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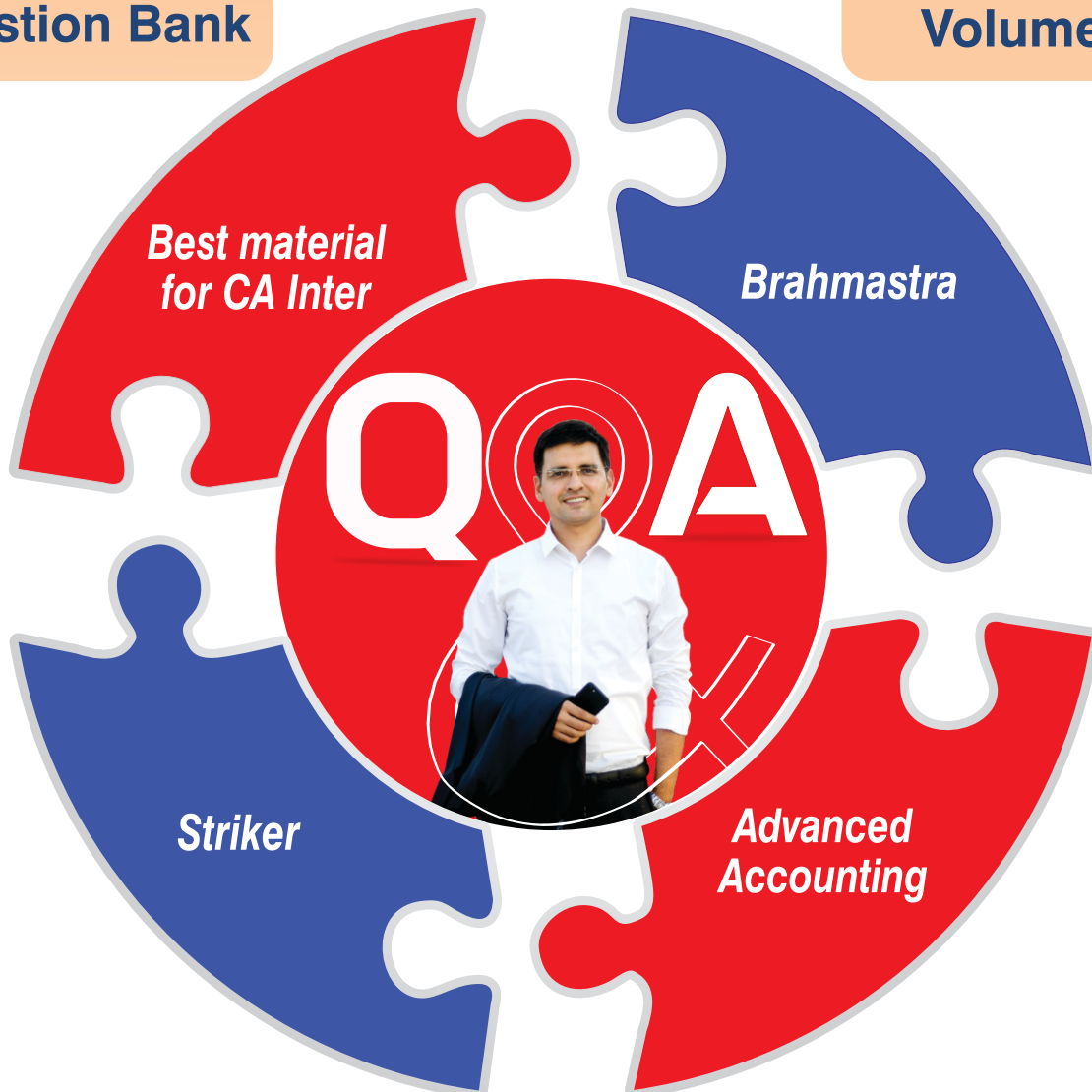
- ▶ Financial Statements of Companies
- ▶ Buyback of Securities
- ▶ Amalgamation of Companies
- ▶ Internal Reconstruction
- ▶ Consolidated Financial Statements
- ▶ Accounting for Branches Including Foreign Branches

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STRIKER
 Volume I

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CHAPTER 11

FINANCIAL STATEMENTS OF COMPANIES

UNIT 1: PREPARATION OF FINANCIAL STATEMENTS

CLASS BOOK

Q.1. The following is the Trial Balance of Omega Limited as on 31.3.20X2:

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

Additional Information:

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

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

(SM)

Ans.

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

Particulars	Note No.	(₹ in 000)
Equity and Liabilities		
1. Shareholders' funds		
A Share capital	1	300
B Reserves and Surplus	2	530
2. Non-Current liabilities		
A Long term borrowings	3	200
3. Current liabilities		
A Trade Payables		52
Total		1082

Assets		
1. Non-current assets		
A PPE (Property, Plant & Equipment)	4	880
2. Current assets		
A Inventories		86
B Trade receivables		96
C Cash and bank balances		<u>20</u>
Total		<u>1082</u>

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	5	<u>2</u>
III Total Income		<u>702</u>
IV Expenses:		
Purchases		320
Finance costs	6	20
Depreciation (10% of 760)		76
Other expenses	7	<u>120</u>
Total Expenses		<u>536</u>
V. Profit (Loss) for the period (III - IV)		<u>166</u>

Notes to accounts

			(₹ in 000)
1. Share Capital			
Equity share capital			
Authorised			
40,000 shares of ₹ 10 each			<u>400</u>
Issued & subscribed & called up			
30,000 shares of ₹ 10 each			300
2. Reserves and Surplus			
Securities Premium Account			40
Revaluation reserve (360 - 220)			140
General reserve			130
Profit & loss Balance			
Opening balance	72		
Profit for the period	<u>166</u>	238	
Less: Appropriations			
Interim Dividend		<u>(18)</u>	<u>220</u>
			<u>530</u>
3. Long term borrowing			
10% Debentures			200
4. PPE			
Land			
Opening balance		220	
Add: Revaluation adjustment		<u>140</u>	
Closing balance			360

	Plant and Machinery		
	Opening balance	770	
	Less: Disposed off	(10)	
		760	
	Less: Depreciation (172-8+76)	(240)	
	Closing balance		520
	Total		880
5.	Other Income		
	Profit on sale of machinery:		
	Sale value of machinery	4	
	Less: Book value of machinery (10-8)	(2)	2
6.	Finance costs		
	Debenture interest		20
7.	Other expenses:		
	Factory expenses	60	
	Selling expenses	30	
	Administrative expenses	<u>30</u>	120

Note:

The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 20X2. Such dividends will be disclosed in notes only.

Q.2.

You are required to prepare a **Statement of Profit and Loss and Balance Sheet** from the following Trial Balance extracted from the books of the International Hotels Ltd., on 31st March, 20X2:

	Dr. ₹	Cr. ₹
Authorised Capital-divided into 5,000 6% Preference Shares of ₹ 100 each and 10,000 equity Shares of ₹ 100 each		<u>15,00,000</u>
Subscribed Capital -		
5,000 6% Preference Shares of ₹ 100 each		5,00,000
Equity Capital		8,05,000
Purchases - Wines, Cigarettes, Cigars, etc.	45,800	
- Foodstuffs	36,200	
Wages and Salaries	28,300	
Rent, Rates and Taxes	8,900	
Laundry	750	
Sales - Wines, Cigarettes, Cigars, etc.		68,400
- Food		57,600
Coal and Firewood	3,290	
Carriage and Cooliage	810	
Sundry Expenses	5,840	
Advertising	8,360	
Repairs	4,250	
Rent of Rooms		48,000
Billiard		5,700
Miscellaneous Receipts		2,800
Discount received		3,300
Transfer fees		700
Freehold Land and Building	8,50,000	

Furniture and Fittings	86,300	
Inventory on hand, 1st April, 20X1		
Wines, Cigarettes. Cigars, etc.	12,800	
Foodstuffs	5,260	
Cash in hand	2,200	
Cash with Bankers	76,380	
Preliminary and formation expenses	8,000	
2,000 Debentures of ₹ 100 each (6%)		2,00,000
Profit and Loss Account		41,500
Trade payables		42,000
Trade receivables	19,260	
Investments	2,72,300	
Goodwill at cost	5,00,000	
General Reserve		<u>2,00,000</u>
	<u>19,75,000</u>	<u>19,75,000</u>
Wages and Salaries Outstanding	1,280	
Inventory on 31st March, 20X2		
Wines, Cigarettes and Cigars, etc.	22,500	
Foodstuffs	16,400	

Depreciation : Furniture and Fittings @ 5% p.a. : Land and Building @ 2% p.a.

The Equity capital on 1st April, 20X1 stood at ₹ 7,20,000, that is 6,000 shares fully paid and 2,000 shares ₹ 60 paid. The directors made a call of ₹ 40 per share on 1st October 20X1. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ ₹ 90 per share as fully paid. The Directors declared a dividend of 8% on equity shares on 2nd April, 20X2, transferring any amount that may be required from General Reserve. Ignore Taxation. (SM)

Ans.

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

Particulars	Note No	₹
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	13,00,000
b Reserves and Surplus	2	2,68,745
2 Non-current liabilities		
a Long-term borrowings	3	2,00,000
3 Current liabilities		
a Trade Payables	4	42,000
b Other current liabilities	5	13,280
Total		18,24,025
ASSETS		
1 Non-current assets		
i PPE	6	9,14,985
ii Intangible assets (Goodwill)		5,00,000
iii Non-current investments		2,72,300
2 Current assets		
i Inventories	7	38,900
ii Trade receivables		19,260
iii Cash and bank balances	8	78,580
Total		18,24,025

**Statement of Profit and Loss of International Hotels Ltd.
for the year ended 31st March, 20X2**

	Particulars	Notes	Amount
I.	Revenue from operations	9	1,79,700
II.	Other income	10	6,800
III.	Total Income (I + II)		1,86,500
IV.	Expenses:		
	Cost of materials consumed	11	25,060
	Purchases of Inventory-in-Trade	12	45,800
	Changes in inventories of finished goods work- in-progress and Inventory-in-Trade	13	(9,700)
	Employee benefits expense	14	29,580
	Other operating expenses	15	18,000
	Selling and administrative expenses	16	14,200
	Finance costs	17	12,000
	Depreciation and amortisation expense	18	21,315
	Other expenses (Preliminary expenses written off)		8,000
	Total expenses		1,64,255
V.	Profit (Loss) for the period (III - IV)		22,245

Notes to accounts

		₹
1	Share Capital	
	Equity share capital	
	Authorised	
	10,000 Equity shares of ₹ 100 each	10,00,000
	Issued & subscribed	
	8,000 Equity Shares of ₹ 100 each (A)	8,00,000
	Preference share capital	
	Authorised	
	5,000 6% Preference shares of ₹ 100 each	5,00,000
	Issued & subscribed	
	5,000 6% Preference shares of ₹ 100 each (B)	5,00,000
	Total (A + B)	13,00,000
2	Reserves and Surplus	
	Capital reserve [100 x (90 - 40)]	5,000
	General reserve	2,00,000
	Surplus (Profit & Loss A/c)	22,245
	Add: Balance from previous year	41,500
	Total	2,68,745
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	1,280
	Outstanding Interest on debentures	12,000
	Total	13,280

6	PPE		
	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
7	Inventories		
	Wines, Cigarettes & Cigars, etc.		22,500
	Foodstuffs		16,400
	Total		38,900
8	Cash and bank balances		
	Cash and cash equivalents		
	Cash at bank		76,380
	Cash in hand		2,200
	Other bank balances		Nil
	Total		78,580
9	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	53,700
	Total		1,79,700
10	Other Income		
	Transfer fees	700	
	Miscellaneous Receipts	2,800	
	Discount received	3,300	
	Total		6,800
11	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
12	Purchases of Inventory-in-Trade		
	Wines, Cigarettes etc.		45,800
	Total		45,800
13	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)
14	Employee benefits expense		
	Wages and Salaries	28,300	
	Add: Wages and Salaries Outstanding	1,280	29,580
	Total		29,580

15 Other operating expenses			
Rent, Rates and Taxes			8,900
Coal and Firewood			3,290
Laundry			750
Carriage and Cooliage			810
Repairs			4,250
	Total		18,000
16 Selling and administrative expenses			
Advertising			8,360
Sundry Expenses			5,840
	Total		14,200
17 Finance costs			
Interest on Debentures (2,00,000 x 6%)			12,000
	Total		12,200
18 Depreciation and amortisation expense			
Land and Buildings (8,50,000 x 2%)	17,000		
Furniture & Fittings (86,300 x 5%)	4,315		21,315
	Total		21,315

Note:

The final dividend will not be recognized as a liability at the balance sheet date (even if it is declared after reporting date but before approval of the financial statements) as per Accounting Standards. Hence, it has not been recognized in the financial statements for the year ended 31 March, 20X2. Such dividends will be disclosed in notes only.

Q.3.

The following balance appeared in the books of Oliva Company Ltd. as on 31-03-2024.

Extract of Balance sheet

Particulars		₹	Particulars		₹
Inventory 01-04-2023			Sales		17,10,000
-Raw Material	30,000		Interest		3,900
-Finished goods	<u>46,500</u>	76,500	Profit and Loss A/c		48,000
Purchases		12,15,000	Share Capital		3,15,000
Manufacturing Expenses		2,70,000	Secure Loans:		
Salaries and wages		40,200	Short-term	4,500	
General Charges		16,500	Long-term	<u>21,000</u>	25,500
Interim Dividend paid		27,000	Deposits (unsecured):		
Building		1,01,000	Short -Term	1,500	
Plant and Machinery		70,400	Long-term	<u>3,300</u>	4,800
Furniture		10,200	Trade payables		3,27,000
Motor Vehicles		40,800			
Stores and Spare Parts Consumed		45,000			
Investments:					
Current	4,500				
Non Current	<u>7,500</u>	12,000			
Trade receivables		2,38,500			
Cash in Bank		<u>2,71,100</u>			
		24,34,200			24,34,200

From the above balance and the following information, prepare the company's Profit and Loss Account for the year ended 31st March, 2024 and Company's Balance Sheet as on that date:

1. Inventory on 31st March, 2024 Raw material ₹ 25,800 & finished goods ₹ 60,000.
2. Outstanding Expenses: Manufacturing Expenses ₹ 67,500 & Salaries & Wages ₹ 4,500.
3. Interest accrued on Securities ₹ 300.
4. General Charges prepaid ₹ 2,490.
5. Provide depreciation: Building @ 2% p.a., Machinery @ 10% p.a., Furniture @ 10% p.a. & Motor Vehicles @ 20% p.a.
6. The Taxation provision of 40% on net profit is considered.

(MTP-May-2024)

Ans.

Oliva Company Ltd.

Statement of Profit and loss for the year ended 31.03.2024

	Particulars	Note	Amount (₹)
I	Revenue from operations		17,10,000
II	Other income (3,900 +300)		<u>4,200</u>
III	Total Revenue (I +II)		<u>17,14,200</u>
IV	Expenses:		
	Cost of materials consumed	10	12,64,200
	Purchases of inventory-in-trade		--
	Changes in inventories of finished goods, work-in-progress and inventory-in-Trade	11	(13,500)
	Employee benefit expenses	12	44,700
	Finance costs		--
	Depreciation and amortization expenses		18,240
	Other expenses	13	<u>3,51,510</u>
	Total Expenses		<u>16,65,150</u>
V	Profit before exceptional and extraordinary items and tax		49,050
VI	Exceptional items		--
VII	Profit before extraordinary items and tax		49,050
VIII	Extraordinary items		--
IX	Profit before tax		49,050
X	Tax expense (40% of 49,050)		19,620
XI	Profit/Loss for the period from continuing operations		29,430

Oliva Company Ltd.


Balance Sheet for the year ended 31.03.2024

	Particulars	Note	Amount
(1)	Equity and Liabilities		
(i)	Shareholders' funds		
	(a) Share Capital		3,15,000
	(b) Reserves and surplus	1	50,430
(2)	Non-current liabilities		
	(a) Long-term borrowings	2	24,300

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