14,00,000
	Building	28,00,000	
	Less: depreciation	(7,50,000)	20,50,000
	Plant and Machinery	49,00,000	
	Less: Depreciation	(12,25,000)	36,75,000
	Furniture & Fittings	4,37,500	
	Less: Depreciation	(87,500)	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	**14,00,000**
9	**Cash and Cash equivalents**		
	Cash at bank with Scheduled Bank including Bank Deposits for period of 9 months amounting Rs.5,00,000 With others	17,29,000	
	Cash in hand	2,10,000	**19,39,00**

*Preliminary expenses have been written off in line with Accounting Standards

PROBLEM NO: 16

Balance Sheet of SR Ltd.as on 31st March, 2018

Particulars	Note No	Figures at the end of current reporting period
Equity and Liabilities		
1. Shareholders' funds		
a) Share capital	1	79,85,000
b) Reserves and Surplus	2	30,21,000
2. Non-Current liabilities		
a) Long term borrowings	3	42,66,000
3. Current liabilities		
a) Short-term borrowings	4	4,60,000
b) Trade Payables		8,13,000
c) Other Current Liability	5	6,84,000
d) Short-term provisions	6	3,80,000
Total		1,76,09,000
Assets		

1. Non-current assets		
a) Fixed asset		
i) Tangible assets	7	92,00,000
2. Current assets		
a) Inventories	8	58,00,000
b) Trade receivables	9	17,50,000
c) Cash and bank balances	10	4,84,000
d) Short-term loans and advances		3,75,000
Total		1,76,09,000

Notes to accounts:

S.No	Particulars		Amount (Rs.)
1.	**Share Capital**		
	Equity share capital		
	Issued, subscribed and called up		
	1,60,000 Equity Shares of Rs. 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
	Total		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 borrowing:**		
	Secured: Term Loans Loan from Public Finance Corporation		
	[repayable after 3 years		
	(26,30,000 - Rs.1,34,000 for interest accrued but not due)]		
	Secured by hypothecation of land		24,96,000
	Unsecured		
	Bank Loan (Nixes bank)		
	(Rs.13,80,000 - Rs. 4,80,000 repayable within 1 year)	9,00,000	
	Loan from Directors	8,50,000	
	Others	20,000	
4.	**Short-term borrowings**		17,70,000
	Loan from Naya bank (Secured)	1,16,000	
	Loan from Directors	48,000	
	Others	2,96,000	4,60,000
5.	**Other current liabilities**		
	Loan from Nixes bank repayable within one year	4,80,000	
	Unpaid dividend	70,000	
	Interest accrued but not due on borrowings	1,34,000	6,84,000
6.	**Short-term provisions**		
	Provision for taxation		3,80,000
7.	**Tangible assets**		
	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		12,64,000
	TOTAL		17,50,000
10.	Cash and cash equivalents		
	Balances with banks:		
	with Scheduled Banks	3,58,000	
	with others banks	56,000	4,14,000
	Cash in hand		70,000
11.	Contingent Liabilities and Commitments (to the extent not provided for)		
	Contingent Liabilities: Bills discounted but not matured		1,60,000

PROBLEM NO: 17

Ring Ltd.

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

	Particulars	Note No.	(Rs. In lacs)
I.	**Revenue from operations**		10,40,000
II.	**Other Income** (Interest on investment)		24,000
III.	**Total Revenue [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.	Rs.
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
a) Share Capital	1	4,00,000
b) Reserves and Surplus	2	2,22,442
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	1,62,358
c) Short-Term Provisions	4	91,200
Total		**14,60,000**
II. ASSETS		
1. Non-Current Assets		
a) PPE		
i) Tangible Assets	5	5,70,000
b) Non-current Investments		2,40,000
2. Current Assets		
a) Inventories	6	2,26,000
b) Trade Receivables	7	2,40,000
c) Cash and bank balances		60,000
d) Short Term Loans and Advances (Advance Payment of Tax)		1,20,000
e) Other Current Assets (Interest accrued on investments)		4,000
Total		**14,60,000**

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

Notes to Accounts:

1.	**Share Capital**		
	Authorised Capital		
	10,000 Equity Shares of Rs. 100 each		10,00,000
	Issued Capital		
	4,000 Equity Shares of Rs. 100 each		4,00,000
	Subscribed Capital and fully paid		
	4,000 Equity Shares of Rs. 100 each		4,00,000
			4,00,000
2.	**Reserve and Surplus**		
	General Reserve [Rs. 80,000 + Rs. 21,280]		1,01,280
	Balance of Statement of Profit & Loss Account		
	Opening Balance	50,000	
	Add: Profit for the period	2,12,800	
		2,62,800	
	Appropriations		
	Transfer to General Reserve @ 10%	(21,280)	
	Equity Divided payable [25% of Rs. 4,00,000]	(1,00,000)	
	Dividend Distribution Tax (W. N.1)	(20,358)	1,21,162
			2,22,442
3.	**Other Current Liabilities**		
	Unclaimed Dividend		10,000
	Outstanding Expenses		4,000
	Interest accrued on Debentures		28,000
	Equity Dividend payable	1,00,000	
	Dividend Distribution Tax	20,358	1,20,358
			1,62,358
4.	**Short-Term Provision**		
	Provision for Tax		91,200

5.	**Tangible Assets**		
	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
			5,70,000
6.	**Inventories**		
	Closing Stock of Finished Goods	1,80,000	
	Loose Tools	46,000	2,26,000
7.	**Trade Receivables**		
	Sundry Debtors	2,50,000	
	Less: Provision for Doubtful Debts	(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 Rs. 2,50,000 less Rs. 6,000)		4,000
	Sundry Expenses		36,000
			1,24,000

Working Note: Calculation of Dividend distribution tax

	Particulars	**Rs.**
i)	Grossing-up of dividend	
	Dividend distributed by Ring Ltd. 25% of 4,00,000	1,00,000
	Add: Increase for the purpose of grossing up of dividend [1,00,000 x (15/(100-15)]	17,647
	Gross dividend	1,17,647
ii)	Dividend distribution tax @ 17.304% of Rs. 1,17,647	20,358

PROBLEM NO: 18

Balance sheet of Haria Chemicals Ltd. as on 31st March, 2015

Particulars	**Notes**	**Figures at the end of current reporting period (Rs.)**
Equity and Liabilities		
1. Shareholder's funds		
a) Share capital	1	25,00,000
b) Reserves & 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) Fixed Assets		
Tangible Assets	4	30,05,000
Intangible Assets (Goodwill)		2,65,000
2. Current Assets		
a) Inventories		8,23,000

b) Trade receivables		4,40,000
c) Cash and cash equivalents	5	53,000
d) Short term loans and advances	6	80,000
Total		**46,66,000**

Haria Chemicals Ltd.

Statement of Profit and Loss for the year ended 31st March, 2015

Particulars	Notes	Figures at the end of 31st March, 2015
Revenue From operations		42,68,000
Other Income	7	56,000
Total (A)		**43,24,000**
Expenses:		
Cost material consumed	8	23,19,000
Change in inventory of finished goods	9	(1,43,000)
Employees benefit expenses	10	9,00,000
Finance cost	11	1,71,000
Other expenses	12	4,76,000
Total (B)		**37,23,000**
Profit before tax (A - B)		6,01,000
Provision for tax		--
Profit for the period		**6,01,000**

<u>Notes to Accounts:</u>

1. Share capital

Particulars	Amount (Rs.)
Authorized:	
Equity share capital of Rs.10 each	25,00,000
Issued and Subscribed:	
Equity share capital of Rs.10 each	25,00,000

2. Reserves and Surplus

Particulars	Amount (Rs.)
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

Particulars	Amount (Rs.)
11% Debentures	5,00,000
Bank loans	6,45,000
	11,45,000

4. Tangible Assets

Particulars	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 Cash equivalents

Particulars	Amount (Rs.)
Current account balance	45,000
Cash	8,000
	53,000

6. Short-term loans and Advances

Particulars	Amount (Rs.)
Loan to directors	80,000

7. Other income

Particulars	Amount (Rs.)
Rent received	46,000
Transfer fees	10,000
	56,000

8. Cost of material consumed

Particulars	Amount (Rs.)
Add: Purchases	23,19,000

9. Change in inventory of finished goods, WIP & Stock in trade

Particulars	Amount (Rs.)
Opening inventory	6,80,000
Closing Inventory	(8,23,000)
	(1,43,000)

10. Employee benefit expenses

Particulars	Amount (Rs.)
Wages	9,00,000

11. Finance cost

Particulars	Amount (Rs.)
Interest on bank loans	1,16,000
Debenture interest	55,000
	1,71,000

12. Other expenses

Particulars	Amount (Rs.)
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

THE END