

Final Accounts of Companies

Moon and Star Co. Ltd. is a company with an authorised capital of Rs. 5,00,000 divided into 5,000 equity shares of Rs. 100 each on 31.12.1985 of which 2,500 shares were fully called up. The following are the balances extracted from the ledger as on 31.12.1985.

Trial balance of Moon & Star Co. Ltd.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Sales	3,25,000
Purchases	2,00,000	Discount received	3,150
Wages	70,000	Profit & Loss A/c	6,220
Discount allowed	4,200	Creditors	35,200
Insurance (upto 31.3.86)	6,720	Reserves	25,000
Salaries	18,500	Loan from managing	
Rent	6,000	director	15,700
General expenses	8,950	Share capital	2,50,000
Printing	2,400		
Advertisements	3,800		
Bonus	10,500		
Debtors	38,700		
Plant	1,80,500		
Furniture	17,100		
Bank	34,700		
Bad debts	3,200		
Calls-in-arrears	5,000		
	6,60,270		6,60,270

You are required to prepare Statement of Profit & Loss for the year ended 31.12.1985 and a balance sheet as on that date. The following further information is given:

- (a) Closing stock was valued at Rs. 1,91,500
- (b) Depreciation on plant at 15% and on furniture at 10% should be provided.
- (c) A tax provision of Rs. 8,000 is considered necessary.
- (d) The directors declared an interim dividend on 15.8.85 for 6 months ending June 30, 1985 @ 6%.
- (e) Provide for corporate dividend tax @ 17%.

Statement of profit and loss

Revenue from operations:

1. Sales
- Other income:**
2. Discount received
- Cost of goods sold:**
3. Opening stock
- Add: Purchases

Less: Closing stock

Cost of goods sold

4. Employee benefits expenses:

- Wages
- Salaries
- Bonus

5. Depreciation and amortisation expenses:

- Dep . on plant
- Dep . on furniture

6. Other expenses:

- Discount allowed
- Insurance
- Less: Prepaid (6,720 x 3/12)

- Rent
- General expenses
- Printing
- Advertising

Rs.

3,25,000

3,150

50,000

2,00,000

2,50,000

1,91,500

58,500

70,000

18,500

10,500

99,000

27,075

1,710

28,785

4,200

6,720

1,680

5,040

6,000

8,950

2,400

3,800

3,200

Solution:

Notes to accounts on statement of profit and loss

	Rs.
1. Revenue from operations:	
Sales	3,25,000
2. Other income:	
Discount received	3,150
3. Cost of goods sold:	
Opening stock	50,000
Add: Purchases	2,00,000
	<hr/>
Less: Closing stock	2,50,000
	1,91,500
	<hr/>
Cost of goods sold	58,500
4. Employee benefits expenses:	
Wages	70,000
Salaries	18,500
Bonus	10,500
	<hr/>
	99,000
5. Depreciation and amortisation expenses:	
Dep . on plant	27,075
Dep . on furniture	1,710
	<hr/>
	28,785
6. Other expenses:	
Discount allowed	4,200
Insurance	6,720
Less: Prepaid (6,720 x 3/12)	1,680
	<hr/>
Rent	5,040
General expenses	6,000
Printing	8,950
Advertising	2,400
Bad debts	3,800
	3,200
	<hr/>
	33,590

Statement of profit and loss for the year ended 31.12.2003 (as per
Revised Schedule VI)

	Note No.	Rs.
Revenue from operations	1	3,25,000
Other income	2	3,150
Total revenue (A)		3,28,150
Expenses:		
Cost of goods sold	3	58,500
Employee benefits expenses	4	99,000
Dep. and amortisation	5	28,785
Other expenses	6	33,590
Total Expenses (B)		2,19,875
Profit before tax (A - B)		1,08,275
Less: Tax expense : current tax		8,000
Profit for the period		1,00,275

Notes to Accounts on Balance sheet

	Rs.	Rs.
1. Share capital:		
Authorized capital:		
5,000 equity shares of Rs.100 each		5,00,000
Issued, subscribed and called up:		
2,500 shares of Rs.100 each	2,50,000	
Less: Calls in arrears	5,000	
2. Reserves & surplus:		
Reserve		2,45,000
Surplus in statement of profit and loss:		
Balance at the beginning of the year:		25,000
Profit for the year	6,220	
	1,00,275	

Appropriations:

Interim dividend (2,45,000 × 6%)
 Corporate dividend tax (14,700 × 17%)

14,700
 2,499

89,296

1,14,296

Long term borrowings:

Unsecured loan

15,700

Trade payables:

Creditors

35,200

Short term provisions:

Provision for tax

~~18,000~~

Other current liabilities:

Interim dividend payable

14,700

Dividend tax payable

2,499

17,199

7. Tangible assets:

Plant less Dep. (1,80,500 – 27,075)

1,53,425

Furniture less Dep. (17,100 – 1,710)

15,390

1,68,815

8. Trade receivable:

Debtors

38,700

9. Short term loans and advances:

Prepaid insurance

1,680

Moon & Star Co. Ltd.
Balance sheet as on 31.12.2013
(as per Revised Schedule VI)

Particulars	Note No.	
I. Equity and liabilities:		
(i) Shareholders' funds:		
Share capital	1	2,00,000
Reserves & surplus	2	1,20,000
(ii) Non current liabilities:		
Long term borrowings	3	1,00,000
(iii) Current liabilities:		
Trade payable	4	1,00,000
Short term provisions	5	1,00,000
Other current liabilities	6	1,00,000
Total (i) + (ii) + (iii)		4,20,000
II. Assets:		
(i) Non current assets:		
Tangible assets	7	1,00,000
(ii) Current assets:		
Trade receivables	8	30,000
Closing stock		1,00,000
Bank		50,000
Short term loans and advances	9	1,00,000
Total (i) + (ii)		4,20,000

Company
 was registered with an authorised
 capital of Rs. 10 lakh. The following is its Trial Balance as on 31.12.2013

Particulars	Debit	Credit
Share capital		2,00,000
Reserves & surplus		1,20,000
Long term borrowings		1,00,000
Trade payable	1,00,000	
Short term provisions	1,00,000	
Other current liabilities	1,00,000	
Total	4,20,000	4,20,000
Assets:		
Tangible assets	1,00,000	
Trade receivables	30,000	
Closing stock	1,00,000	
Bank	50,000	
Short term loans and advances	1,00,000	
Total	4,20,000	

7.37

Moon & Star Co. Ltd.
 Balance sheet as on 31.12.2003
 (as per Revised Schedule VI)

Particulars	Note No.	Rs.
I. Equity and liabilities:		
(i) Shareholders' funds:		
Share capital	1	2,45,000
Reserves & surplus	2	1,14,296
(ii) Non current liabilities:		
Long term borrowings	3	15,700
(iii) Current liabilities:		
Trade payable	4	35,200
Short term provisions	5	48,000
Other current liabilities	6	17,199
Total (i) + (ii) + (iii)		4,35,395
. Assets:		
i) Non current assets:		
Tangible assets	7	1,68,815
ii) Current assets:		
Trade receivables	8	38,700
Closing stock		1,91,500
Bank		34,700
Short term loans and advances	9	1,680
Total (i) + (ii)		4,35,395

Illustration 4
 The Auto parts manufacturing Co. Ltd., was registered with an authorised capital of Rs. 7,50,000 divided into 3,000 6% cumulative preference shares of Rs. 100 each and 4,500 equity shares of Rs. 100 each. The following are the balances taken as on 31.12.98.

	Rs.		Rs.
Stock on 1.1.98	2,41,500	Share capital	
Delivery expenses	1,02,000	3,000 6% cumulative preference shares of Rs.100 each	3,00,000
General expenses	21,000	3,000 equity shares (Rs.75 called up)	2,25,000
Bills receivable	6,000	General reserve	82,725
Investments:		P & L A/c (cr)	58,500
6,000 shares of Rs. 10 each in Sunrise Co. Ltd.	60,000	Sales	9,18,600
Preference dividend half year 30.6.1998	9,000	5% debentures	2,10,000
Bank balance	97,500	Trade creditors	1,25,520
Goodwill	1,00,000	Provision for taxation	8,800
Trade debtors	1,67,500		
Freehold properties at cost	3,90,000		
Salaries	1,03,500		
Rent & Rates	38,250		
Furniture at cost	75,000		
Purchases	4,76,500		
Freight & carriage inwards	3,750		
Debenture interest (half year)	5,250		
Final dividend for 1997	20,250		
Cash in hand	12,145		
	19,29,145		19,29,145

Prepare Statement of Profit & Loss for the year ended 31.12.1998 and Balance sheet at that date after taking the following into account:

- (i) Closing stock Rs. 2,15,000
- (ii) Depreciation: 2½% on freehold property and 6% furniture.
- (iii) Bills receivable for Rs. 2,500 maturing after 31.12.1998 has been discounted with bank.
- (iv) Directors proposed to pay second half year's dividend on pref. shares.

- Corporate Accounts
- (v) 10% dividend on equity shares is proposed.
- (vi) Provide 5% towards reserve for doubtful debts on trade debtors.
- (vii) Provide for corporate dividend tax.

Solution:

[Osmania, B.Com., April 1998]

Notes to accounts on statement of profit and loss

		Rs.
1. Revenue from operations:		
Sales		9,18,600
2. Cost of goods sold:		
Opening stock		2,41,500
Add: Purchases		4,76,500
Add: Freight & carriage inwards		3,750
		7,21,750
Less: Closing stock		2,15,000
		5,06,750
3. Employee benefits expenses:		
Salaries		1,03,500
4. Finance costs:		
Interest on debentures		
Add: outstanding	5,250	
	5,250	
5. Depreciation and amortisation expenses:		
Dep. on freehold premises		10,500
Dep. on furniture		9,750
		4,500
6. Other expenses:		
Delivery exp.		14,250
General exp.		1,02,000
Rent & rates		21,000
Provision for bad debts		38,250
		8,375
		1,69,625

Auto parts Manufacturing Ltd.

Statement of profit and loss for the year ended 31.3.1998 (as per revised schedule)

	Note No.	Rs.
Revenue from operations	1	9,18,600
Other income		Nil
Total revenue (A)		9,18,600
Expenses:		
Cost of goods sold	2	5,06,750
Employee benefits expenses	3	1,03,500
Finance costs	4	10,500
Dep. and Amortisation exp.	5	14,250
Other expenses	6	1,69,625
Total Expenses (B)		8,04,625
Profit before tax (A-B)		1,13,975
Less: Tax expense : current tax		Nil
Profit for the period		1,13,975

Notes to accounts on Balance sheet

1. Share capital:

Issued, subscribed and called up:		2,25,000
3,000 equity shares of Rs.75 each		3,00,000
3,000 6% Cum. Pref. Shares of Rs.100 each		<u>5,25,000</u>

2. Reserves & Surplus:

General reserve		82,725
Surplus in statement of profit and loss:		
Balance at the beginning of the year:	58,500	
Profit for the year	<u>1,13,975</u>	
	1,72,475	

Less : Appropriations:
 Final dividend
 Pref. Dividend paid
 Proposed Pref. Dividend
 Proposed equity dividend
 Corporate dividend tax
 (22,500 + 9,000 + 9,000 × 17%)

20,250
 9,000
 9,000
 22,500
 6,885

1,04,840
 1,87,565

3. Long term borrowings:

5% Debentures

4. Trade payables:

Trade creditors

5. Short term provisions:

Proposed pref. Dividend
 Proposed equity Dividend
 Provision for taxation

2,10,000
 1,25,520

6. Other current liabilities:

Dividend tax payable
 Outstanding deb. Interest

9,000
 22,500
 8,800
 40,300

7. Tangible assets:

Freehold properties less Dep. (3,90,000 - 9,750)
 Furniture less dep. (75,000 - 4,500)

6,885
 5,250
 12,135

8. Intangible assets:

Goodwill

9. Non current investments:

Shares in sunrise Ltd.

10. Trade receivables:

Trade debtors less PBDD (1,67,500 - 8,375)
 Bills receivable

3,80,250
 70,500
 4,50,750

1,00,000
 60,000
 1,59,125
 6,000

1,65,125

The Auto Parts Manufacturing Co. Ltd.
Balance sheet as on 31.3.1998
(as per revised schedule VI)

Particulars	Note No.	Rs.
I Equity and liabilities:		
(i) Shareholders' funds:		
Share capital	1	
Reserves & surplus	2	5,25,000
(ii) Non current liabilities:		
Long term borrowings	3	1,87,565
(iii) Current liabilities:		
Trade payables	4	2,10,000
Short term provisions	5	1,25,520
Other current liabilities	6	40,300
		12,135
Total (i) + (ii) + (iii)		11,00,520
II Assets:		
(i) Non current assets:		
Tangible assets	7	4,50,750
Intangible assets	8	1,00,000
Non current investments	9	60,000
(ii) Current assets:		
Trade receivables	10	1,65,125
Closing stock		2,15,000
Cash in hand		12,145
Cash at bank		97,500
Total (i) + (ii) + (iii)		11,00,520