

4. PREPARATION OF FINANCIAL STATEMENTS

ASSIGNMENT SOLUTIONS

PROBLEM NO: 1

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: 2

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: 3

Pioneer Ltd

Balance sheet as on 31st March, 2012

Particulars	Notes	(Rs.)
Equity and Liabilities		
1. Shareholders funds		
a) Share capital	1	9,99,000
b) Reserves & Surplus	2	2,96,700
2. Non Current Liabilities		
a) Long-term borrowings	3	2,63,500

3. Current Liabilities		
a) Trade Payables		2,00,000
b) Other current liabilities	4	67,500
c) Short-term provision	5	68,500
Total		18,94,700
Assets		
1. Non - current Assets		
a) Fixed Assets		
Tangible Assets	6	11,25,000
2. Current Assets		
a) Inventories	7	2,50,000
b) Trade receivables	8	2,00,000
c) Cash and cash equivalents	9	2,77,000
d) Short term loans and advances		42,700
Total		18,94,700

Notes to Accounts:

	Amount (Rs.)	Amount (Rs.)
1 Share Capital		
Equity share capital Issued, subscribed and called up 10,000 Equity Shares of Rs.100 each	10,00,000	
(Out of the above 2,000 shares have been issued for Consideration other than cash)		
Less: Calls in arrear	(1,000)	9,99,000
Total		9,99,000
2 Reserves and Surplus		
General Reserve		2,10,000
Surplus (Profit & Loss a/c)		86,700
Total		2,96,700
3 Long-term borrowings		
Secured		
Term Loans		
Loan from Financial Corporation (Secured by hypothecation of Plan and Machinery)		1,42,500
Unsecured		1,21,000
Total		2,63,500
4 Other current Liabilities		
Interest accrued but not due on loans		7,500
Dividend Payable		60,000
Total		67,500
5 Short-term provisions		
Provision for taxation		68,000
Total		68,000
6 Tangible assets		
Land		2,00,000
Building	4,00,000	
Less: depreciation	(50,000)(b.f.)	3,50,000
Plant and Machinery	7,00,000	
Less: Depreciation	(1,75,000)(b.f.)	5,25,000
Furniture & Fittings	62,500	
Less: Depreciation	(12,500)(b.f.)	50,000
Total		11,25,000
7 Inventories		
Raw Material		50,000
Finished goods		2,00,000
Total		2,50,000
8 Trade receivables		

	Debts outstanding for a period exceeding six months		52,000
	Other Debts		1,48,000
	Total		2,00,000
9	Cash and Cash equivalents		
	Cash at bank with Scheduled Bank including Bank	2,45,000	
	With others (Perfect Bank Ltd)	<u>2,000</u>	2,47,000
	Cash in hand		30,000
	Total		2,77,000

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

PROBLEM NO: 4

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)	
	Furniture & Fittings	16,50,000	24,00,000
	Less: Depreciation	(3,50,000)	
	Total		13,00,000
			92,00,000
8.	Inventories		
	Raw Material	13,00,000	
	Finished Goods	40,00,000	
	Loose Tools	5,00,000	
9.	Trade Receivables		
	Outstanding for a period exceeding six months		58,00,000
	Others		
		TOTAL	4,86,000
10.	Cash and cash equivalents		12,64,000
	Balances with banks:		17,50,000
	with Scheduled Banks	3,58,000	
	with others banks	56,000	
	Cash in hand		4,14,000
11.	Contingent Liabilities and Commitments (to the extent not provided for)		70,000
	Contingent Liabilities: Bills discounted but not matured		1,60,000

PROBLEM NO: 5

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

Particulars	Note No.	Amount (in Rs.)
Equity and Liabilities		
1. Shareholders' funds		
a) Share capital	1	19,90,000
b) Reserves and Surplus	2	59,586
2. Current liabilities		

a) Trade Payables		2,40,500
b) Other Current Liability	3	13,28,000
c) Short-Term Provisions	4	4,07,414
Total		40,25,500
Assets		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets	5	29,30,000
2. Current assets		
a) Inventories		7,08,000
b) Trade receivables	6	3,59,500
c) Cash and bank balances	7	28,000
Total		40,25,500

Statement of Profit and Loss of Kapil Ltd. for the year ended 31st March, 2017

S.NO	Particulars	Note No.	Amount (Rs.)
I	Revenue from Operations		36,17,000
II	Other Income	8	36,500
III	Total Revenue [I + II]		36,53,500
IV	Expenses:		
	Cost of purchases		12,32,500
	Changes in Inventories [6,65,000-7,08,000]		(43,000)
	Employee Benefits Expenses	9	13,93,000
	Finance Costs	10	1,11,000
	Depreciation and Amortization Expenses		1,20,000
	Other Expenses	11	4,40,000
	Total Expenses		32,53,500
V	Profit before Tax (III-IV)		4,00,000
VI	Tax Expenses @ 30%		(1,20,000)
VII	Profit for the period		2,80,000

Notes to accounts:

S.NO	Particulars	Amount (Rs.)
1.	Share Capital	
	Authorized Capital	
	5,00,000 Equity Shares of Rs. 10 each	50,00,000
	Issued Capital	
	2,00,000 Equity Shares of Rs. 10 each	20,00,000
	Subscribed Capital and fully paid	
	1,95,000 Equity Shares of Rs.10 each	19,50,000
	Subscribed Capital but not fully paid	
	5,000 Equity Shares of Rs.10 each Rs. 8 paid	40,000
	(Call unpaid Rs.10,000)	19,90,000
2.	Reserves and Surplus:	
	General Reserve	7,000
	Surplus i.e. Balance in Statement of Profit & Loss:	
	Opening Balance	67,000
	Add: Profit for the period	2,80,000
	Less: Transfer to Reserve @ 2.5%	(7,000)
	Less: Equity Dividend [12% of (20,00,000-10,000)]	(2,38,800)
	Less: Corporate Dividend Tax (Working note)	(48,614)
		52,586
		59,586
3.	Other current liabilities:	
	Bank Overdraft	12,67,000
	Outstanding Expenses [25,000+36,000]	61,000
		13,28,000
4.	Short-term Provisions:	
	Provision for Tax	1,20,000

	Equity Dividend payable		2,38,800
	Corporate Dividend Tax		<u>48,614</u>
			<u>4,07,414</u>
6.	Trade Receivables		
	Trade receivables (4,00,500-16,000)		3,84,500
	Less: Provision for doubtful debts		(25,000)
			<u>3,59,500</u>
7.	Cash & Cash Equivalents:		
	Cash Balance		8,000
	Bank Balance in current A/c		20,000
			<u>28,000</u>
8.	Other Income:		
	Miscellaneous Income (Transfer fees)		6,500
	Rental Income		30,000
			<u>36,500</u>
9.	Employee benefits expenses:		
	Wages		13,68,000
	Add: Outstanding wages		25,000
			<u>13,93,000</u>
10.	Finance Cost:		
	Interest on Bank overdraft		1,11,000
11.	Other Expenses		
	Carriage Inward		57,500
	Discount & Rebates		30,000
	Advertisement		15,000
	Rate, Taxes and Insurance		55,000
	Repairs to Buildings		56,500
	Commission & Brokerage		67,500
	Miscellaneous Expenses [56,000 + 36,000] (Business Expenses)		92,000
	Bad Debts [25,500 + 16,000]		41,500
	Provision for Doubtful Debts		<u>25,000</u>
			<u>4,40,000</u>

5. Tangible Assets

Particulars	Value given (Rs.)	Depreciation rate	Depreciation Charged (Rs.)	Written down value at the end (Rs.)
Land	16,25,000		-	16,25,000
Plant & Machinery	7,50,000	5%	37,500	7,12,500
Furniture & Fixtures	1,50,000	10%	15,000	1,35,000
Patterns	3,75,000	10%	37,500	3,37,500
Engineering Tools	1,50,000	20%	30,000	1,20,000
	30,50,000		1,20,000	29,30,000

Working Note:**Calculation of Dividend distribution tax**

Particulars	Amount (Rs.)
Dividend distributed by Company	2,38,800
Add: Increase for the purpose of grossing up of dividend $2,38,800 \times [15/(100-15)]$	42,141
Gross dividend	2,80,941
Dividend distribution tax @ 17.304%	48,614

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PROBLEM NO: 6

Omega Limited

Balance Sheet as at 31st March, 20X2

Particulars	Note No	(in '000)
Equity and Liabilities		
1. Shareholders' funds		
a) Share capital	1	300
b) Reserves and Surplus	2	500
2. Non-Current liabilities		
a) Long term borrowings	3	200
3. Current liabilities		
a) Trade Payables		
b) Other Current Liability	4	30
Total		1082
Assets		
1. Non-current assets		
a) Fixed asset		
i) Tangible assets	5	880
2. Current assets		
a) Inventories		86
b) Trade receivables		96
c) Cash and bank balances		20
Total		1082

Omega Limited

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

Particulars	Notes	(in '000)
I. Revenue from operations		700
II. Other income	6	2
III. Total revenue		702
IV. Expenses		
Purchases		320
Finance cost	7	20
Depreciation		76
Other expenses	8	120
Total expenses		536
V. Profit (Loss) for the period (III – IV)		166

* 770 (Plant and machinery at cost) – 10 (Cost of plant and machinery sold)

Notes to accounts

		(in '000)
1. Share capital		
Equity share capital		
Authorized		
40,000 shares of Rs.10 each		400
Issued & subscribed & called up		
30,000 shares of Rs.10each		300
Total		300
2. Reserves and surplus		
Securities premium account		40
Revaluation reserve(360 – 220)		140
General reserve		130
Profit & loss Balance		
Opening balance	72	
Profit for the period	166	238

	Less: Appropriations		
	Interim dividend	(18)	
	Final dividend (300 × 10%)	(30)	190
			500
3.	Long term borrowing		
	10% Debentures		200
4.	Other current liability		
	Dividend		30
5.	Tangible assets		
	Land		
	Opening balance	220	
	Add: revaluation adjustment	140	
	Closing balance		360
	Plant and Machinery		
	Opening balance	770	
	Less: Disposed off	(10)	
		760	
	Less: depreciation(172 – 8 + 76)	(240)	
	Closing balance		520
	Total		880
6.	Other income		
	Profit on sale of machinery:		
	Sale value of machinery	4	
	Less: Book value of machinery (10-8)	(2)	2
7.	Finance costs		
	Debenture interest		20
8.	Other expenses:		
	Factory expenses	60	
	Selling expenses	30	
	Administrative expenses	30	120

PROBLEM NO: 7Haria Chemicals 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	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 31 st 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

Notes to Accounts**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

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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

PROBLEM NO: 8

Statement of Profit and Loss of International Hotels Ltd. for the year ended 31st March, 2015

Particulars	Note	Amount (Rs.)
I. Revenue from operations	11	1,83,200
II. Other income (Discount received)		3,300
III. Total Revenue (I + II)		1,86,500
IV. Expenses:		
Cost of materials consumed	12	25,060
Purchases of Inventory-in-Trade	13	45,800
Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	14	(9,700)
Employee benefits expense	15	29,580
Other operating expenses	16	18,000
Selling and administrative expenses	17	14,200
Finance costs	18	12,000
Depreciation and amortization expense	19	21,315
Other expenses	10	8,000
Total expenses		1,64,255
V. Profit (Loss) for the period (III - IV)		22,245

Balance Sheet of International Hotels Ltd. as on 31st March, 2015

Particulars	Note	Amount (Rs.)
Equity and Liabilities		
1. Shareholders' funds		
a) Share capital	1	13,00,000
b) Reserves and Surplus	2	1,74,745
2. Non-current liabilities		
a) Long-term borrowings	3	2,00,000
3. Current liabilities		
a) Trade Payables	4	42,000
b) Other current liabilities	5	13,280
c) Short-term provisions	6	94,000
Total		18,24,025
ASSETS		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets	7	9,14,985
ii) Intangible assets (Goodwill)		5,00,000
b) Non-current investments		2,72,300
2. Current assets		
a) Inventories	8	38,900
b) Trade receivables		19,260
c) Cash and cash equivalents	9	78,580
Total		18,24,025

Notes to Accounts

Particulars	Amount (Rs.)	Amount(Rs.)
1. Share Capital		
Equity share capital		
Authorised:		
10,000 Equity shares of Rs. 100 each		10,00,000
Issued & subscribed		
8,000 Equity Shares of Rs. 100 each		8,00,000
Preference share capital		
Authorised:		

5,000 6%Preference shares of Rs. 100 each		5,00,000
Issued & subscribed		
5,000 6%Preference shares of Rs. 100 each		5,00,000
Total		13,00,000
2. Reserves and Surplus		
Capital reserve		5,000
General reserve	2,00,000	
Less: Amount used to pay dividend	(30,255)	1,69,745
Surplus (Profit & Loss A/c)	22,245	
Add: Balance from previous year	41,500	
Transfer from General Reserve	30,255	
Appropriations		
Proposed Dividend	(94,000)	-
Profit (Loss) carried forward to Balance Sheet	0	0
Total		1,74,745
3. Long-term borrowings		
Secured 6% Debentures		2,00,000
Total		2,00,000
4. Trade Payables		42,000
5. Other current liabilities		
Wages and Salaries Outstanding	1,280	
Interest on debentures	12,000	13,280
6. Short-term provisions		
Proposed dividend		
Preference Dividend		30,000
Equity Dividend		64,000
Total		94,000
7. Tangible assets		
Freehold land & Buildings	8,50,000	
Less: Depreciation	(17,000)	8,33,000
Furniture and Fittings	86,300	
Less: Depreciation	(4,315)	81,985
Total		9,14,985
8. Inventories		
Wines, Cigarettes & Cigars, etc.		22,500
Foodstuffs		16,400
Total		38,900
9. Cash and cash equivalents		
Cash at bank		76,380
Cash in hand		2,200
Total		78,580
10. Other expenses		
Preliminary Expenses		8,000
Total		8,000
11. Revenue from operations		
Sale of products		
Wines, Cigarettes, Cigars etc.	68,400	
Food	57,600	1,26,000
Sale of services		
Room Rent	48,000	
Billiards	5,700	
Miscellaneous Receipts	2,800	
Transfer fees	700	57,200
Total		1,83,200
12. Cost of materials consumed		
Opening Inventory	5,260	
Add: Purchases during the year	36,200	

Less: Closing Inventory	(16,400)	25,060
Total		25,060
13. Purchases of Inventory-in-Trade		
Wines, Cigarettes etc.		45,800
Total		45,800
14. Changes in inventories of finished goods work-in-progress and Inventory-in-Trade:		
Wines, Cigarettes etc.		
Opening Inventory	12,800	
Less: Closing Inventory	(22,500)	(9,700)
Total		(9,700)
15. Employee benefits expense		
Wages and Salaries	28,300	
Add: Wages and Salaries Outstanding	1,280	29,580
Total		29,580
16. Other operating expenses		
Rent, Rates and Taxes		8,900
Coal and Firewood		3,290
Laundry		750
Carriage and Coolie		810
Repairs		4,250
Total		18,000
17. Selling and administrative expenses		
Advertising		8,360
Sundry Expenses		5,840
Total		14,200
18. Finance costs		
Interest on Debentures		12,000
Total		12,000
19. Depreciation and amortization expense		
Land and Buildings	17,000	
Furniture & Fittings	4,315	21,315
Total		21,315

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THE END