

Problem No. 5 with Solution

Illustration 10 : Following was the Trial Balance of the Anand Products Ltd., on 31st March, 2008..

Dr. Balances	Rs.	Cr. Balances	Rs.
Stock as on 1-4-2007	13,000	Unclaimed Dividends	170
Machinery	10,000	Sinking Fund for redem-	
Freehold Land	15,000	ption of Debentures	25,000
Preliminary Expenses	832	Reserve Fund	5,000
Sundry Debtors	25,000	Returns Outwards	350
Wages	8,000	Bills Payable	950
Salaries	4,000	Share Capital 10,500	

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Purchases	64,700	Shares of Rs. 10 each	1,05,000
Bad Debts	400	Interest on Sinking Fund	
Directors' Fees	1,000	Investments	800
Interest on Debentures	600	Sundry Creditors	18,000
Insurance	2,000	Miscellaneous Receipts	100
Cash at Bank	21,730	4% Debentures	30,000
Cash in Hand	450	Provision for Bad Debts	1,000
6% War Bonds	10,000	Interest on War Bonds	300
Motive Power	1,900	Profit & Loss A/c Bal.	2,000
Building	45,000	Sales	1,01,779
General Expenses	1,417	Provision for Taxation	2,000
Repairs	390	Depreciation Fund	
Postage, Rent, Rates	8,300	Building	10,380
Travelling Expenses	105	Machinery	4,620
Discount on Debentures	500		15,000
Sinking Fund Investments	25,000		
Goodwill	40,000		
Loose Tools	4,225		
Returns Inwards	470		
Bank Charges	50		
Discount on Sales	130		
Depr. on Machinery	1,000		
Depr. on Building	2,250		
	<u>3,07,449</u>		<u>3,07,449</u>

Prepare Trading, Profit & Loss A/c for the year ended 31-3-08 and the Balance Sheet as on that date as required by the Indian Companies Act after making the following adjustments.

1. Provision for Bad Debts to be maintained at 5% on Sundry Debtors.
2. Insurance is pre-paid to the extent of Rs. 500.
3. Write off the whole of Preliminary Expenses.
4. The Authorised Capital of the Company is Rs. 1,50,000 divided into 15,000 shares of Rs. 10 each of which 11,000 shares are issued to the public.
5. Add Rs. 1,000 to Sinking Fund for Redemption of Debentures.
6. The stock on 31st March, 2008 was Rs. 25,000 Provide Rs. 5,000 for Taxation Reserve.
7. After providing Rs. 10,000 to General Fund the Balance of Profit should be carried forward.

Anand Products Ltd.
Trading and Profit & Loss A/c
for the year ended 31st March, 2008

Dr.

Cr.

Particulars	Rs.	Rs.	Rs.
Sales		1,01,779	
Less : returns		470	1,01,309
Less : Cost of goods sold			
Opening Stock		13,000	
Purchases	64,700		
Less : returns	350	64,350	
Wages		8,000	
Motive Power		1,900	
		87,250	
Less : closing stock		25,000	62,250
Gross Profit			39,059
Less : Operating Expenses			
Salaries	4,000		
Directors Fees	1,000		
General Expenses	1,417		
Repairs	390		
Postage, Rent, Rates	8,300		
Travelling Expenses	105		
Bank Charges	50		
Discount	130		
Bad Debts	400		
Provision for Doubtful Debts	250		
Insurance	2,000		
Less : Prepaid	500	1,500	
Discount on Debentures		100	
Interest on Debentures		1,200	
Preliminary Expenses		832	
Depreciation			
Machinery	1,000		
Building	2,250	3,250	22,924
Add : Operating income		22,924	22,924
			16,135
Operating Profit			
Less : Non operating Expenses			
Add : Non Operating incomes			

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Miscellaneous Receipts	100		
Interest on war Bands	600		700
Net Profit before provisions & Appropriation			16,835
Add : Balance of Profit brought forward			2,000
Provisions			18,835
Provisions for Taxation		5,000	
Appropriation			
General Reserve	10,000		
Debenture sinking fund	1,000	11,000	16,000
Balance of Profit c/f to B/S			2,835

Anand Products Ltd.
Balance Sheet as on 31-3-2008

Particulars	Schedule No.	Rs.	Rs.
1. Sources of Funds			
(I) Share Capital	1	1,05,000	
(II) Reserves & Surplus	2	44,635	10,49,635
2. Loans and Other Funds			
(a) Secured Loans		30,000	
(b) Unsecured Loans		Nil	30,000
			1,79,635
3. Application of Funds			
(I) Fixed Assets	3		
(a) Gross Block		1,10,000	
Less : Accumulated Depreciation		15,000	95,000
Capital-work-in-progress		—	
(II) Investments	4		35,300
(III) Current Assets, Loan & Advances			
(a) Current Assets	5	75,155	
(b) Loans & Advances		500	
		75,655	
Less : Current Liabilities	6	19,720	
Provisions	7	7,000	
Net Current Assets			48,935
(IV) Miscellaneous Expenditure & Losses not written off			400
Total			1,79,635

Schedules to Balance Sheet
Schedule 1 : Share Capital

Particulars	Rs.	Rs.
Authorised Capital 15,000 Equity Shares of Rs. 10 each		1,50,000
Issued Capital 11,000 Equity Shares of Rs. 10 each		1,10,000
Subscribed, Called-up & Paid-up 10,500 Shares of Rs. 10 each fully called and paid		1,05,000

Schedule 2 : Reserves & Surplus

Particulars	Rs.	Rs.
Reserve Fund - Balance	5,000	
Addition during the year	10,000	15,000
Debenture Sinking Fund	25,000	
Addition during the year	1,000	
Interest on D.R.S.F. Investment	800	26,800
Profit & Loss A/c - Balance	2,835	44,635

Schedule 3 : Fixed Assets

Particulars	Rs.	Rs.
Goodwill	40,000	
Freehold Land at cost	15,000	
Machinery at cost	10,000	
Building at cost	45,000	1,10,000
Less : Depreciation - Building	10,380	
Machinery	4,620	15,000
		95,000

Schedule 4 : Investments

Particulars	Rs.	Rs.
6% War Bonds	10,000	
Accrued Interest	300	
	10,300	
Debenture Sinking Fund Investments	25,000	35,300

Schedule 5 : Current Assets

Particulars	Rs.	Rs.
Stock	25,000	
Debtors	25,000	
Less : R. D. D.	1,250	23,750
Loose Tools		4,225
Cash in Hand		450
Cash at Bank		21,730
		75,155

Schedule 6 : Current Liabilities

Particulars	Rs.	Rs.
Sundry Creditors	18,000	
Bills Payable	950	
Unclaimed Dividend	170	
Interest accrued on debentures	600	
		19,720

Schedule 7 : Provisions

Particulars	Rs.	Rs.
Provision for Taxation		7,000