

Ch- FINAL ACCOUNTS

BALANCE SHEET

Name of the Company
Balance Sheet as at

Particulars	Note No	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
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(I) EQUITY AND LIABILITIES

(1) Shareholder's Funds

- (a) Share Capital
- (b) Reserves and Surplus
- (c) Money received against share warrants

(2) Share application money pending allotment

(3) Non-Current Liabilities

- (a) Long-term borrowings
- (b) Deferred tax liabilities (Net)
- (c) Other Long term liabilities
- (d) Long term provisions

(4) Current Liabilities

- (a) Short-term borrowings
- (b) Trade payables
- (c) Other current liabilities
- (d) Short-term provisions

TOTAL

II. ASSETS

(1) Non-current assets

- (a) Fixed assets
 - i. Tangible assets
 - ii. Intangible assets

- iii. Capital work-in-progress
- iv. Intangible assets under development
- (b) Non-current investments
- (c) Deferred tax assets (net)
- (d) Long term loans and advances
- (e) Other non-current assets

(2) Current assets

- (a) Current investments
- (b) Inventories
- (c) Trade receivables
- (d) Cash and cash equivalents
- (e) Short-term loans and advances
- (f) Other current assets

TOTAL

STATEMENT OF PROFIT AND LOSS

Name of Company

Profit and loss Statement for the year ended

Particulars	Note No.	Figures for the Current reporting period	Figures for the Previous reporting period
I Revenue from operations			
II Other Income			
III Total Revenue (I + II)			
IV Expenses:			
Cost of materials consumed			
Purchases of Stock-in-Trade			
Changes in inventories of finished goods			
Work-in-progress and Stock-in Trade			
Employee benefits expense			
Finance costs			
Depreciation and amortization expense			
Other expenses			
Total expense			

V Profit before exceptional and extraordinary items and tax (III-IV)

VI Exceptional items

VII Profit before extraordinary items and tax (V-VI)

VIII Extraordinary items

IX Profit before tax (VII-VIII)

X Tax expense:

(1) Current tax

(2) Deferred tax

XI Profit (Loss) for the period from continuing operations (IX-X-XIV)

XII Profit / (Loss) from discontinuing operations

XIII Tax expense of discontinuing operations

XIV Profit / (Loss) from discontinuing operations (after tax) (XII-XIII)

XV Profit / (Loss) for the period (XI-XIV)

XVI Earning per equity share:

(1) Basic

(2) Dilute

MANAGERIAL REMUNERATION

Managerial personnel	% of net profits
Overall (excluding fees for attending meetings)	11%
If there is one managerial personnel	5%
If there are more than one managerial personnel	10%
Remuneration of part-time directors:	
(a) If there is no manager or whole-time director	3%
(b) If there is a managing director or whole-time director	1%

Net profit for the purpose of managerial remuneration has to be calculated as per **section 198**.

CALCULATION OF NET PROFIT FOR THE PURPOSE OF MANAGERIAL REMUNERATION (sec 198)

Net profit for this purpose is calculated after making the following four adjustments:

- (1) **Credit shall be given for the following sums:** (This means that following should be added when gross profit is starting point)

Bounties and subsidies received from any Government or any public authority.

- (2) **Credit shall not be given for the following sums** (This means that following should not when gross profit is starting point)

(a) Premium on shares or debentures

(b) Profits on forfeited shares

- (c) Profits of a capital nature
- (d) Capital profits on sale of immovable property or fixed assets

(3) The following sums shall be deducted : (When gross profit is starting point)

- (a) Usual working charges
- (b) Directors seating fee
- (c) Bonus or commission to employees
- (d) Tax on excess or abnormal profits
- (e) Tax special reasons or special circumstances notified by the Central Government
- (f) Interest on debentures
- (g) Interest on mortgages
- (h) Interest on unsecured loans and advances
- (i) Expenses on repairs
- (j) Contributions made u/s 181
- (k) Depreciation u/s 123
- (l) Liability arising from a breach of contract
- (m) Insurance
- (n) Bad debts written-off (Not provision/reserve for bad debt)

(4) The following sums shall not be deducted : (When gross profit is starting point)

- (a) Income-tax and super-tax on the income of the company.
- (b) Voluntarily compensation, damages or payments.
- (c) Loss of a capital nature

Problem No. 1] The following is the profit & loss account of Z Ltd. for the year ended 31.3.2014.

	Rs.		Rs.
To Salaries & Bonus	3,00,000	By Gross Profit b/d	10,00,000
To General Expenses	1,50,000	By Profit on sale of plant	1,00,000
To Repairs to Buildings	30,000	By Subsidy from Central Govt.	3,65,000
To Directors Fees	10,000	By Interest on Investment	20,000
To R & D Expenses	25,000	By Transfer Fees	5,000
To Ex-gratia Payment to Employees	5,000	By Misc. Operating Income	10,000
To Depreciation	1,50,000		
To Bad Debt	30,000		
To Compensation for breach of contract	20,000		
To Donations (As Per Section 181)	30,000		
To Managing Director's Salary	60,000		
To Interest on Debentures	20,000		
To Debenture Trustee Remuneration	5,000		
To Income Tax	3,32,500		
To Net Profit	3,32,500		
	<u>15,00,000</u>		<u>15,00,000</u>

Additional information:

- (1) Z Ltd. employs Mr. X as managing director who is entitled to a salary of Rs. 5,000 p.m. plus commission 1% of the net profits before charging such salary and commission.
- (2) Whole of the R & D expenses has been incurred for purchase of equipment.
- (3) Cost of plant sold was Rs. 2,50,000 on which depreciation provided up to date was Rs. 70,000.
- (4) Depreciation appearing in the profit and loss account has been calculated as per section 123 read with Schedule II.

You are required to calculate the maximum remuneration that can be paid under Companies Act, 2013 to managing director.

Problem No. 2] Profits of Z Ltd. before remuneration of MD was Rs. 20,10,000 for the year ended 31st March 2014. The said profit has been calculated considering following figures:

Capital expenditure	8,25,000
Depreciation as per section 123 read with Schedule II	70,000
Bonus to technicians	3,15,000
Compensation paid to workman	70,000
Loss on sale of fixed assets	70,000
Subsidy from Govt.	4,20,000
Multiple shift allowance	1,05,000
Provision for taxation	28,00,000
Profit on sale of building	2,10,000
Ex-gratia payments to an employee	35,000

Determine the maximum remuneration payable to the MD of Z Ltd.

Problem No.3) The Managing Director of Z Ltd. is entitled to a commission of 5% on the profits before charging such commission. Calculate the remuneration.

The following details are available for the year ending 31st March 2014. Net profits before charging the commission - Rs. 40,00,000.

The following had been charged off against the profits as determined as above: -

Depreciation on fixed assets Rs. 15,95,000

- Provision for bad and doubtful debts Rs. 46,000.

Other relevant information:

(1) Bad debts during the year Rs. 40,000.

(2) Depreciation for calculation of managerial remuneration Rs. 19,58,000.

Problem No.4) The manager of Z Ltd. is entitled to a commission 3% on net profit after charging such commission. Calculate the commission payable to the manager.

Net profit before tax and managerial remuneration	Rs. 8,80,000
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Depreciation as provided in books of account	Rs. 1,10,000
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Depreciation as per section 123 of the Companies Act, 2013	Rs. 1,32,000
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Problem No.5] Shelley Ltd. was incorporated with a nominal capital of Rs. 5,00,000 in equity shares of Rs. 10 each. On 31st March 2013, 25,000 shares were fully called up. The following balances were extracted from the ledger of the company. as on 31st March 2014..

Stock 50,000 Sales 4,25,000 Purchases 3,00,000 Wages (productive) 70,000 Discount allowed 4,200 Discount received 3,150 Insurance (1.7.2013 to 30.6.2014) 6,720 Salaries 18,500 Rent 6,000 General expenses 8,950 Profit and loss account 6,220 Printing and stationery 2,400 Advertisement 3,800 Bonus 10,500 Debtors 38,700 Creditors 35,200 Plant and machinery 80,500 Furniture 17,100 Cash at bank 1,34,700 General reserve 25,000 Loan from managing director 15,700 Bad debts 3,200 Calls in arrears 5,000

You are required to prepare trading and profit and loss account for the year ended 31st March, 2014 and the balance sheet in the prescribed form as on that date.

The following further information is given to you.

(I) Closing stock was Rs. 91,500.

(II) Depreciation is to be charged on plant and machinery and furniture at 15% and 10% respectively.

(III) Outstanding liabilities on 31st March 2014 were:

Wages	Salary	Rent
Rs. 5,200	Rs. 1,200	Rs. 600

(iv) Dividend for the year ended 31st March 2014 @ 5% is to be provided.

(v) Corporate dividend tax rate on dividend is 17%.

(Vi) Make a provision for taxation @ 50%.

Problem No. 6) A limited company has a paid-up equity share capital of Rs. 15,00,000 divided into 1,50,000 shares of Rs. 10 each and 11% preference share capital of Rs. 5,00,000 divided into 5,000 shares of Rs.100 each. The balance of profit brought forward from the previous balance sheet was Rs. 38,000. The profit for the year ended 31st March, 2010 amounted to Rs. 5,80,000 after tax.

The directors proposed a dividend of 24% on equity share capital after providing for:

- (1) Transfer to general reserve 10% of profit and
- (2) Dividend on preference shares. Ignore tax on distributed profit.

Prepare profit and loss appropriation account.

Problem No. 7] The trial balance of a company as at 31st March 2006 shows the following Items:

	Dr. (Rs.)	Cr. (Rs.)
Advance payment of income tax	1,55,000	
Provision for tax account for the year ended 31.3.2005 -		70,000

You are also given the following information:

- Advance payment of income tax account includes Rs. 65,000 for the financial year 2004-2005.
- Actual tax liability for the financial year 2004-2005 amounts to Rs. 68,000 and no effect for the same has been given so far in the accounts.
- Provision for income tax to be made for the financial year 2005-2006 is Rs. 80,000.

Prepare provision for income-tax account and advance payment of income tax account, and also show how relevant items will appear in the balance sheet of the company

Problem No.8) Following is the Trial Balance of Sam Ltd

	Rs.		Rs.
Stock as on 1.4.2013	75,000	Purchase returns	10,000
Purchases	2,45,000	Sales	3,40,000
Wages	30,000	Discount	3,000
Carriage	950	Profit and loss account	15,000
Furniture	17,000	Share capital	1,00,000
Salaries	7,500	Creditors	17,500
Rent	4,000	General reserve	15,500
Sundry trade expenses	7,050	Bills payable	7,000
Debtors	27,500		
Plant and machinery	29,000		
Cash at bank	55,200		
Patents	4,800		
Bills receivable	5,000		
	<u>5,08,000</u>		<u>5,08,000</u>

Prepare the profit and loss account for the year ended 31st March 2014 and a balance sheet as on that date after considering the following adjustments:

- Stock as on 31st March, 2014 Rs. 88,000.
- Provide for income tax at 50%.
- Depreciate plant and machinery at 15%, furniture at 10% and patents at 5%.
- On 31st March 2014 outstanding rent amounted to Rs. 800 and salaries Rs. 900.
- The Board recommends payment of a dividend @ 5%. Corporate dividend tax rate is 17%.

Problem No. 9] Following is the profit and loss account of Azad Ltd. for the year ended 31st March, 2014.

Office and administrative expenses 3,10,000 , Selling and distribution expenses 1,92,000 , Directors' fees 39,500 , Managerial remuneration 1,70,000 , Interest on debentures 1,83,000 , Donation to trust 15,000 , Compensation for breach of contract 27,000 , Depreciation on fixed assets 3,12,000 , Investment revaluation reserve 12,500 , Provision for taxation 7,40,000 , General reserve 2,50,000
Balance c/d 8,46,500

Balance b/d 3,43,200

Gross profit b/d 24,15,000 , Subsidies ,39,300 , Interest on investment 9,500 Transfer fees 1,000 , Profit on sale of machinery (WDV Rs. 30,000) 25,000

Additional information: - Original cost of the machinery sold was Rs. 40,000. - Depreciation on fixed assets as per Schedule II of the Companies Act, 2013 was Rs. 3,42,000.

You are required to calculate managerial remuneration in the following situations:

- When there is only whole-time director
- When there are two whole-time directors and

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

Problem 10] The Trial Balance of Complex Ltd as at 31st March 2014 shows the following item:

	Dr(Rs)	Cr(Rs)
Advance payment of income tax	2,20,000	
Provision for income tax for the year ended 31.3.2013		1,20,000

The following further information is given:

- (1) Advance payment of income tax includes Rs. 1,40,000 for 2012-2013.
- (2) Actual tax liability for 2012-2013 amount to Rs. 1,52,000 and no effect for the same has so far be given in accounts.
- (3) Provision for income tax has to be made for 2013-2014 for Rs. 1,60,000.

You are required to prepare: (a) Provision for Income Tax Account (b) Advance Payment of Income Tax Account (c) Liabilities for Taxation Account (d) Show, how the relevant items will appear in Profit & Loss Account and Balance Sheet of the Company.