

# Final Accounts of Companies— Application of Schedule III, Part I of the Companies Act, 2013

## MEANING OF KEY TERMS USED IN THE CHAPTER

### BALANCE SHEET

#### Equity and Liabilities

##### 1. Shareholders' Funds

Shareholders' Funds are the funds of the shareholders of the company. It comprises of: Share Capital, Reserves and Surplus and Money Received against Share Warrants.

##### (a) Share Capital

It is the amount received by the company as capital. It includes both Equity Share Capital and Preference Share Capital.

##### (b) Reserves and Surplus

It is the amount set aside out of Surplus (profit) or received as Securities Premium Reserve. It may be free reserve or committed reserve.

##### (c) Money Received against Share Warrants

It is the amount received against Share Warrants. Share Warrant is a financial instrument which gives the holder the right to acquire Equity Shares specified therein at a specified date at a specified price.

##### 2. Share Application Money Pending Allotment

It is the amount received as share application and against which the company will make allotment.

##### 3. Non-Current Liabilities

Non-Current Liabilities are defined in Schedule III of the Companies Act, 2013 as those liabilities which are not Current Liabilities. These are sub-classified into: Long-term Borrowings; Deferred Tax Liabilities (Net); Other Long-term Liabilities and Long-term Provisions.

##### (a) Long-term Borrowings

Long-term Borrowings are the borrowings which as on the date of borrowings, are repayable after more than 12 months from the date of Balance Sheet or after the period of Operating Cycle.

##### (b) Deferred Tax Liabilities (Net)

It is the amount of tax on the temporary difference between the accounting income and taxable income. It is only a book entry and not an actual liability. It arises when accounting income is more than the taxable income.

##### (c) Other Long-term Liabilities

These are the liabilities, other than Long-term Borrowings of the company.

**(d) Long-term Provisions**

These are the provisions for liabilities that will be payable after 12 months from the date of Balance Sheet or after the period of Operating Cycle.

**4. Current Liabilities**

Current Liabilities are those liabilities which are:

- (a) expected to be settled in company's normal Operating Cycle; or
- (b) due to be settled within 12 months after the reporting date; (Reporting date is the date on which financial statements are prepared); or
- (c) held primarily for the purpose of being traded; or
- (d) there is no unconditional right to defer settlement for at least 12 months after the reporting date.

**Current liabilities** are classified into: Short-term Borrowings; Trade Payables; Other Current Liabilities; and Short-term Provisions.

**(a) Short-term Borrowings**

These are the borrowings which as on the date of borrowing, are repayable within 12 months from the date of Balance Sheet or within the period of a Operating Cycle.

**(b) Trade Payables**

These are the amounts payable for goods purchased or services taken in the normal course of business and are payable within 12 months from the date of Balance Sheet or within the period of a Operating Cycle.

**(c) Other Current Liabilities**

These are short-term liabilities, other than short-term borrowings, trade payables and short-term provisions.

**(d) Short-term Provisions**

These are provisions for liabilities that will be payable within 12 months from the date of Balance Sheet or within the period of a Operating Cycle.

**5. Operating Cycle**

It is the time between the acquisition of assets for processing and their realisation into Cash and Cash Equivalents.

Where the Operating Cycle cannot be identified, it is assumed to be of 12 months.

**Operating Cycle** is determined for each business separately. It means a company can have more than one Operating Cycle.

**ASSETS****6. Non-Current Assets**

Non-Current Assets are those assets which are not Current Assets. These are sub-classified into: Fixed Assets; Non-Current Investments; Deferred Tax Assets (Net); Long-term Loans and Advances; and Other Non-Current Assets.

**(a) Fixed Assets****(i) Tangible Assets**

These are the assets which have physical existence. Examples are: land, building, machinery, computers, etc.

**(ii) Intangible Assets**

These are the assets which do not have physical existence. Examples are: patents, trademarks, computer software, etc.

**(iii) Capital Work-in-Progress**

Capital Work-in-Progress means expenditure incurred on construction or development of tangible assets.

**(iv) Intangible Assets Under Development**

Intangible Assets Under Development means expenditure incurred on development of intangible assets.

**(b) Non-Current Investments**

Non-Current Investments are those investments that are invested to be held for a period of more than 12 months from the date of Balance Sheet or after the period that is more than the period of a Operating Cycle.

A trade investment is Non-Current Investment when it is invested to be held for more than 12 months from the date of Balance Sheet or for a period that is more than the period of a Operating Cycle.

**(c) Deferred Tax Assets (Net)**

It is the amount of tax on the temporary difference between the accounting income and taxable income. It is only a book entry and not an actual asset. It arises when accounting income is less than the taxable income.

**(d) Long-term Loans and Advances**

Long-term Loans and Advances are loans and advances given by the company that are repayable or adjustable after 12 months from the date of Balance Sheet or after the period of Operating Cycle.

**(e) Other Non-Current Assets**

All Non-Current Assets that are not shown or classified under the above heads are Other Non-Current Assets.

**7. Current Assets**

Current Assets are those assets which are:

- (a) expected to be realised in or intended for sale or consumption in normal Operating Cycle of the company; or
- (b) held primarily for the purposes of trading; or
- (c) expected to be realised within 12 months from the reporting date or closing date. (Reporting date is the date for which financial statements are prepared.); or
- (d) Cash and Cash Equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

**Current Assets** are classified into: Current Investments; Inventories; Trade Receivables; Cash and Cash Equivalents; Short-term Loans and Advances; and Other Current Assets.

**(a) Current Investments**

Current Investments are those investments that are invested to be held for a period of less than 12 months from the date of Balance Sheet or within the period of Operating Cycle.

**(b) Inventories**

Inventories mean stock. It is the tangible asset held

(i) for the purpose of sale in the normal course of business;

or

(ii) for the purpose of using it in the production of goods meant for sale or service to be rendered.

Inventory may be opening or closing inventory or both.

In case of trading company, it comprises of stock of goods traded in.

In case of a manufacturing company, it comprises of raw materials, work-in-progress and finished goods.

Inventories are valued at lower of cost or net realisable value, *i.e.*, market price.

**(c) Trade Receivables**

Trade Receivables are the amounts receivable for sale of goods or services rendered in the normal course of business receivable within 12 months of the reporting date or within the period of Operating Cycle.

**(d) Cash and Cash Equivalents**

It includes cash in hand and balance with bank.

**(e) Short-term Loans and Advances**

Short-term Loans and Advances are loans and advances given by the company that are repayable or adjustable within 12 months from the date of Balance Sheet or within the period of Operating Cycle.

**(f) Other Current Assets**

All other current assets that are not shown or classified under the above heads are Other Current Assets.

### SUMMARY OF THE CHAPTER

- According to Section 2(40) of the Companies Act, 2013, Financial Statement includes:
  - (i) a Balance Sheet as at the end of the financial year;
  - (ii) a Profit and Loss Account (Statement of Profit and Loss);
  - (iii) Cash Flow Statement for the year;
  - (iv) a Statement of Changes in Equity, *if applicable*; and
  - (v) any explanatory note annexed to, or forming part of, any document referred to above.
- The form and contents of the Balance Sheet are prescribed in Schedule III, Part I of the Companies Act, 2013.
- **Balance Sheet:** Balance Sheet is a statement which shows the financial position of an enterprise as at a particular date. It lists the balances of various assets and liabilities as at a particular date.
- **Appropriation of Profit:** Profit is appropriated out of the balance in Surplus, *i.e.*, Balance in Statement of Profit and Loss under Reserves and Surplus. Profit for the year is transferred and added to the existing balance and appropriations (say transfer to Debenture Redemption Reserve, General Reserve, Workmen Compensation Reserve, Dividend Payable, etc.) are deducted. Appropriations are shown under appropriate reserves (Debenture Redemption Reserve, General Reserve, Workmen Compensation Reserve, etc.). Proposed Dividend is shown as contingent liability in Notes to Accounts.

- **Provision:** Provision is the amount set aside to meet future liability, the amount of which cannot be determined with reasonable accuracy. Provisions are accounted in the books of account making the best estimate.
- **Reserve** means amount set aside out of profit and other surpluses to meet future uncertainties.

*Loss on Issue of Debentures, Discount on Issue of Debentures, Underwriting Commission and Preliminary Expenses* are written off in the year they are incurred from Securities Premium Reserve (if exists), or from Statement of Profit and Loss, or from Capital Reserve.

## Solved Questions

### Illustration 1.

Sharp Ltd. was formed on 1st December, 2013, with a capital of ₹ 5,00,000 divided into shares of ₹ 10 each. It offered 80% of the shares to the public.

The issue price was payable as follows:

30% of the face value per share was payable with application.

20% of the face value per share was payable with allotment.

The balance as and when required. The company did not call for the balance during the year.

All the shares offered by the company were subscribed for. The company did not receive the allotment money on 3,000 shares.

You are required to:

- Show the Share Capital in the Balance Sheet of the Company prepared as per Schedule III of the Companies Act, 2013 at the end of the financial year.
- Prepare Notes to Accounts. *(ISC 2014, Modified as per Companies Act, 2013)*

**Solution:**

**Sharp Ltd.**

BALANCE SHEET as at 31st March, 2014

| Particulars                      | Note No. | ₹        |
|----------------------------------|----------|----------|
| <b>I. EQUITY AND LIABILITIES</b> |          |          |
| <b>Shareholders' Funds</b>       |          |          |
| Share Capital                    | 1        | 1,94,000 |
| <b>Total</b>                     |          | 1,94,000 |
| <b>II. ASSETS</b>                |          |          |
| <b>Current Assets</b>            |          |          |
| Cash and Bank Balances           | 2        | 1,94,000 |
| <b>Total</b>                     |          | 1,94,000 |

**Notes to Accounts**

|   |          |
|---|----------|
| <b>1. Share Capital</b>                   | ₹        |
| <i>Authorised Capital</i>                 |          |
| 50,000 Shares of ₹ 10 each                | 5,00,000 |
| <i>Issued Capital</i>                     |          |
| 40,000 Shares of ₹ 10 each                | 4,00,000 |
| <i>Subscribed Capital</i>                 |          |
| <i>Subscribed but not fully paid-up:</i>  |          |
| 40,000 shares of ₹ 10 each, ₹ 5 called-up | 2,00,000 |
| Less: Calls-in-Arrears (3,000 × ₹ 2)      | 6,000    |
|   | 1,94,000 |
| <b>2. Cash and Bank Balances</b>          |          |
| Cash at Bank                              | 1,94,000 |

**Illustration 2.**

Following balances have been extracted from the books of Robin Ltd. on 31st March, 2018: Share Capital ₹ 10,00,000; (1,00,000 Equity Shares of ₹ 10 each ) Securities Premium ₹ 1,00,000; 12% Debentures ₹ 5,00,000; Creditors ₹ 2,50,000; Balance—Profit and Loss (Dr.) ₹ 50,000; Livestock ₹ 9,00,000; Investments in Government Bonds ₹ 4,00,000; Work-in-Progress ₹ 4,00,000; Discount on Issue of 12% Debentures ₹ 1,00,000; Patents ₹ 40,000; Unclaimed Dividend ₹ 10,000; Accounts Receivable ₹ 20,000; and Deposits ₹ 50,000.

Prepare Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

Proposed Dividend for the year is ₹ 50,000.

(ISC 2009, Modified)

**Solution:****Robin Ltd.**

BALANCE SHEET as at 31st March, 2018

| Particulars                       | Note No. | ₹         |
|-----------------------------------|----------|-----------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |           |
| <b>1. Shareholders' Funds</b>     |          |           |
| (a) Share Capital                 | 1        | 10,00,000 |
| (b) Reserves and Surplus          | 2        | (50,000)  |
| <b>2. Non-Current Liabilities</b> |          |           |
| Long-term Borrowings              | 3        | 5,50,000  |
| <b>3. Current Liabilities</b>     |          |           |
| (a) Trade Payables                | 4        | 2,50,000  |
| (b) Other Current Liabilities     | 5        | 10,000    |
| <b>Total</b>                      |          | 17,60,000 |

| II. ASSETS                   |    |                  |
|------------------------------|----|------------------|
| <b>1. Non-Current Assets</b> |    |                  |
| (a) Fixed Assets—Tangible    | 6  | 9,00,000         |
| Intangible                   | 7  | 40,000           |
| Capital Work-in-Progress     | 8  | 4,00,000         |
| (b) Non-Current Investments  | 9  | 4,00,000         |
| <b>2. Current Assets</b>     |    |                  |
| Trade Receivables            | 10 | 20,000           |
| <b>Total</b>                 |    | <b>17,60,000</b> |

**Notes to Accounts**

|  |          |           |
|--|----------|-----------|
| <b>1. Share Capital</b>                                |          | ₹         |
| <i>Authorised Capital</i>                              |          | ...       |
| ...Equity Shares of ₹ 10 each                          |          |           |
| <i>Issued Capital</i>                                  |          |           |
| 1,00,000 Equity Shares of ₹ 10 each                    |          | 10,00,000 |
| <i>Subscribed Capital</i>                              |          |           |
| Subscribed and Fully Paid-up:                          |          |           |
| 1,00,000 Equity Shares of ₹ 10 each                    |          | 10,00,000 |
| <b>2. Reserves and Surplus</b>                         |          |           |
| Securities Premium Reserve                             | 1,00,000 |           |
| Less: Discount on Issue of Debentures (W/o)            | 1,00,000 | ...       |
| Surplus, i.e., Balance in Statement of Profit and Loss |          | (50,000)  |
|  |          | (50,000)  |
| <b>3. Long-term Borrowings</b>                         |          |           |
| 12% Debentures   |          | 5,00,000  |
| Deposits   |          | 50,000    |
|  |          | 5,50,000  |
| <b>4. Trade Payables</b>                               |          |           |
| Creditors  |          | 2,50,000  |
| <b>5. Other Current Liabilities</b>                    |          |           |
| Unclaimed Dividend                                     |          | 10,000    |
| <b>6. Fixed Assets—Tangible</b>                        |          |           |
| Livestock  |          | 9,00,000  |
| <b>7. Fixed Assets—Intangible</b>                      |          |           |
| Patents  |          | 40,000    |
| <b>8. Capital Work-in-Progress</b>                     |          |           |
| Work-in-Progress*                                      |          | 4,00,000  |
| <b>9. Non-Current Investments</b>                      |          |           |
| Government Bonds                                       |          | 4,00,000  |
| <b>10. Trade Receivables</b>                           |          |           |
| Accounts Receivable (Debtors)                          |          | 20,000    |

\*Work-in-Progress has been treated as Capital Work-in-Progress.

Contingent Liabilities: Proposed Dividend for the current year, i.e., year ended 31st March, 2018 is ₹ 50,000.

**Illustration 3.**

Following balances have been extracted from the books of King Furnishings Ltd. as at 31st March, 2018:

|  | ₹        |   | ₹        |
|--|----------|---|----------|
| Equity Share Capital (fully paid shares of ₹ 100 each) | 4,00,000 | Accumulated Depreciation                  | 30,000   |
| Fixed Assets (At cost)                                 | 6,60,000 | Provision for Taxation                    | 25,000   |
| Inventories  | 40,000   | Reserves and Surplus                      | 1,00,000 |
| Cash and Bank Balances                                 | 50,000   | 5% Debentures (secured against land)      | 2,00,000 |
| Creditors  | 30,000   | Unsecured Loan from Subsidiaries          | 50,000   |
| Bills Receivable                                       | 20,000   | Underwriting Commission                   | 5,000    |
|  |          | Investments                               | 70,000   |
|  |          | Interest accrued and due on 5% Debentures | 10,000   |

You are required to prepare Balance Sheet of King Furnishings Ltd. as at 31st March, 2018, as prescribed under Schedule III of the Companies Act, 2013. (ISC 2012, Modified)

**Solution:**

BALANCE SHEET OF KING FURNISHINGS LTD.  
as at 31st March, 2018

| Particulars                       | Note No. | ₹               |
|-----------------------------------|----------|-----------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                 |
| <b>1. Shareholders' Funds</b>     |          |                 |
| (a) Share Capital                 | 1        | 4,00,000        |
| (b) Reserves and Surplus          | 2        | 95,000          |
| <b>2. Non-Current Liabilities</b> |          |                 |
| Long-term Borrowings              | 3        | 2,50,000        |
| <b>3. Current Liabilities</b>     |          |                 |
| (a) Trade Payables                | 4        | 30,000          |
| (b) Other Current Liabilities     | 5        | 10,000          |
| (c) Short-term Provisions         | 6        | 25,000          |
| <b>Total</b>                      |          | <b>8,10,000</b> |
| <b>II. ASSETS</b>                 |          |                 |
| <b>1. Non-Current Assets</b>      |          |                 |
| (a) Fixed Assets:                 |          |                 |
| Tangible                          | 7        | 6,30,000        |
| (b) Non-Current Investments       | 8        | 70,000          |
| <b>2. Current Assets</b>          |          |                 |
| (a) Inventories                   |          | 40,000          |
| (b) Trade Receivables             | 9        | 20,000          |
| (c) Cash and Bank Balances        |          | 50,000          |
| <b>Total</b>                      |          | <b>8,10,000</b> |



## Notes to Accounts

|  |          |
|--|----------|
| <b>1. Share Capital</b>  | ₹        |
| <i>Authorised Capital</i>  | ...      |
| ... Equity Shares of ₹ 100 each  |          |
| <i>Issued Capital</i>  |          |
| 4,000 Equity Shares of ₹ 100 each  | 4,00,000 |
| <i>Subscribed Capital</i>  |          |
| <i>Subscribed and Fully Paid-up</i>                                      |          |
| 4,000 Equity Shares of ₹ 100 each  | 4,00,000 |
| <b>2. Reserves and Surplus</b>   |          |
| Surplus, i.e., Balance in Statement of Profit and Loss (Opening Balance) | 1,00,000 |
| Less: Underwriting Commission  | 5,000    |
|  | 95,000   |
| <b>3. Long-term Borrowings</b>   |          |
| 5% Debentures  | 2,00,000 |
| Loan from Subsidiary*  | 50,000   |
|  | 2,50,000 |
| *Loan from Subsidiary Company is Unsecured.                              |          |
| <b>4. Trade Payables</b>   |          |
| Creditors  | 30,000   |
| <b>5. Other Current Liabilities</b>                                      |          |
| Interest Accrued and Due on 5% Debentures                                | 10,000   |
| <b>6. Short-term Provisions</b>  |          |
| Provision for Taxation   | 25,000   |
| <b>7. Fixed Assets—Tangible</b>  |          |
| Cost   | 6,60,000 |
| Less: Accumulated Depreciation   | 30,000   |
|  | 6,30,000 |
| <b>8. Non-Current Investments</b>  |          |
| Investments  | 70,000   |
| <b>9. Trade Receivables</b>  |          |
| Bills Receivable   | 20,000   |

## Illustration 4.

From the list of following assets and liabilities, prepare Balance Sheet of the Company as per Schedule III, Part I of the Companies Act, 2013:

## NISHANT COMPANY LTD.

| Liabilities                            | ₹         | Assets                             | ₹        |
|--|-----------|------------------------------------|----------|
| Sundry Creditors                       | 1,00,000  | Cash at Bank                       | 79,800   |
| General Reserve                        | 50,000    | Cash in Hand                       | 1,500    |
| Accrued Interest on Debentures         | 28,000    | Investments (Government Bonds)     | 95,000   |
| <i>Authorised Capital</i>              |           | Preliminary Expenses               | 9,000    |
| 1,20,000 Equity Shares of              |           | Loans and Advances to Staff        | 95,000   |
| ₹ 10 per Share                         | 12,00,000 | Goodwill                           | 50,000   |
| <i>Subscribed Capital</i>              |           | Building                           | 6,00,000 |
| 80,000 Equity Shares of                |           | Plant and Machinery                | 6,60,000 |
| ₹ 10 each                              | 8,00,000  | Less: Depreciation                 | 66,000   |
| Less: Calls-in-Arrears                 | 15,000    | 7,85,000                           | 5,94,000 |
| Surplus, i.e., Balance in Statement of |           | Stock-in-Trade                     | 10,000   |
| Profit and Loss                        | 75,000    | Debtors                            | 1,74,000 |
| 6% Debentures                          | 6,00,000  | Less: Provision for Doubtful Debts | 8,700    |
| Bills Payable                          | 76,000    | Furniture                          | 14,400   |

Calls-in-Arrears are in respect of 5,000 Equity Shares being final call of ₹ 3 each.  
There is a contingent liability in respect of a claim of ₹ 10,000 against the company not acknowledged as debt.

**Solution:****Nishant Company Ltd.**

BALANCE SHEET as at ...

| Particulars                       | Note No. | ₹                |
|-----------------------------------|----------|------------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                  |
| <b>1. Shareholders' Funds</b>     |          |                  |
| (a) Share Capital                 | 1        | 7,85,000         |
| (b) Reserves and Surplus          | 2        | 1,16,000         |
| <b>2. Non-Current Liabilities</b> |          |                  |
| Long-term Borrowings              | 3        | 6,00,000         |
| <b>3. Current Liabilities</b>     |          |                  |
| (a) Trade Payables                | 4        | 1,76,000         |
| (b) Other Current Liabilities     | 5        | 28,000           |
| <b>Total</b>                      |          | <u>17,05,000</u> |
| <b>II. ASSETS</b>                 |          |                  |
| <b>1. Non-Current Assets</b>      |          |                  |
| (a) Fixed Assets:                 |          |                  |
| Tangible Fixed Assets             | 6        | 12,08,400        |
| Intangible Fixed Assets           | 7        | 50,000           |
| (b) Non-Current Investments       | 8        | 95,000           |
| <b>2. Current Assets</b>          |          |                  |
| (a) Inventories                   | 9        | 10,000           |
| (b) Trade Receivables             | 10       | 1,65,300         |
| (c) Cash and Bank Balances        | 11       | 81,300           |
| (d) Short-term Loans and Advances | 12       | 95,000           |
| <b>Total</b>                      |          | <u>17,05,000</u> |

**Notes to Accounts**

|  |        |                 |
|--|--------|-----------------|
| <b>1. Share Capital</b>                                |        | ₹               |
| <i>Authorised Capital</i>                              |        |                 |
| 1,20,000 Equity Shares of ₹ 10 each                    |        | 12,00,000       |
| <i>Issued Capital</i>                                  |        |                 |
| 80,000 Equity Shares of ₹ 10 each                      |        | 8,00,000        |
| <i>Subscribed Capital</i>                              |        |                 |
| Subscribed and Fully Paid-up:                          |        |                 |
| 75,000 Equity Shares of ₹ 10 each                      |        | 7,50,000        |
| Subscribed but not Fully Paid-up:                      |        |                 |
| 5,000 Equity Shares of ₹ 10 each                       | 50,000 |                 |
| Less: Calls-in-Arrears                                 | 15,000 | 35,000          |
|  |        | <u>7,85,000</u> |
| <b>2. Reserves and Surplus</b>                         |        |                 |
| General Reserve  |        | 50,000          |
| Surplus, i.e., Balance in Statement of Profit and Loss | 75,000 |                 |
| Less: Preliminary Expenses written off                 | 9,000  | 66,000          |
|  |        | <u>1,16,000</u> |
| <b>3. Long-term Borrowings</b>                         |        |                 |
| 6% Debentures  |        | 6,00,000        |
| <b>4. Trade Payables</b>                               |        |                 |
| Sundry Creditors                                       |        | 1,00,000        |
| Bills Payable  |        | 76,000          |
|  |        | <u>1,76,000</u> |

|   |          |           |
|---|----------|-----------|
| <b>5. Other Current Liabilities</b>   |          |           |
| Accrued Interest on Debentures  |          | 28,000    |
| <b>6. Tangible Fixed Assets</b>   |          |           |
| (i) Building  |          | 6,00,000  |
| (ii) Plant and Machinery  | 6,60,000 |           |
| Less: Depreciation  | 66,000   | 5,94,000  |
| (iii) Furniture   |          | 14,400    |
|   |          | 12,08,400 |
| <b>7. Intangible Fixed Assets</b>   |          |           |
| Goodwill  |          | 50,000    |
| <b>8. Non-Current Investments</b>   |          |           |
| Government Bonds  |          | 95,000    |
| <b>9. Inventories</b>   |          |           |
| Stock-in-Trade  |          | 10,000    |
| <b>10. Trade Receivables*</b>   |          |           |
| Debtors   | 1,74,000 |           |
| Less: Provision for Doubtful Debts  | 8,700    | 1,65,300  |
| <b>11. Cash and Bank Balances</b>   |          |           |
| Cash in Hand  |          | 1,500     |
| Cash at Bank  |          | 79,800    |
|   |          | 81,300    |
| <b>12. Short-term Loans and Advances</b>  |          |           |
| Advances to Staff   |          | 95,000    |
| <b>Contingent Liabilities</b>   |          |           |
| A contingent liability in respect of claim of ₹ 10,000 is not acknowledged as debt. |          |           |

**Illustration 5.**

Following Ledger balances were extracted from the books of Varun Ltd. on 31st March, 2019: Land and Building ₹ 2,00,000; 12% Debentures ₹ 2,00,000; Share Capital ₹ 10,00,000 (Equity Shares of ₹ 10 each Fully Paid up); Plant and Machinery ₹ 8,00,000; Goodwill ₹ 2,00,000; Investments in Shares of Raja Ltd. ₹ 2,00,000; General Reserve ₹ 2,00,000; Stock-in-Trade ₹ 1,00,000; Bills Receivable ₹ 1,00,000; Debtors ₹ 1,50,000; Creditors ₹ 1,00,000; Bank Loan (Unsecured) ₹ 1,00,000; Provision for Tax ₹ 55,000; and Discount on Issue of 12% Debentures ₹ 5,000.

Proposed Dividend for the year is ₹ 1,00,000.

You are required to prepare Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

**Solution:****Varun Ltd.**

BALANCE SHEET as at 31st March, 2019

| Particulars                       | Note No. | ₹         |
|-----------------------------------|----------|-----------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |           |
| <b>1. Shareholders' Funds</b>     |          |           |
| (a) Share Capital                 | 1        | 10,00,000 |
| (b) Reserves and Surplus          | 2        | 1,95,000  |
| <b>2. Non-Current Liabilities</b> |          |           |
| Long-term Borrowings              | 3        | 3,00,000  |
| <b>3. Current Liabilities</b>     |          |           |
| (a) Trade Payables                | 4        | 2,00,000  |
| (b) Short-term Provisions         | 5        | 55,000    |
| <b>Total</b>                      |          | 17,50,000 |

**II. ASSETS****1. Non-Current Assets***(a) Fixed Assets:*

(i) Tangible Assets

6 10,00,000

(ii) Intangible Assets

7 2,00,000

*(b) Non-Current Investments*

8 2,00,000

**2. Current Assets***(a) Inventories*

9 1,00,000

*(b) Trade Receivables*

10 2,50,000

**Total**

17,50,000

**Notes to Accounts****1. Share Capital***Authorised Capital*

...Equity Shares of ₹ 10 each

*Issued Capital*

1,00,000 Equity Shares of ₹ 10 each

*Subscribed Capital*

Subscribed and Fully Paid-up:

1,00,000 Equity Shares of ₹ 10 each

**2. Reserves and Surplus**

General Reserve

2,00,000

Surplus, i.e., Balance in Statement of Profit and Loss

...

Less: Discount on Issue of 12% Debentures written off

5,000

(5,000)

1,95,000

**3. Long-term Borrowings**

12% Debentures

2,00,000

Bank Loan (Unsecured)

1,00,000

3,00,000

**4. Trade Payables**

Creditors

2,00,000

**5. Short-term Provisions**

Provision for Tax

55,000

**6. Fixed Assets—Tangible***(i) Land and Building*

2,00,000

*(ii) Plant and Machinery*

8,00,000

10,00,000

**7. Fixed Assets—Intangible**

Goodwill

2,00,000

**8. Non-Current Investments**

Investments in Shares of Raja Ltd.

2,00,000

**9. Inventories**

Stock-in-Trade

1,00,000

**10. Trade Receivables**

Debtors

1,50,000

Bills Receivable

1,00,000

2,50,000

Contingent Liabilities: Proposed Dividend for the current year, i.e., year ended 31st March, 2019 is ₹ 1,00,000.

## Master Question and Advanced Level Questions

### Illustration 6.

Ell Kay Ltd. is a company registered with authorised capital of 5,00,000 Equity Shares of ₹ 10 each and 50,000 Preference Shares of ₹ 100 each. It has existing paid-up capital as follows:

- (i) 50,000 Equity Shares of ₹ 10 each,
- (ii) 5,000, 10% Preference Shares of ₹ 100 each.

The amount received by the company as above is lying deposited in a Bank Account.

It purchased machinery from Excel Ltd. of ₹ 11,50,000 and paid the consideration by issuing cheque of ₹ 50,000 and balance by issuing 15% Preference Shares of ₹ 100 each at a premium of 10%.

It issued to public for subscription 2,00,000 Equity Shares of ₹ 10 each at a premium of ₹ 5 and also 25,000, 10% Preference Shares of ₹ 100 each at par. Amounts were payable as follows:

|                         | Equity Shares (₹) | 10% Preference Shares (₹) |
|-------------------------|-------------------|---------------------------|
| On Application          | 5                 | 50                        |
| On Allotment            | 8                 | 30                        |
| On First and Final Call | Balance Amount    | Balance Amount            |

Applications were received for 5,00,000 Equity Shares and 40,000 Preference Shares.

Equity Shares were allotted on *pro rata* basis to all the applicants and excess application money was retained to be adjusted towards allotment money and call money. Amount due on allotment and calls were received except allotment money on 1,000 Equity Shares from Anil and call money on 1,000 Equity Shares of Anil and 2,000 Equity Shares of Gopal. Shares of Anil were forfeited. Out of these forfeited shares, 500 Equity Shares were reissued at ₹ 15 each as fully paid-up.

Applications for 15,000, 10% Preference Shares were not allotted any share and amount was refunded. All amounts due on Preference Shares were received on due dates except first and final call on 1,000 Preference Shares. Amit holder of 500, 10% Preference Shares paid the call money together with allotment money.

Pass Journal entries, prepare Calls-in-Arrears and Calls-in-Advance Accounts and also the Balance Sheet.

### Solution:

#### Ell Kay Ltd.

##### JOURNAL

| Date | Particulars   | L.F. | Dr. (₹)    | Cr. (₹)                         |
|------|---|------|------------|---------------------------------|
|      | Machinery A/c <span style="float: right;">...Dr.</span><br>To Excel Ltd.<br>(Being the machinery purchased from Excel Ltd.)   |      | 11,50,000  | 11,50,000                       |
|      | Excel Ltd. <span style="float: right;">...Dr.</span><br>To 15% Preference Share Capital A/c<br>To Securities Premium Reserve A/c<br>To Bank A/c<br>(Being the amount due to Excel Ltd. settled) |      | 11,50,000h | 10,00,000<br>1,00,000<br>50,000 |

|  |                  |                   |                        |
|--|------------------|-------------------|------------------------|
| Bank A/c<br>To Equity Shares Application A/c<br>To Preference Shares Application A/c<br>(Being the application money received for 5,00,000 Equity Shares @ ₹ 5 per Equity Share and 40,000, 10% Preference Shares @ ₹ 50 per Preference Share) | ...Dr.           | 45,00,000         | 25,00,000<br>20,00,000 |
| Equity Shares Application A/c<br>To Equity Share Capital A/c<br>To Equity Shares Allotment A/c<br>(Being the Equity Shares allotted on <i>pro rata</i> to all applicants and excess amount transferred to Equity Shares Allotment A/c)         | ...Dr.           | 25,00,000         | 10,00,000<br>15,00,000 |
| Preference Shares Application A/c<br>To 10% Preference Share Capital A/c<br>To Bank A/c<br>(Being 25,000, 10% Preference Shares allotted to applicants of 25,000 Preference Shares and balance refunded)                                       | ...Dr.           | 20,00,000         | 12,50,000<br>7,50,000  |
| Equity Shares Allotment A/c<br>To Equity Share Capital A/c<br>To Securities Premium Reserve A/c<br>(Being the allotment money due on 2,00,000 Equity Shares)   | ...Dr.           | 16,00,000         | 6,00,000<br>10,00,000  |
| Preference Shares Allotment A/c<br>To 10% Preference Share Capital A/c<br>(Being the allotment money due on 25,000, 10% Preference Shares)   | ...Dr.           | 7,50,000          | 7,50,000               |
| Bank A/c (WN 1)<br>Calls-in-Arrears A/c (WN 1)<br>To Equity Shares Allotment A/c<br>(Being the allotment money received after adjustment of advance and balance in arrears)  | ...Dr.<br>...Dr. | 99,500<br>500     | 1,00,000               |
| Bank A/c<br>To Preference Shares Allotment A/c<br>To Calls-in-Advance A/c (500 × ₹ 20)<br>(Being the due amount received against preference shares allotment)  | ...Dr.           | 7,60,000          | 7,50,000<br>10,000     |
| Equity Shares First and Final Call A/c<br>To Equity Share Capital A/c<br>(Being the first and final call due on 2,00,000 Equity Shares @ ₹ 2 each)   | ...Dr.           | 4,00,000          | 4,00,000               |
| Preference Shares First and Final Call A/c<br>To 10% Preference Share Capital A/c<br>(Being the first and final call due on 10% Preference Shares @ ₹ 20 each)   | ...Dr.           | 5,00,000          | 5,00,000               |
| Bank A/c (WN 2)<br>Calls-in-Arrears A/c (WN 2)<br>To Equity Shares First and Final Call A/c<br>(Being the first and final call amount received except on 3,000 Equity Shares)  | ...Dr.<br>...Dr. | 3,94,000<br>6,000 | 4,00,000               |

|  |        |          |          |
|--|--------|----------|----------|
| Bank A/c   | ...Dr. | 4,70,000 |          |
| Calls-in-Advance A/c   | ...Dr. | 10,000   |          |
| Calls-in-Arrears A/c (1,000 × ₹ 20)  | ...Dr. | 20,000   |          |
| To Preference Shares First and Final Call A/c  |        |          | 5,00,000 |
| (Being the amount received and Calls-in-Advance adjusted, amount was not received on 1,000, 10% Preference Shares) |        |          |          |
| Equity Share Capital A/c   | ...Dr. | 10,000   |          |
| Securities Premium Reserve A/c   | ...Dr. | 500      |          |
| To Calls-in-Arrears A/c  |        |          | 2,500    |
| To Forfeited Shares A/c  |        |          | 8,000    |
| (Being 1,000 Equity Shares of Anil forfeited for non-payment of allotment money and first and final call)          |        |          |          |
| Bank A/c   | ...Dr. | 7,500    |          |
| To Equity Share Capital A/c  |        |          | 5,000    |
| To Securities Premium Reserve A/c  |        |          | 2,500    |
| (Being 500 Equity Shares reissued at premium of ₹ 5 per share)   |        |          |          |
| Forfeited Shares A/c   | ...Dr. | 4,000    |          |
| To Capital Reserve A/c   |        |          | 4,000    |
| (Being the gain on reissue transferred to Capital Reserve after reissue)   |        |          |          |

| BANK ACCOUNT                              |           |                                      |           |
|---|-----------|--------------------------------------|-----------|
| Dr.                                       |           | Cr.                                  |           |
| Particulars                               | ₹         | Particulars                          | ₹         |
| To Balance b/d                            | 10,00,000 | By Preference Shares Application A/c | 7,50,000  |
| To Equity Shares Application A/c          | 25,00,000 | By Excel Ltd.                        | 50,000    |
| To Preference Shares Application A/c      | 20,00,000 | By Balance c/d                       | 64,31,000 |
| To Equity Shares Allotment A/c            | 99,500    |                                      |           |
| To Preference Shares Allotment A/c        | 7,50,000  |                                      |           |
| To Calls-in-Advance A/c                   | 10,000    |                                      |           |
| To Equity Shares First and Final Call A/c | 3,94,000  |                                      |           |
| To Preference Shares F and F Call A/c     | 4,70,000  |                                      |           |
| To Equity Share Capital A/c               | 5,000     |                                      |           |
| To Securities Premium Reserve A/c         | 2,500     |                                      |           |
|   | 72,31,000 |                                      | 72,31,000 |

**Working Notes:**

1. (a) Amount received on Allotment of Equity Shares:

|   |           |
|---|-----------|
|   | ₹         |
| Amount Due on Allotment   | 16,00,000 |
| Less: Adjusted from Excess Shares Application Money             | 15,00,000 |
|   | 1,00,000  |
| Less: Amount not received on 1,000 Equity Shares of Anil (Note) | 500       |
| Amount Received   | 99,500    |

## 10.16

## Double Entry Book Keeping (Section A)—ISC XII

(b) Amount not received from Anil:

Shares allotted to Anil = 1,000

$$\text{Shares applied by Anil} = \frac{1,000}{2,00,000} \times 5,00,000 = 2,500 \quad \text{₹}$$

Application money received (2,500 × ₹5) 12,500

Less: Adjusted towards Shares Application (1,000 × ₹ 5) 5,000

Amount to be adjusted towards Shares Allotment 7,500

Less: Due on Allotment (1,000 × ₹ 8) 8,000

Amount not received on Allotment\* 500

\*Amount is not received towards Securities Premium Reserve since Calls-in-Advance is first appropriated towards Share Capital and thereafter towards Securities Premium.

2. Amount received towards Equity Shares First and Final Call:

Amount Due 4,00,000

Less: Amount not received on:

Anil's 1,000 Shares @ ₹ 2

Gopal's 2,000 Shares @ ₹ 2

₹

2,000

4,000

6,000

3,94,000

| Dr. CALLS-IN-ARREARS ACCOUNT (EQUITY SHARES) |       | Cr.                               |       |
|--|-------|-----------------------------------|-------|
| Particulars                                  | ₹     | Particulars                       | ₹     |
| To Equity Shares Allotment A/c               | 500   | By Securities Premium Reserve A/c | 500   |
| To Equity Shares First and Final Call A/c    | 6,000 | By Equity Share Capital A/c       | 2,000 |
|  |       | By Balance c/d                    | 4,000 |
|  | 6,500 |                                   | 6,500 |

| Dr. CALLS-IN-ADVANCE ACCOUNT (PREFERENCE SHARES) |        | Cr.  |        |
|--|--------|--|--------|
| Particulars                                      | ₹      | Particulars  | ₹      |
| To Pref. Shares First and Final Call A/c         | 10,000 | By Bank A/c (Received along with Pref. Shares Allotment) | 10,000 |
|  |        |  |        |

| Dr. CALLS-IN-ARREARS ACCOUNT (PREFERENCE SHARES) |        | Cr.            |        |
|--|--------|----------------|--------|
| Particulars                                      | ₹      | Particulars    | ₹      |
| To Pref. Shares First and Final Call A/c         | 20,000 | By Balance c/d | 20,000 |
|  |        |                |        |



**Ell Kay Ltd.**  
BALANCE SHEET as at ...

| Particulars                      | Note No. | ₹                |
|----------------------------------|----------|------------------|
| <b>I. EQUITY AND LIABILITIES</b> |          |                  |
| <b>1. Shareholders' Funds</b>    |          |                  |
| (a) Share Capital                | 1        | 64,75,000        |
| (b) Reserves and Surplus         | 2        | 11,06,000        |
| <b>Total</b>                     |          | <u>75,81,000</u> |
| <b>II. ASSETS</b>                |          |                  |
| <b>1. Non-Current Assets</b>     |          |                  |
| Fixed Assets—Tangible            | 3        | 11,50,000        |
| <b>2. Current Assets</b>         |          |                  |
| Cash and Bank Balances           | 4        | 64,31,000        |
| <b>Total</b>                     |          | <u>75,81,000</u> |

**Notes to Accounts**

|   |          |                    |
|---|----------|--------------------|
| <b>1. Share Capital</b>   |          | ₹                  |
| <i>Authorised Capital</i>   |          |                    |
| 5,00,000 Equity Shares of ₹ 10 each   |          | 50,00,000          |
| 50,000 Preference Shares of ₹ 100 each  |          | 50,00,000          |
|   |          | <u>1,00,00,000</u> |
| <i>Issued Capital</i>   |          |                    |
| 2,50,000 Equity Shares of ₹ 10 each   |          | 25,00,000          |
| 30,000, 10% Preference Shares of ₹ 100 each   |          | 30,00,000          |
| 10,000, 15% Preference Shares of ₹ 100 each   |          | 10,00,000          |
| (The above 15% Preference Shares have been issued to a Vendor for consideration other than cash pursuant to a contract) |          |                    |
|   |          | <u>65,00,000</u>   |
| <i>Subscribed Capital</i>   |          |                    |
| <i>Subscribed and Fully Paid-up</i>   |          |                    |
| 2,47,500 Equity Shares of ₹ 10 each   |          | 24,75,000          |
| 10,000, 15% Preference Shares of ₹ 100 each   |          | 10,00,000          |
| (The above 15% Preference Shares have been issued to a Vendor for consideration other than cash pursuant to a contract) |          |                    |
| 29,000, 10% Preference Shares of ₹ 100 each   |          | 29,00,000          |
| <i>Subscribed but not Fully Paid-up</i>   |          |                    |
| 2,000 Equity Shares of ₹ 10 each  | 20,000   |                    |
| Less: Calls-in-Arrears  | 4,000    | 16,000             |
| 1,000, 10% Preference Shares of ₹ 100 each  | 1,00,000 |                    |
| Less: Calls-in-Arrears  | 20,000   | 80,000             |
| Add: Forfeited Shares   |          | 4,000              |
|   |          | <u>64,75,000</u>   |
| <b>2. Reserves and Surplus</b>  |          |                    |
| Capital Reserve   |          | 4,000              |
| Securities Premium Reserve  |          | 11,02,000          |
|   |          | <u>11,06,000</u>   |
| <b>3. Fixed Assets—Tangible</b>   |          |                    |
| Machinery   |          | 11,50,000          |
| <b>4. Cash and Bank Balances</b>  |          |                    |
| Cash at Bank  |          | <u>64,31,000</u>   |

**Advanced Level Questions****Illustration 7.**

Seaways Ltd. has an authorised capital of ₹ 1,20,000 divided into 2,000; 6% Preference Shares of ₹ 10 each and 10,000 Equity Shares of ₹ 10 each. The company commenced trading on 1st April, 2019.

Following balances were extracted from the books on 31st March, 2020:

| Particulars                                      | ₹      |
|--|--------|
| Preference Share Capital (Fully paid).....       | 20,000 |
| Equity Share Capital (Fully called) .....        | 80,000 |
| Calls-in-Arrears .....                           | 2,000  |
| Profit for the year ended 31st March, 2020 ..... | 13,570 |
| Premises (At cost) .....                         | 68,000 |
| Machinery (At cost).....                         | 30,000 |
| Fixtures and Fittings (At cost) .....            | 6,000  |
| Provision for Depreciation:                      |        |
| Machinery .....                                  | 6,000  |
| Fixtures and Fittings.....                       | 600    |
| Provision for Doubtful Debts .....               | 300    |
| Stock.....                                       | 7,000  |
| Debtors .....                                    | 6,300  |
| Bank.....  | 2,000  |
| Cash.....  | 70     |
| Trade Creditors.....                             | 900    |

The Directors decided to transfer ₹ 3,000 to reserve and to recommend a dividend of 10% on the Equity Shares. Prepare Balance Sheet as at that date.

**Solution:****Seaways Ltd.**

## BALANCE SHEET as at 31st March, 2020

| Particulars                      | Note No. | ₹               |
|----------------------------------|----------|-----------------|
| <b>I. EQUITY AND LIABILITIES</b> |          |                 |
| <b>1. Shareholders' Funds</b>    |          |                 |
| (a) Share Capital                | 1        | 98,000          |
| (b) Reserves and Surplus         | 2        | 13,570          |
| <b>2. Current Liabilities</b>    |          |                 |
| (a) Trade Payables               | 3        | 900             |
| (b) Short-term Provisions        | 4        | 300             |
| <b>Total</b>                     |          | <u>1,12,770</u> |
| <b>II. ASSETS</b>                |          |                 |
| <b>1. Non-Current Assets</b>     |          |                 |
| Fixed Assets:                    |          |                 |
| Tangible Assets                  | 5        | 97,400          |
| <b>2. Current Assets</b>         |          |                 |
| (a) Inventories                  | 6        | 7,000           |
| (b) Trade Receivables            | 7        | 6,300           |
| (c) Cash and Bank Balances       | 8        | 2,070           |
| <b>Total</b>                     |          | <u>1,12,770</u> |

**Notes to Accounts**

|   | ₹      |          |
|---|--------|----------|
| <b>1. Share Capital</b>   |        |          |
| <i>Authorised Capital</i>   |        |          |
| 10,000 Equity Shares of ₹ 10 each   |        | 1,00,000 |
| 2,000; 6% Preference Shares of ₹ 10 each  |        | 20,000   |
|   |        | 1,20,000 |
| <i>Issued Capital</i>   |        |          |
| 8,000 Equity Shares of ₹ 10 each  |        | 80,000   |
| 2,000; 6% Preference Shares of ₹ 10 each  |        | 20,000   |
|   |        | 1,00,000 |
| <i>Subscribed Capital</i>   |        |          |
| <i>Subscribed and Fully Paid-up</i>   |        |          |
| 2,000; 6% Preference Shares of ₹ 10 each  |        | 20,000   |
| <i>Subscribed but not Fully Paid-up</i>   |        |          |
| 8,000 Equity Shares of ₹ 10 each  | 80,000 |          |
| Less: Calls-in-Arrears  | 2,000  | 78,000   |
|   |        | 98,000   |
| <b>2. Reserves and Surplus</b>  |        |          |
| General Reserve (transferred from Surplus, i.e., Balance in Statement of Profit and Loss) |        | 3,000    |
| <i>Surplus, i.e., Balance in Statement of Profit and Loss:</i>                            |        |          |
| Opening Balance   | ...    |          |
| Add: Balance of Statement of Profit and Loss (Profit for the year)                        | 13,570 |          |
|   | 13,570 |          |
| Less: Appropriations:   |        |          |
| General Reserve   | 3,000  | 10,570   |
|   |        | 13,570   |
| <b>3. Trade Payables</b>  |        |          |
| Trade Creditors   |        | 900      |
| <b>4. Short-term Provisions</b>   |        |          |
| Provision for Doubtful Debts  |        | 300      |
| <b>5. Tangible Assets</b>   |        |          |
| (i) Premises  |        | 68,000   |
| (ii) Machinery  | 30,000 |          |
| Less: Provision for Depreciation  | 6,000  | 24,000   |
| (iii) Fixtures and Fittings   | 6,000  |          |
| Less: Provision for Depreciation  | 600    | 5,400    |
|   |        | 97,400   |
| <b>6. Inventories</b>   |        |          |
| Stock   |        | 7,000    |
| <b>7. Trade Receivables</b>   |        |          |
| Debtors   |        | 6,300    |
| <b>8. Cash and Bank Balances</b>  |        |          |
| Cash in Hand  |        | 70       |
| Cash at Bank  |        | 2,000    |
|   |        | 2,070    |

*Contingent Liabilities:* Dividend has been proposed for the year ended 31st March, 2020:

|                         |         |
|-------------------------|---------|
| On 6% Preference Shares | ₹ 1,200 |
| On Equity Shares        | ₹ 7,800 |

**Illustration 8.**

Following balances have been extracted from the books of Foresquare Ltd. as at 31st March, 2020:

|   | ₹         |  | ₹        |
|---|-----------|--|----------|
| Equity Share Capital<br>(fully paid shares of ₹ 100 each) | 10,00,000 | Accumulated Depreciation                             | 75,000   |
| Fixed Assets (At cost)                                    | 16,50,000 | Provision for Tax                                    | 62,500   |
| Inventories   | 1,00,000  | Surplus, i.e., Balance in Statement of Profit & Loss | 2,37,500 |
| Cash and Bank Balances                                    | 1,40,000  | 8% Debentures (secured against land)                 | 5,00,000 |
| Creditors   | 75,000    | Unsecured Loan from Subsidiaries                     | 1,25,000 |
| Bills Receivable  | 50,000    | Investments (Non-current)                            | 1,75,000 |
|   |           | Interest accrued and due on 8% Debentures            | 40,000   |

You are required to prepare Balance Sheet of Foresquare Ltd. as at 31st March, 2020, as per Schedule III, Part I of the Companies Act, 2013.

**Solution:****Foresquare Ltd.**

BALANCE SHEET as at 31st March, 2020

| Particulars                       | Note No. | ₹                |
|-----------------------------------|----------|------------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                  |
| <b>1. Shareholders' Funds</b>     |          |                  |
| (a) Share Capital                 | 1        | 10,00,000        |
| (b) Reserves and Surplus          | 2        | 2,37,500         |
| <b>2. Non-Current Liabilities</b> |          |                  |
| Long-term Borrowings              | 3        | 6,25,000         |
| <b>3. Current Liabilities</b>     |          |                  |
| (a) Trade Payables                | 4        | 75,000           |
| (b) Other Current Liabilities     | 5        | 40,000           |
| (c) Short-term Provisions         | 6        | 62,500           |
| <b>Total</b>                      |          | <u>20,40,000</u> |
| <b>II. ASSETS</b>                 |          |                  |
| <b>1. Non-Current Assets</b>      |          |                  |
| (a) Fixed Assets:                 |          |                  |
| Tangible                          | 7        | 15,75,000        |
| (b) Non-Current Investments       | 8        | 1,75,000         |
| <b>2. Current Assets</b>          |          |                  |
| (a) Inventories                   |          | 1,00,000         |
| (b) Trade Receivables             | 9        | 50,000           |
| (c) Cash and Bank Balances        | 10       | 1,40,000         |
| <b>Total</b>                      |          | <u>20,40,000</u> |

## Notes to Accounts

|  |           |           |
|--|-----------|-----------|
| <b>1. Share Capital</b>                                |           | ₹         |
| <i>Authorised Capital</i>                              |           |           |
| ... Equity Shares of ₹ 100 each                        |           | ...       |
| <i>Issued Capital</i>                                  |           |           |
| 10,000 Equity Shares of ₹ 100 each                     |           | 10,00,000 |
| <i>Subscribed Capital</i>                              |           |           |
| Subscribed and Fully Paid-up                           |           |           |
| 10,000 Equity Shares of ₹ 100 each                     |           | 10,00,000 |
| <b>2. Reserves and Surplus</b>                         |           |           |
| Surplus, i.e., Balance in Statement of Profit and Loss |           | 2,37,500  |
| <b>3. Long-term Borrowings</b>                         |           |           |
| 8% Debentures (Secured against Land)                   |           | 5,00,000  |
| Loan from Subsidiary                                   |           | 1,25,000  |
|  |           | 6,25,000  |
| <b>4. Trade Payables</b>                               |           |           |
| Creditors  |           | 75,000    |
| <b>5. Other Current Liabilities</b>                    |           |           |
| Interest Accrued and Due on 8% Debentures              |           | 40,000    |
| <b>6. Short-term Provisions</b>                        |           |           |
| Provision for Tax                                      |           | 62,500    |
| <b>7. Fixed Assets—Tangible</b>                        |           |           |
| Cost   | 16,50,000 |           |
| Less: Accumulated Depreciation                         | 75,000    | 15,75,000 |
| <b>8. Non-Current Investments</b>                      |           |           |
| Investments  |           | 1,75,000  |
| <b>9. Trade Receivables</b>                            |           |           |
| Bills Receivable                                       |           | 50,000    |
| <b>10. Cash and Bank Balances</b>                      |           |           |
| Cash and Bank Balances                                 |           | 1,40,000  |

**Illustration 9.**

From the details given below, prepare Balance Sheet of Silver Ore Co. Ltd. as at 31st March, 2020 as per Schedule III of the Companies Act, 2013:

|  | (₹ in '000) |   | (₹ in '000) |
|--|-------------|---|-------------|
| Balance in Statement of Profit and Loss (Dr.)      | 1,800       | Trade Payables                                | 750         |
| 10% Debentures                                     | 2,000       | Calls-in-Advance                              | 50          |
| Proposed Dividend                                  | 200         | Employees' Earned Leave Payable on Retirement | 450         |
| Equity Share Capital (₹ 100 each)                  | 5,000       | Inventories (Stores and Spares)               | 500         |
| Cheques and Draft on Hand                          | 480         | Security Deposits for Telephone               | 50          |
| 12% Preference Share Capital (₹ 100 each)          | 4,000       | Brands  | 1,100       |
| Prepaid Expenses                                   | 500         | Computer Software under development           | 200         |
| Short-term Bank Loan                               | 450         | Trade Receivables                             | 1,200       |
| Interest accrued on Debentures of Tata Steels      | 120         | Plant and Machinery                           | 1,200       |
| Building under construction                        | 1,150       | Investment in Land and Building               | 2,000       |
| 20,000, 12% Debentures of Tata Steels (₹ 100 each) | 2,000       | 10% Debentures of Reliance Ltd.               | 1,000       |
| Premium on Redemption of Debentures                | 200         | (1/5th Redeemable within 1 year)              |             |
| Application Money Pending Allotment                | 400         |   |             |

**Solution:****Silver Ore Co. Ltd.**

BALANCE SHEET as at 31st March, 2020

(₹ in '000)

| Particulars   | Note No. | 31st March, 2020 (₹) |
|---|----------|----------------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                      |
| <b>1. Shareholders' Funds</b>   |          |                      |
| (a) Share Capital   | 1        | 9,000                |
| (b) Reserves and Surplus  | 2        | (1,800)              |
| <b>2. Share Application Money Pending Allotment</b>                               |          | 400                  |
| <b>3. Non-Current Liabilities</b>   |          |                      |
| (a) Long-term Borrowings  | 3        | 2,200                |
| (b) Long-term Provisions  | 4        | 450                  |
| <b>4. Current Liabilities</b>   |          |                      |
| (a) Short-term Borrowings   | 5        | 450                  |
| (b) Trade Payables  |          | 750                  |
| (c) Other Current Liabilities   | 6        | 50                   |
| <b>Total</b>  |          | <b>11,500</b>        |
| <b>II. ASSETS</b>   |          |                      |
| <b>1. Non-Current Assets</b>  |          |                      |
| (a) Fixed Assets:   |          |                      |
| (i) Tangible Assets (Plant and Machinery)   |          | 1,200                |
| (ii) Intangible Assets (Brands)   |          | 1,100                |
| (iii) Capital Work-in-Progress (Building under construction)                      |          | 1,150                |
| (iv) Intangible Assets Under Development<br>(Computer Software under Development) |          | 200                  |
| (b) Non-Current Investments   | 7        | 4,800                |
| (c) Long-term Loans and Advances (Security Deposits)                              |          | 50                   |
| <b>2. Current Assets</b>  |          |                      |
| (a) Current Investments (1/5th Debentures of Reliance Ltd.)                       |          | 200                  |
| (b) Inventories (Stores and Spares)   |          | 500                  |
| (c) Trade Receivables   |          | 1,200                |
| (d) Cash and Bank Balances (Cheques and Draft)                                    |          | 480                  |
| (e) Other Current Assets  | 8        | 620                  |
| <b>Total</b>  |          | <b>11,500</b>        |

**Notes to Accounts**

(₹ in '000)

| Particulars  | ₹       |         |
|--|---------|---------|
| <b>1. Share Capital</b>  |         |         |
| <i>Authorised Capital</i>  |         |         |
| ... Equity Shares of ₹ 100 each  | ...     |         |
| ... 12% Preference Shares of ₹ 100 each                                    | ...     | ...     |
| <i>Issued Capital</i>  |         |         |
| 50,000 Equity Shares of ₹ 100 each   | 5,000   |         |
| 40,000, 12% Preference Shares of ₹ 100 each                                | 4,000   | 9,000   |
| <i>Subscribed Capital</i>  |         |         |
| Subscribed and fully paid-up   |         |         |
| 50,000 Equity Shares of ₹ 100 each   | 5,000   |         |
| 40,000 Preference Shares of ₹ 100 each                                     | 4,000   | 9,000   |
| <b>2. Reserves and Surplus</b>   |         |         |
| Surplus, i.e., Balance in Statement of Profit and Loss (opening balance)   | ...     |         |
| Add: Loss as per Statement of Profit and Loss                              | (1,800) | (1,800) |
| <b>3. Long-term Borrowings</b>   |         |         |
| 10% Debentures   |         | 2,000   |
| Premium on Redemption of Debentures  |         | 200     |
|  |         | 2,200   |
| <b>4. Long-term Provisions</b>   |         |         |
| Employees' Earned Leave payable on Retirement                              |         | 450     |
| <b>5. Short-term Borrowings</b>  |         |         |
| Short-term Bank Loan   |         | 450     |
| <b>6. Other Current Liabilities</b>  |         |         |
| Calls-in-Advance   |         | 50      |
| <b>7. Non-Current Investments</b>  |         |         |
| 20,000; 12% Debentures of Tata Steel (₹ 100 each)                          |         | 2,000   |
| 10% Debentures of Reliance Ltd. (1,000 × 4/5th Redeemable after 12 months) |         | 800     |
| Investment in Land and Building  |         | 2,000   |
|  |         | 4,800   |
| <b>8. Other Current Assets</b>   |         |         |
| Prepaid Expenses   |         | 500     |
| Interest Accrued on Debentures of Tata Steels                              |         | 120     |
|  |         | 620     |

Contingent Liability: Proposed Dividend ₹ 2,00,000.

### Unsolved Questions

1. Z Ltd. was registered on 1st April, 2019 with a nominal capital of ₹ 6,00,000 divided into 40,000 Equity Shares of ₹ 10 each and 20,000; 6% Preference Shares of ₹ 10 each.

TRIAL BALANCE  
as at 31st March, 2020

| Particulars   | Dr. (₹)         | Cr. (₹)         |
|---|-----------------|-----------------|
| Net Profit for the year.....  |                 | 58,000          |
| Equity Share Capital; 20,000 shares of ₹ 10 each (Fully paid) .....     |                 | 2,00,000        |
| Preference Share Capital; 10,000 shares of ₹ 10 each (Fully paid) ..... |                 | 1,00,000        |
| Machinery (At cost).....  | 35,000          |                 |
| Premises (At cost) .....  | 60,000          |                 |
| Debtors .....   | 80,000          |                 |
| Creditors .....   |                 | 20,000          |
| Stock .....   | 1,60,000        |                 |
| Office Furniture .....  | 6,000           |                 |
| Cash at Bank.....   | 44,000          |                 |
| Provision for Depreciation on Machinery.....                            |                 | 7,000           |
| <b>Total</b>  | <b>3,85,000</b> | <b>3,85,000</b> |

It was decided:

- (i) to transfer ₹ 10,000 to General Reserve.
- (ii) to pay the dividend on the Preference Share Capital in full and to propose a dividend of 15% on the Equity Share Capital.

You are required to prepare Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

2. Following Ledger balances were extracted from the books of Varun Ltd. on 31st March, 2020:

Land and Building ₹ 2,00,000; 12% Debentures ₹ 2,00,000; Share Capital ₹ 10,00,000 (Equity Shares of ₹ 10 each Fully Paid up); Plant and Machinery ₹ 8,00,000; Goodwill ₹ 2,00,000; Investments in Shares of Raja Ltd. ₹ 2,00,000; General Reserve ₹ 2,00,000; Stock-in-Trade ₹ 1,00,000; Bills Receivable ₹ 1,00,000; Debtors ₹ 1,50,000; Creditors ₹ 1,00,000; Bank Loan (Unsecured) ₹ 1,00,000; Provision for Tax ₹ 1,55,000; Discount on Issue of 12% Debentures ₹ 5,000.

You are required to prepare Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

**GUIDE TO ANSWERS**

1. Dividend on Preference Shares—₹ 6,000 and on Equity Shares—₹ 30,000;  
Total of Balance Sheet—₹ 3,78,000.
2. Total of Balance Sheet—₹ 17,50,000.