

Problem No. 3 with Solution

Illustration 3 :

The following balances appeared in the books of Regent Company Ltd. on March 31, 2007.

Trial Balance of Regent Co. Ltd. as on March 31, 2007

Particulars	₹	₹
Stock 1-04-2006	51,000	
Purchases	8,10,000	
Sales		11,10,000
Manufacturing expenses	1,80,000	
Salaries and wages	26,400	
General charges	11,000	
Profit and Loss A/c		30,000
Directors' Fees	400	
Dividend for 2006	18,000	
Buildings	1,01,000	
Plant and Machinery	70,400	
Furniture	10,200	
Motor vehicles	40,800	
Stores and spare parts	30,000	
Bill receivable	45,000	
Book debts	1,14,000	
Investments in shares of Rs. 10 each	8,000	
Capital Share : Shares of Rs. 10 each		1,44,000
Pension Fund		46,000
Dividend Equalisation Fund		20,000
Taxation Provision		17,000
Unclaimed dividend		2,000
Deposits		6,000
Trade creditors		2,48,000
Cash at Bank	1,06,600	
	16,22,800	16,22,800

Corporate Accounting

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Company Final Accounts

From the above balances and following information, prepare the Company's Profit and Loss Account for the year ended 31-3-07 and the Company's Balance Sheet as on that date :

- Stock on March 31st, 2007; ₹. 1,73,200.
- Outstanding expenses : manufacturing expenses ₹. 45,000 and wages ₹. 3,000.
- General charges prepaid ₹. 1,660.
- Provide Depreciation on building at 2% per annum, on plant and machinery at 10% per annum, on furniture at 10% per annum and on motor vehicle at 20% per annum.
- The directors propose a dividend @ 20%.
- The taxation provision shown in the Trial Balance is after payment of taxes for assessment upto March 31st, 2006. The only liability for taxes is in respect of profit for 2007 for which a provision of 60% on Net Profit is considered.

Solution : In the books of Regent Company Ltd.

Income Statement
for the year ended 31-3-2007

Particulars	₹	₹	₹
Sales			11,10,000
Less : Cost of goods sold			
Opening Stock	51,000		
Add : Purchase	8,10,000		
	8,61,000		
Less : Closing Stock	(1,73,200)	6,87,800	
Manufacturing Expenses (1,80,000 + 45,000)		2,25,000	(9,12,800)
Gross profit			1,97,200
Less : Cost of Expenses			
Salaries & Wages (26,400 + 3,000)		29,400	
General Charges (11,000 – 1,660)		9,340	
Directors Fees		400	
Depreciation *		18,240	
			(57,380)
Profit before Tax			1,39,820
Less : Provision for Tax (60%)			(83,892)
Profit after Tax			55,928

Company Final Accounts

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Corporate Accounting

Retained Earnings Statement

Particulars	₹	₹
Retained earning / Profit & Loss balance on 1-4-2006		30,000
Add : Profit after Tax (Current Year)		55,928
Add : Income Tax provision written back		17,000
		1,02,928
Less : Dividend for 2006	18,000	
Proposed dividend 2006-07	28,800	(46,800)
Retained Earnings on 31-3-2007		56,128

Balance Sheet as on 31-3-2007

	Schedule No.	₹	At the end of year (₹)
(I) SOURCES OF FUNDS :			
1. Shareholder's Funds			
(a) Capital	1		1,44,000
(b) Reserves and surplus	2		76,128
2. Loan Funds			
(a) Secured loan	3	
(b) Unsecured loan	4	6,000	6,000
Total			2,26,128
(II) APPLICATION OF FUNDS :			
1. Fixed Assets			
(a) Gross Block		2,22,400	
(b) Less : Depreciation		18,240	
(c) Net Block		2,04,160	2,04,160
(d) Capital work-in-progress		
2. Investments			
	6		8,000
3. Working Capital (Net assets)			
	7		13,968
4. (a) Miscellaneous expenditure			
		
(b) Profit and Loss A/c			
		
Total			2,26,128

Note.... ✍

Instead of showing depreciation on assets independently gross amount of depreciation may be recorded in Profit & Loss A/c.

Schedule No. 1 : Capital

Particulars	₹
Issued & paid up capital : Equity shares of Rs. 10 each fully paid	1,44,000
Total	1,44,000

Schedule No. 2 : Reserve and Surplus

Particulars	₹
Dividend Equalisation Fund	20,000
Retained Earnings from Profit & Loss A/c	56,128
Total	76,128

Schedule No. 4 : Unsecured Loan

Particulars	₹
Unsecured Loan Deposits	3,200
Total	3,200

Schedule No. 5 : Fixed Assets

Particulars	Gross Block (₹)	Additions (₹)	Deletion (₹)	Depreciation charged (₹)	Net Block (₹)
Building	1,01,000	—	—	2,020	98,980
Plant & Ma.	70,400	—	—	7,040	63,360
Furniture	10,200	—	—	1,020	9,180
M. vehicle	40,800	—	—	8,160	32,640
	2,22,400			18,240	2,04,160

Schedule No. 6 : Investment

Particulars	₹
Equity Shares of Companies	4,00,000
Total	4,00,000

Schedule No. 7 : Net Assets / Working Capital

Particulars	₹	₹
Current Assets Loans & Advances :		
Inventory at Cost		1,73,200
Sundry Debtors		1,14,000
Stores and Spares		30,000
Cash at Bank		1,06,600
Interest Accrued		200
		4,24,000
Advances :		
Bills Receivable	45,000	
Prepaid General Charges	1,660	
		46,660
Total		4,70,660
Less : Current Liabilities & Provisions		
Sundry Creditors	2,48,000	
Unclaimed Dividend	2,000	
O/s Manufacturing Expenses	45,000	
O/s Wages	3,000	
	2,98,000	
Provisions :		
Pension Fund	46,000	
Provision for Taxation	83,892	
Proposed Dividend	28,800	
	1,58,692	(4,56,692)
Net asset		13,968