PREPARATION OF FINANCIAL STATEMENTS

Q.1 (Nov 2009) (2 Marks)
What are the basic characteristics of a Private Ltd Company ?

Q.2 (Nov 2012) (16 Marks)
Following information of the Final Accounts of Kumaran Ltd. are missing as shown below:

Trading and Profit & Loss A/c for the year ended 31.03.2012

Particulars	Rs. in 000	Particulars	Rs. in 000
To Opening Stock	7,000	By Sales	?
To Purchases	?	By Closing Stock	?
To Manufacturing Expenses	1,750		
To Gross Profit c/d	?		
Total	?	Total	?
To Office and Administration Expenses	7,400	By Gross Profit b/d	?
To Interest on Debentures	600	By Commission Received	1,000
To Provision for Taxation	?		
To Net Profit for the year c/d	?		
Total	?	Total	?
To Proposed Dividends	?	By Balance b/f	1,400
To Transfer to General Reserves	?	By Net Profit for the year b/d	?
To Balance Transfer to Balance Sheet	?		
Total	?	Total	?

Balance Sheet as on 31.03.2012

Liabilities	Rs. in 000	Assets	Rs. in 000
Paid up Capital	10,000	PPE:	
General Reserves:		Plant and Machinery	14,000
Balance at the beginning of the year	?	Other PPE	?
Proposed addition	?	Current Assets:	
Profit and Loss Appropriation A/c	?	Stock in Trade	?
10% Debentures	?	Sundry Debtors	?
Current Liabilities	?	Bank Balance	1,250
Total	?	Total	?

You are required to provide the missing figures with the help of following information:

[i] Current Ratio 2:1.
[ii] Closing stock is 25% of sales.
[iii] Proposed dividends are 40% of the paid up capital.
[iv] Gross profit ratio is 60%.
[v] Ratio of Current Liabilities to Debentures is 2:1.
[vi] Transfer to General Reserves is equal to proposed dividends.
[vii] Profit carried forward are 10% of the proposed dividends.
[viii] Provision for taxation is 50% of profits.
[ix] Balance to the credit of General Reserves at the beginning of the year is twice the amount transferred to that account from the current profits.

Q.3 (Nov 2013) **(2.5 Marks)**

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?

Q.4 (Nov 2013) **(2.5 Marks)**

The management of Kshitij Ltd. contends 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 the same. Accordingly, the management had not separately disclosed the work in progress in its financial statements. Comment in line with Schedule III.

Q.5 (Nov 2013) **(16 Marks)**

On 31st March, 2013 Bose and Sen Ltd. provides to you the following ledger balances after preparing its Profit and Loss Account for the year ended 31st March, 2013:

Particulars	Rs.
Credit Balances:	
Equity shares capital, fully paid shares of Rs.10 each	70,00,000
General Reserve	15,49,100
Loan from State Finance Corporation	10,50,000
Secured by hypothecation of Plant & Machinery (Repayable within one year Rs.2,00,000)	
Loans: Unsecured (Long term)	8,47,000
Sundry Creditors for goods & expenses (Payable within 6 months)	14,00,000
Profit & Loss Account	7,00,000
Provision for Taxation	3,25,500
Proposed Dividend	4,20,000
Provision for Dividend Distribution Tax	71,400
	1,33,63,000

Debit Balances:	
Calls in arrear	7,000
Land	14,00,000
Buildings	20,50,000
Plant and Machinery	36,75,000
Furniture & Fixture	3,50,000
Stocks: Finished goods	14,00,000
Raw Materials	3,50,000
Sundry Debtors	14,00,000
Advances: Short-term	2,98,900
Cash in hand	2,10,000
Balances with banks	17,29,000
Preliminary Expenses	93,100
Patents & Trade marks	4,00,000
	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 Rs.28,00,000
Cost of Plant & Machinery Rs.49,00,000
Cost of Furniture & Fixture Rs.4,37,500

[iii] Sundry Debtors for Rs.3,80,000 are due for more than 6 months.

[iv] The amount of Balances with Bank includes Rs.18,000 with a bank which is not a scheduled Bank and the deposits of Rs.5 lakhs are for a period of 9 months.

[v] Unsecured loan includes Rs.2,00,000 from a Bank and Rs.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, 2013 as required under Schedule III of the Companies Act. 2013.

Q.6 (May 2014) (8 Marks)

The Articles of Association of Samson Ltd. provide the following :

[i] That 25% of the net profit of each year shall be transferred to reserve fund.

[ii] That an amount equal to 10% of equity dividend shall be set aside for staff bonus.

[iii] That the balance available for distribution shall be applied :

[1] in paying 15% on cumulative preference shares.

[2] in paying 20% dividend on equity shares.

[3] one-third of the balance available as additional dividend on preference shares and two-third as additional equity dividend.

A further condition was imposed by the articles viz. that the balance carried forward shall be equal to 14%.on preference shares after making provision (i), (ii) and (iii) mentioned above. The company has issued 12,000,15% cumulative participating preference shares of Rs.100 each fully paid and 75,000 equity shares of Rs.10 each fully paid up. The profit for the year 2013-14 was Rs.10,00,000 and balance brought from previous year Rs.1,50,000. Provide Rs.37,500 for depreciation and Rs.1,20,000 for taxation before making other appropriations.

Show net balance of Profit and Loss Account after making above adjustments.

Q.7 (Nov 2014) (10 Marks)

From the following particulars furnished by Elegant Ltd., prepare the Balance Sheet as on 31st March 2014 as required by Part I, Schedule III of the Companies Act.

Particulars		Dr. (Rs.)	Cr. (Rs.)
Equity Share Capital (Face value of Rs.100 each)			50,00,000
Call in Arrears		5,000	
Land & Building		27,50,000	
Plant & Machinery		26,25,000	
Furniture		2,50,000	
General Reserve			10,50,000
Loan from State Financial Corporation			7,50,000
Stock:			
Raw Materials	2,50,000		
Finished Goods	10,00,000	12,50,000	
Provision for Taxation			3,40,000
Sundry Debtors		10,00,000	
Advances		2,13,500	
Proposed Dividend			3,00,000
Profit & Loss Account			5,00,000
Cash in Hand		1,50,000	
Cash at Bank		12,35,000	
Preliminary expenses		66,500	
Unsecured Loan			6,05,000
Sundry Creditors (for Goods and Expenses)			10,00,000

The following additional information is also provided:

[i] Preliminary expenses included Rs.25,000 Audit Fees and Rs.3,500 for out of pocket expenses paid to the Auditors.

[ii] 10000 Equity shares were issued for consideration other than cash.

[iii] Debtors of Rs.2,60,000 are due for more than 6 months.

[iv] The cost of the PPE were:
Building Rs.30,00,000, Plant & Machinery Rs.35,00,000 and Furniture Rs.3,12,500

[v] The balance of Rs.7,50,000 in the Loan Account with State Finance Corporation is inclusive of Rs.37,500 for Interest Accrued but not Due. The loan is secured by hypothecation of Plant & Machinery.

[vi] Balance at Bank includes Rs.10,000 with Global Bank Ltd., which is not a Scheduled Bank.

Q.8 (Nov 2019) (10 Marks)

From the following particulars furnished by the Prashant Ltd., prepare the Balance Sheet as at 31s1 March, 2019 as required by Schedule III of the Companies Act, 2013:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Equity share capital (face value of Rs.10 each)		15,00,000
Calls-in-arrears	5,000	
Land	5,50,000	
Building	4,85,000	
Plant & machinery	5,60,000	
General reserve		2,70,000
Loan from State Financial Corporation		2,10,000
Inventories	3,15,000	
Provision for taxation		72,000
Trade receivables	2,95,000	
Short-term loans & advances	58,500	
Profit & loss account		1,06,800
Cash in hand	37,300	
Cash at bank	2,85,000	
Unsecured loans		1,65,000
Trade payables		2,67,000
Total	25,90,800	25,90,800

The following additional information is also provided:

1. 10,000 equity shares were issued for consideration other than cash.
2. Trade receivables of Rs.55,000 are due for more than six months,
3. The cost of building and plant & machinery is Rs.5,50,000 and Rs.6,25,000 respectively.
4. The loan from State Financial Corporation is secured by hypothecation of plant & machinery. The balance of Rs.2,10,000 in this account is inclusive of Rs.10,000 for interest accrued but not due.
5. Balance at Bank included Rs.15,000 with Aakash Bank Ltd., which is not a scheduled bank.

Q.9 (July 2021) (20 Marks)

The following is the Trial Balance of H Ltd., as on 31st March, 2021.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Equity Capital (Shares of 100 each)		8,05,000
5,000, 6% preference shares of Rs.100 each		5,00,000
9% Debentures		4,00,000
General Reserve		40,00,000
Profit & Loss A/c. (of previous year)		72,000
Sales		60,00,000

Trade Payables		10,40,000
Provision for Depreciation on Plant & Machinery		1,72,000
Suspense Account		40,000
Land at cost	24,00,000	
Plant & Machinery at cost	7,70,000	
Trade Receivables	19,60,000	
Inventories (31-03-2020)	9,50,000	
Bank	2,30,900	
Adjusted Purchases	22,32,100	
Factory Expenses	15,00,000	
Administration Expenses	3,00,000	
Selling Expenses	14,00,000	
Debenture Interest	36,000	
Goodwill	12,50,000	
	1,30,29,000	1,30,29,000

Additional Information :

[i] The authorised share capital of the company is :

5000, 6% preference shares of Rs.100 each 5,00,000

10000, equity shares of Rs.100 each 10,00,000

Issued equity capital as on 1st April 2020 stood at Rs.720,000, that is 6,000 shares fully paid and 2,000 shares Rs.60 paid. The directors made a call of Rs.40 per share on 1st October 2020. A shareholder could not pay the call on 100 shares and his shares were then forfeited and reissued @ Rs.90 per share as fully paid.

[ii] On 31st March 2021, the Directors declared a divided of 5% on equity shares, transferring any amount that may be required from General Reserve. Ignore Taxation.

[iii] The company on the advice of independent valuer wishes to revalue the land at Rs.36,00,000.

[iv] Suspense account of Rs.40,000 represents amount received for the sale of some of the machinery on 1-4-2020. The cost of the machinery was Rs.1,00,000 and the accumulated depreciation thereon being Rs.30,000.

[v] Depreciation is to be provided on plant and machinery at 10% on cost.

[vi] Amortize 1/ 5th of Goodwill.

You are required to prepare H Limited's Balance Sheet as on 31 -3-2021 and Statement of Profit and Loss with notes to accounts for the year ended 31-3-2021 as per Schedule III of the Companies Act, 2013. Ignore previous years' figures & taxation.

Q.10 (June 2014) (5 Marks)

The following particulars are extracted from the statement of profit and loss of S.S. Ltd. for the year ended 31st March, 2014:

Sr. No	Particulars	Rs.
(i)	Gross profit	40,00,000
(ii)	Profit on sale of machinery (cost Rs.8,00,000 and written down value Rs.4,00,000)	4,50,000
(iii)	Subsidy from the Government	1,00,000
(iv)	Salaries and wages	1,50,000
(v)	Repairs to fixed assets (PPE)	50,000
(vi)	General expenses	40,000
(vii)	Compensation for breach of contract	25,000
(viii)	Depreciation	2,40,000
(ix)	Loss on sale of investment	35,000
(x)	Expenditure on scientific research (cost of setting-up a new laboratory)	2,50,000
(xi)	Debenture interest	75,000
(xii)	Interest on unsecured loans	15,000
(xiii)	Provisions for income tax	16,00,000
(xiv)	Proposed dividends	10,00,000
(XV)	Net profit	10,70,000

Calculate the overall managerial remuneration under section 197 of the Companies Act, 2013.

Q.11 (Dec 2014) (5 Marks)

Calculate the managerial remuneration from the following particulars of Zen Ltd. The company has only one Managing Director:

Particulars	Rs.
Net profit	20,00,000
Net profit is calculated after considering the following:	
Depreciation	4,00,000
Preliminary expenses	1,00,000
Provision for tax	31,00,000
Director's fee	80,000
Bonus	1,50,000
Profit on sale of PPE (original cost Rs.2,00,000; WDV Rs.1,10,000)	1,55,000
Provision for doubtful debts	90,000
Scientific research expenditure (for setting-up new laboratory)	2,00,000
Managing Director's remuneration paid	3,00,000

Other information:

- Depreciation allowable is Rs.3,50,000.
- Bonus liability as per the Payment of Bonus Act, 1965 is Rs.1,80,000.
- Looking at the past records of debtors, provision for doubtful debts is not required.
- Rate of managerial remuneration is 5%.

Q.12 (Dec 2015) (7 Marks)

Following is the statement of profit and loss of Target Ltd. for the year ended 31st March, 2015:

Sr. No	Particulars	Rs.	
I	Revenue from operations		40,25,360
II	Other income		
	• Subsidy received from government	2,32,560	
	• Interest on investments	15,640	
	• Transfer fees	720	
	• Profit on sale of machinery	25,000	2,73,920
III	Total Revenue (I+II)		42,99,280
IV	Expenses		
	• Administrative, selling and distribution expenses	8,22,540	
	• Donation to charitable funds	25,500	
	• Directors' fee	66,760	
	• Interest on debentures	31,240	
	• Compensation for breach of contract	42,530	
	• Managerial remuneration	2,85,350	
	• Depreciation on PPE	5,22,540	
	• Provision for taxation	12,42,500	
	• General reserve	4,00,000	
	• Investment revaluation reserve	12,500	34,51,460
V	Profit for the period (III - IV)		8,47,820
VI	Profit brought forward from the last year's statement		5,72,360
VII	Profit carried forward (V + VI)		14,20,180

Additional information:

- Original cost of machinery sold was Rs.55,000. The written down value as on the date of sale was Rs.30,000.
- Depreciation on PPE as per Schedule II of the Companies Act, 2013 was Rs.4,75,340.

You are required to calculate and comment on managerial remuneration in the following cases in accordance with the provisions of the Companies Act, 2013 if:

(i) there is only one whole-time director;

(ii) there are two whole-time directors; and

(iii) there are two whole-time directors, a part-time director and a manager.

Q.13 (Nov 2019) (5 Marks)

Answer the following:

(a) The following extract of Balance Sheet of Prabhat Ltd. (Non-investment Company) was obtained:

Balance Sheet (Extract) as on 31st March, 2019

Liabilities	Rs.
Issued and subscribed capital:	
30,000, 12% preference shares of Rs.100 each (fully paid)	30,00,000
24,00,000 equity shares of Rs.10 each, Rs.8 paid up	1,92,00,000
Share suspense account	40,00,000
Reserves and Surplus:	
Securities premium	1,00,000
Capital reserves (Rs.3,00,000 is revaluation reserve)	3,90,000
Secured loans:	
12% debentures	1,30,00,000
Unsecured loans:	
Public deposits	7,40,000
Current liabilities:	
Trade payables	6,90,000
Cash credit from SBI (short term)	9,30,000
Assets	
Investments in shares, debentures etc.	1,50,00,000
Profit & loss account (Dr. balance)	30,50,000

Share suspense account represents application money received on shares, the allotment of which is not yet made.

You are required to compute effective capital as per the provisions of Schedule V. Would your answer differ if Prabhat Ltd. is an investment company?

Q.14 (Nov 2020) (5 Marks)

Answer the following:

Following is the draft Profit & Loss Account of X Ltd. for the year ended 31st March, 2020:

	Rs.		Rs.
To Administrative Expenses	5,96,400	By Balance b/d	7,25,300
To Advertisement Expenses	1,10,500	By Balance from Trading A/c	42,53,650
To Sales Commission	1,05,550	By Subsidies received from Government	3,50,000
To Director's fees	1,48,900		
To Interest on Debentures	56,000		

To Managerial Remuneration	3,05,580		
To Depreciation on Fixed Assets (PPE)	5,78,530		
To Provision for taxation	12,50,600		
To General Reserve	5,50,000		
To Investment Revaluation Reserve	25,800		
To Balance c/d	16,01,090		
	53,28,950		53,28,950

Depreciation on Fixed Assets (PPE) as per Schedule II of the Companies Act, 2013 was Rs.6,51,750. You are required to calculate the maximum limits of the managerial remuneration as per Companies Act, 2013.

Q.15 (Jan 2021) **(5 Marks)**

The following is the Draft Profit & Loss A/c of Brown Ltd. the year ended 31st March, 2020:

	Rs.		Rs.
To Administrative expenses	4,99,200	By Balance B/d	6,27,550
To Advertisement	1,18,200	By Balance from Trading A/c	38,15,890
To Commission on sales	95,225	By Subsidies reed, from Govt.	2,50,000
To Director's Fees	1,35,940	By Profit on sale of forfeited shares	20,000
To Interest on debentures	28,460		
To Managerial remuneration	2,75,550		
To Depreciation on fixed assets (PPE)	4,82,565		
To Provision of Taxation	11,50,200		
To General Reserve	4,50,000		
To Investment Revaluation Reserve	52,800		
To Balance c/d	14,25,300		
	47,13,440		47,13,440

Depreciation on fixed assets (PPE) as per schedule II of the companies act, 2013 was Rs.5,15,675. You are required to calculate maximum limit of the managerial remuneration as per companies act Act, 2013.

Q.16 (Dec 2021) **(5 Marks)**

Answer the following:

X Ltd. a non-investment company has been incurring losses for the past few years. The company provides the following information for the current year:

	Rs. in lakhs
Paid up equity share capital	90
Paid up preference share capital	10

Reserves (including revaluation reserve Rs.5 lakhs)	75
Securities premium	30
Long term loans	20
Deposit repayable after one year	10
Application money pending allotment	360
Accumulated losses not written off	40
Investment	90

X Ltd. has only one whole time director, Mr. Y. You are required to calculate the amount of maximum remuneration that can be paid to him if no special resolution is passed at the general meeting of the company in respect of payment of remuneration for period not exceeding three year.

Q.17 (May 2022) (5 Marks)

Answer the following

The following information is provided by Exe limited for 31st March, 2022

	Rs.
Net profit before income tax & managerial	
Remuneration, but after depreciation & provision for repairs	9,40,000
Depreciation provided in the books	4,05,000
Provision for repairs for machinery during the year	35,000
Depreciation allowable under schedule II	3,40,000
Actual expenditure incurred on repairs during the year	25,000
Provision for income tax	1,50,000

You are required to calculate the managerial remuneration for Exe ltd. as on 31st March, 2022 in the following situations

[i] There is only one whole time director

[ii] There are two whole time directors

[iii] There are two whole time directors, a part time director & a manager