

# Problem No. 5 With Solution

**Illustration 5 :** The following balances are taken from the books of Mahalaxmi Bank Ltd., as on 31st March, 2001.

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Particulars	Rs.	Particulars	Rs.
<b>Share Capital :</b>		Interest on Advances - 13	1,09,000
50,000 Equity Shares of		Postage and Telegrams - 16	5,000
Rs. 100 each		Rebate on bills discounted - 13	6,000
Rs. 50 paid	2,50,000	Money at Call & - 7	
Reserve Fund - 2	2,50,000	Short Notice	30,000
Loans, Cash Credit - 9	2,85,000	Interest accrued and paid - 15	42,000
Building (after - 10		Bills discounted - 9	
depreciation upto		& purchased	46,000
31-03-2000 Rs. 10,000)	50,000	Silver - 11	10,000
Government Securities - 8	4,00,000	Interim Dividend paid - 17	17,000
Current Accounts - 3	2,50,000	Short Loans - 4	50,000
Savings Deposits - 3	1,00,000	Discount earned - 13	13,000
Fixed Deposits - 3	80,000	Unexpired Insurance - 11	400
Salaries - 16	24,000	Furniture - 10	8,000
Law Charges - 16	4,000	Stamps in hand - 11	100
Cash Certificates - 3	20,000	Shares in X Ltd. - 8	50,000
Bills for Collection - 12	60,000	Cash in hand - 6	26,000
Recurring Deposits - 3	25,000	Cash with R.B.I. - 6	18,000
Rent and Taxes - 16	2,300	Cash with S.B.I. - 7	60,000
Directors' Fee - 16	1,800	Cash with other Banks - 7	1,00,000
Auditor's Fee - 16	2,400	Commission paid - 16	7,000
Profit & Loss A/c on 1-4-2000 - 16	16,000	Sundry Receipts - 14	5,000
Branch Adjustments (Cr.) - 5	5,000	Commissions &	
Gold - 8	20,000	Brokerage (Cr.) - 14	30,000

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## Additional Information :

- Less - (a) Allow 5% depreciation on Building on original cost. Furniture costing Rs. 2,000 was added during the year. Write off depreciation at 10% on the opening balance of furniture. - 16
- (b) A provision for doubtful debts amounting to Rs. 5,000 is required.
- (c) Create a provision for taxation Rs. 20,000. - 5 & 16 PRE-LAIC
- (d) Rebate on bills discounted at 31st March, 2001 amounted to Rs. 5,000. - 5 & 13

16 & 9  
PRE-LAIC

Prepare the Profit and Loss Account and the Balance Sheet of the Bank.

(S. U. April, 2002)

Solution :

Profit & Loss A/c

for the year ended 31-3-2001

Particulars	Schedule No.	Year ended 31-3-2001 Rs.
<b>I. Income</b>		
Interest earned	13	1,23,000
Other Income	14	35,000
<b>Total :</b>		1,58,000
<b>II. Expenditure</b>		
Interest Expended	15	42,000
Operating Expenses	16	50,100
Provisions and Contingencies		25,000
<b>Total :</b>		1,17,100
<b>III. Profit</b>		
Net profit for the year		40,900
Net Profit brought forward		16,000
<b>Total :</b>		56,900
<b>IV. Appropriations</b>		
Interim Dividend		17,000
Balance carried to Balance Sheet		39,900

Balance Sheet of Mahalaxmi Bank Ltd.

57,900

as on 31-3-2001

Capital & Liabilities	Schedule No.	Year ended 31-3-2001 Rs.
Share Capital	1	2,50,000
Reserves & Surplus	2	2,89,900

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Deposits	3	4,75,000
Borrowings	4	50,000
Other Liabilities	5	30,000
<b>Total :</b>		10,94,900
<b>Assets</b>		
Cash & Balance with R. B.	6	44,000
Balances with other Banks and Money at call & Short Notice	7	1,90,000
Investments	8	4,70,000
Advances	9	3,26,000
Fixed Assets	10	54,400
Other Assets	11	10,500
<b>Total :</b>		10,94,900
Contingent Liabilities	12	
Bills for Collection	—	60,000

## Schedules

## SCHEDULE 1 : CAPITAL

Particulars	31-3-2001 Rs.
<b>Authorised Capital</b> 5,000 Equity Shares of Rs. 100 each	5,00,000
<b>Issued and Subscribed Capital</b> 5,000 Equity Shares of Rs. 100 each	5,00,000
<b>Called-up &amp; Paid-up Capital</b> 5,000 Equity Shares of Rs. 100 each Rs. 50 per share called & paid)	2,50,000
<b>Total :</b>	2,50,000

## SCHEDULE 2 : RESERVES AND SURPLUS

Particulars	31-3-2001 Rs.
Profit & Loss A/c	39,900
Reserve Fund	2,50,000
<b>Total :</b>	2,89,900

## SCHEDULE 3 : DEPOSITS

Particulars	31-3-2001 Rs.
Demand Deposits (Current + Recurr + Cash Certs Prong)	2,95,000
Savings Bank Deposits	1,00,000
Term Deposits	80,000
<b>Total :</b>	4,75,000

## SCHEDULE 4 : BORROWINGS

Particulars	31-3-2001 Rs.
Short Loans	50,000
<b>Total :</b>	50,000

## SCHEDULE 5 : OTHER LIABILITIES AND PROVISIONS

Particulars	31-3-2001 Rs.
Branch Adjustment	5,000
Provision for Taxation	20,000
Unexpired Discount (Rebate on Bills B/B)	5,000
<b>Total :</b>	30,000

## SCHEDULE 6 : CASH AND BALANCES WITH RESERVE BANK

Particulars	31-3-2001 Rs.
Cash in hand & with R/Bank	44,000
<b>Total :</b>	44,000

## SCHEDULE 7 : BALANCES WITH OTHER BANKS AND MONEY AT CALL AND SHORT NOTICE

Particulars	31-3-2001 Rs.
Cash with S.B.I.	60,000
Cash with other Banks	1,00,000
Money at Call & Short Notice	30,000
<b>Total :</b>	1,90,000

## SCHEDULE 8 : INVESTMENTS

Particulars	31-3-2001 Rs.
Government Securities	4,00,000
Shares in X Ltd.	50,000
Gold	20,000
<b>Total :</b>	4,70,000

## SCHEDULE 9 : ADVANCES

Particulars	31-3-2001 Rs.
Bills Discounted & Purchased	46,000
Cash Credits & Loans (2,85,000 - 50,000) =	2,80,000
<b>Total :</b>	3,26,000

**SCHEDULE 10 : FIXED ASSETS**

Particulars		31-3-2001 Rs.
Building at Cost $50,000 + 10,000$	60,000	
Less : Depreciation to date $(10,000 + 3,000)$	13,000	47,000
Furniture	6,000	
Addition during the year	2,000	
	<u>8,000</u>	
Less Depreciation	600	7,400
<b>Total :</b>		<b>54,400</b>

**SCHEDULE 11 : OTHER ASSETS**

Particulars		31-3-2001 Rs.
Unexpired Insurance		400
Stamps in hand		100
Silver		10,000
<b>Total :</b>		<b>10,500</b>

(Column of 'Previous year is deleted from each Schedule')

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**SCHEDULE 13 : INTEREST EARNED**

Particulars		Year ended 31-3-2001 Rs.
Interest / Discount on advances / bills		1,23,000
$109,000 + 13,000 + 6,000 = 128,000$ Rebate		
Adj. Rebate $- 5,000$		
<b>Total :</b>		<b>1,23,000</b>

**SCHEDULE 14 : OTHER INCOME**

Particulars		Year ended 31-3-2001 Rs.
Commission, Exchange & Brokerage		30,000
Sundry Receipts		5,000
<b>Total :</b>		<b>35,000</b>

**SCHEDULE 15 : INTEREST EXPENDED**

Particulars		Year ended 31-3-2001 Rs.
Income accrued & paid		42,000
<b>Total :</b>		<b>42,000</b>

**SCHEDULE 16 : OPERATING EXPENSES**

Particulars		31-3-2001 Rs.
Salaries		24,000
Rent & Taxes		2,300
Postage, Telegrams		5,000
Depreciation : Building	3,000	
Furniture	<u>600</u>	3,600
Directors' Fees		1,800
Auditors' Fees		2,400
Law Charges		4,000
Commission		7,000
<b>Total :</b>		<b>50,100</b>