

SYLLABUS

UNIT - 01 → ACCOUNTING STANDARDS.

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UNIT - 02 → PREPARATION OF FINANCIAL STATEMENTS AS PER IND AS.

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UNIT - 03 → PROVISIONS UNDER ACCOUNTING STANDARDS FOR ITEMS APPEARING IN FINANCIAL STATEMENTS.

Revenue Recognition [Ind AS 18], Valuation of Inventory [Ind AS 2], Property, Plant and Equipment, including Depreciation [Ind AS 16], Borrowings cost [Ind AS 23], Intangible Assets [Ind AS 38], Provisions [Ind AS 17], Earnings per share [Ind AS 33].

UNIT - 04 ⇒ PROVISIONS UNDER ACCOUNTING STANDARDS FOR ITEMS THAT DO NOT APPEAR IN FINANCIAL STATEMENTS.

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UNIT - 05 ⇒ CONSOLIDATED FINANCIAL STATEMENTS.

Meaning of Group, Holding and subsidiary company; Purpose and benefits of preparing consolidated financial statements, Requirements of companies Act, 2013 in respect of consolidation of financial statements, calculation of minority Interest, components of consolidation of financial statements, calculation of Goodwill or capital Reserve on consolidation, Accounting treatment for inter-co'y debts, unrealised profit on stock; unrealised profit on fixed assets and inter-company dividends.

UNIT - 01

ACCOUNTING STANDARDS

Meaning :

Standards in Accounting literature used to be generally known as principles a few years back standards are considered to be written statements issued by various professionals and expert institutes.

Accounting standards mainly deals with financial measurements and disclosures and can be used to measure the technical response to call for better financial Accounting and reporting. It helps in achieving consistency and uniformity in Accounting procedures and practices.

Standards for the preparation and presentation of financial statements created by the International Accounting standards committee [IASC].

~~Def.~~ ^{Imp} Meaning and of Accounting standards.

An Accounting standard is a guidelines for financial Accounting, such as how a firm prepare and presents its business income, Expenses, Assets and Liabilities and may be in accordance to standards set by the International Accounting Standard Board [IASB].

Nature of Accounting Standards.

- * Accounting standards prespecify when and how economic events are to be recognized, measured and displayed.
- * External entities such as banks, investors and regulatory agencies to ensure relevant and accurate information is provided about the entity.
- * AS relate to all aspects of an entities, finances including assets, liabilities, Revenues, Expenditure and Equity.
- * AS dominate and control the work of accountants.
- * AS acts as guidelines, principles and rules for the conduct of Accounting work.

Accounting standards usually consists of 3 parts includes :

- * A description of Problem to be handled.
- * Discussion of ways of solving the problems.
- * In the light of discussion and prescribed solutions.

Importance of Accounting standards.

Accounting standards are important to every business that are as follows -

- * standards improve reliability of financial statements.
- * Regulatory compliances.
- * It is helpful for accounting professionals.
[Accountants and Auditors]

- * It protecting the Investors.
- * Accounting reforms - AS are helpful for measure-ment of Information, Objective of financial reporting and accounting practices.
- * Determining managerial and corporate Accounting.
- * Assessing the Business performance.

Objectives of Accounting standards.

- * To provide a standard form the diverse Account-ing policies and principles.
- * To put an end to the non-comparability of Financial statement.
- * To increase ~~the~~ reliability of financial statements.
- * To provide standards which are transparent for users.
- * To define the standards which are comparable over all periods presented.
- * To provide a suitable starting point for accounting.
- * It contains high quality of Information to generate the financial reports.
- * For the eradication the huge amount of variation in the treatment of Accounting standards.
- * To facilitate both inter-firm and intra-firm comparison.

List of Accounting Standards .

AS - 1 ⇒ Disclosures of Accounting policies .
which are followed in preparing and presenting of financial statement .

AS - 2 ⇒ Valuation of Inventories .
Including ascertainment of cost of Inventories and any write down to net realisable value .

AS - 3 ⇒ Cash Flow statement .
These deals with the provisions of Information about the historical changes in cash and cash equivalents of an enterprise .

AS - 4 ⇒ Contingencies and Events occurring after Balance sheet Dates .

AS - 5 ⇒ Net profit / loss for the period , Prior period items and changes in Accounting policies .

AS - 7 ⇒ Construction contracts .
It prescribes the Accounting for the construct-on contracts in the financial statement of contractors .

AS - 9 ⇒ Revenue Recognition .
It is based for recognition of Revenue in the statement of profit & loss of Enterprise .

AS - 10 ⇒ Property , Plant and Equipment .

AS - 11 ⇒ The effect of changes in foreign exchange rates .

AS - 12 ⇒ Government Grants .
Subsidies, cash Incentive etc .

AS - 13 ⇒ Accounting for Investment .

AS - 14 ⇒ Accounting for Amalgamation .

AS - 15 ⇒ Employee Benefit .

AS - 16 ⇒ Borrowing cost .

AS - 17 ⇒ Segment reporting .

AS - 18 ⇒ Related party Disclosure .

AS - 19 ⇒ Lease .

AS - 20 ⇒ Earning per share (EPS)

AS - 21 ⇒ Consolidated financial statements .

AS - 22 ⇒ Accounting for taxes on incomes .

AS - 23 ⇒ Accounting for Investment in Associate .

Preparation and presentation of consolidated financial statements by an Investors .

AS - 24 ⇒ Discontinuing operations .

AS - 25 ⇒ Interim financial reporting .

Principle for recognition and measurement in complete or condensed financial statements for an interim period .

AS - 26 ⇒ Intangible Assets .

AS - 27 ⇒ Financial reporting of Interest joint ventures .

AS - 28 ⇒ Impairment of Assets .

It describes as impaired carrying amount exceeds the amount to be recovered through use or sale of the Asset and it requires the enterprise to recognise an impairment loss .

AS - 29 ⇒ Provisions, contingent Liability and contingent Asset .

List of AS issued by IASB [International Accounting Standard Board / committee] [2019]

- IAS - 1 ⇒ Presentation of financial statements
- IAS - 2 ⇒ Inventories.
- IAS - 7 ⇒ Statement of cash flow.
- IAS - 8 ⇒ Accounting Policies, Changes in Accounting estimate and errors.
- IAS - 10 ⇒ Events after the reporting period.
- IAS - 11 ⇒ construction contracts.
- IAS - 12 ⇒ Income Tax.
- IAS - 16 ⇒ Plant, Property and Equipment.
- IAS - 17 ⇒ Lease
- IAS - 18 ⇒ Revenue.
- IAS - 19 ⇒ Employee benefit.
- IAS - 20 ⇒ Accounting for government grants and disclosure of Government Assistant.
- IAS - 21 ⇒ The effect of changes in Foreign Exchange Rate.
- IAS - 23 ⇒ Borrowing cost
- IAS - 24 ⇒ Related party disclosure.
- IAS - 26 ⇒ Accounting and reporting by retirement benefit plans.
- IAS - 27 ⇒ consolidated and separate financial statements.
- IAS - 28 ⇒ Investments in associates and Joint ventures.
- IAS - 29 ⇒ Financial reporting in hyper inflationary economies.
- IAS - 31 ⇒ Interest in joint ventures.
- IAS - 32 ⇒ Financial Instruments - Presentation.
- IAS - 33 ⇒ Earning per share (EPS)
- IAS - 34 ⇒ Interim financial reporting
- IAS - 36 ⇒ Impairment of Assets.
- IAS - 37 ⇒ Provisions, contingent liability and contingent Assets

IAS - 38 ⇒ Intangible Assets .

IAS - 39 ⇒ Financial Instruments recognition & measurement .

IAS - 40 ⇒ Investment Property .

IAS - 41 ⇒ Agriculture .

Imp Meaning of IFRS

IFRS is a set of Accounting standards issued by independent and not for profit organisation called IASB.

The goal of IFRS is to provide a global Framework for how public companies prepare and disclose their financial statements . IFRS provides general guidelines for the preparation of financial statements .

Assumptions of IFRS

1. Accrual Assumptions .

That is as and when they occur and not when the settlement of transactions takes place .

2. Going concern assumptions .

It is assumed that life of the Business is infinite that is in definite period .

3. Fair value Basis .

4. constant purchasing power Assumptions

Need for IFRS

1. It helps to reduction in information cost to economy.
2. Help for presentation of financial statement.
3. comparison of financial statement of companies operating in same industries in different country.
4. Listing on foreign stock exchange.

Objectives of IFRS

1. To develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon principles.
2. To ensure high quality, transparent and comparable information in financial statements and other financial reporting to help investors and other participants in world's capital market.
3. To promote the use and application of those standards.
4. To promote and facilitate adoption of IFRS it is issued by the IASB the convergence of national accounting standards and IFRS.
5. To facilitate cross border transactions.
6. To have one accounting language all over the globe.

Features of IFRS .

1. Fair presentation and Compliance .
2. It is purely going concern concept .
3. It is an accrual basis of Accounting .
4. Accuracy .
5. Comparative Information .
6. consistency of presentation .
7. Faithful representation .

Merits of IFR Adopting IFRS .

1. It allows for greater comparability .
2. High quality and transparency .
3. It is very beneficial to new and small investors .
4. It creates more flexibility .
5. More cross border transactions and investments .

Demerits of IFRS .

1. It requires high cost for preparation of financial statements .
2. It is prone to manipulation .
3. It is not globally accepted .

Process of setting IFRS .

1. setting the agenda .
the IASB considered are:-
(a) The relevance of users information and the reliability of information .

- (b). The possibility of increasing convergence.
- (c). The Quality of the Standard to be developed.
- (d). Resource constraints.

2. Planning the project.

IASB decides

- (a). Conduct the project alone.
- (b). Jointly with another standard setter.

3. Development and publications of Discussing Paper.

A Discussion paper includes -

- (a). A comprehensive overview of the issue.
- (b). Possible approaches in addressing the issue.
- (c). The preliminary views of its author or the IASB.
- (d). An invitation to comment.

4. Development and Publication of an exposure draft -

- (a). Issue on the basis of staff research and recommendation.
- (b). Comments received on any discussion paper.
- (c). Suggestion made by the IFRS, advisory council, consultative groups and Accounting standard setter.

5. Development and Publication of an IFRS standards

- (a). Identify substantial issue that emerged during the comment period.
- (b). Evaluate and assess the evidence to be considered

6. Procedures after a Standard is issued.
 - (a). Its review of the standards application.
 - (b). changes in the financial reporting Environment and regulatory requirements.
 - (c). Comments by the IFRS advisory council, IFRS interpretation committee and Standard Setter.

V.V. Sankar

Practical challenges in implementing IFRS.

1. First time reporting of financial statements as per IFRS will be a critical factor.
2. Regrouping or re-classification
3. Planning for effective transition Audit.
4. Users concern and professional risk.
5. It has high risk in the assessment of financial Statement
6. Management transition plans
7. Remaining Independent.

V.V. Sankar

List of IFRS issued by IASB

- IFRS - 1 \Rightarrow First time adoption of International Financial Reporting Standards.
- IFRS - 2 \Rightarrow Share Based Payments.
- IFRS - 3 \Rightarrow Business combination.
- IFRS - 4 \Rightarrow Insurance contracts.
- IFRS - 5 \Rightarrow Non-current Assets held for sale and discontinued operations.
- IFRS - 6 \Rightarrow Exploration for and Evaluation of mineral Resources.
- IFRS - 7 \Rightarrow Financial Instruments - Disclosures.
- IFRS - 8 \Rightarrow Operating segments.

- IFRS - 9 ⇒ Financial Instruments.
- IFRS - 10 ⇒ Consolidated Financial Statements.
- IFRS - 11 ⇒ Joint Arrangements
- IFRS - 12 ⇒ Disclosure of Interest in Other Entities
- IFRS - 13 ⇒ Fair Value Measurement
- IFRS - 14 ⇒ Regulatory Deferral Accounts
- IFRS - 15 ⇒ Revenue from Contracts with Customers
- IFRS - 16 ⇒ Lease
- IFRS - 17 ⇒ Insurance Contracts.

GAAP [Generally Accepted Accounting Principles]
GAAP refers to a widely accepted set of rules, standards, conventions and procedures for reporting financial information.

GAAP is an amalgamation of authoritative standards and the usually accepted methods of recording and reporting information on Accounting.

16. June. 2022.

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UNIT-02

Preparation of financial statements as per IND AS.

Meaning of Financial Statements.

Section 2(40) in relation to company includes -

Balance sheet at the end of financial year.

Statement of P&L A/c for the financial year.

Cash flow Statement not mandatory for small companies.

Statement of changes in Equity if applicable.

Uses of financial statements analysis.

1. Management.
2. Owners.
3. Investors.
4. Creditors.
5. Government.
6. Employees.
7. Customers.
8. General Public.

Objectives of financial statement.

1. Assessment of past performance.
2. Assessment of current position.
3. Assessment of the operational efficiency.

Elements of financial statements.

Assets, Liability, Equity, Revenue, Expenses

OF
FORMATE PART - 1 BALANCE SHEET.

Particulars

Note
NO.

Current
Reporting
Period

Previous
Reporting
Period

I. EQUITY AND LIABILITIES

① Share Holders Fund

(a). Share Capital

(b). Reserves and Surplus.

(c). Money recd 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 Liabilities

II. ASSETS.

① Non-current Assets.

(a). Fixed Assets

(i). Tangible Assets

(ii). Intangible Assets.

(iii). Capital work in Progress.

(iv). Intangible Assets underdevelopment.

(b). Non-current Investments.

(c). Deferred Tax Assets [Net]

(d). Long term Loans & Advances.

- (e). Other Non-current Assets
- (2). Current Assets
 - (a). Current Investments.
 - (b). Inventories
 - (c). Trade Receivables.
 - (d). Cash & Cash Equivalents.
 - (e). Short term loans and advances.
 - (f). Other current Assets.
- Total Assets.

v.v. Imp

FORMATE - PART - 2 STATEMENT OF P&L

| Particulars | Note No ² | (Same) | (Same) |
|--|----------------------|--------|--------|
| 1. Revenue from operation | 1 | | |
| 2. Other Income | 2 | | |
| 3. Total Revenue (1 + 2) | 3 | | |
| 4. Expenses. | 4 | | |
| (a). Cost of material consumed. | | | |
| (b). Purchase of stock in trade. | | | |
| (c). changes in Inventories of finished goods. | | | |
| (d). work in progress & stock in trade. | | | |
| 5. (e) Employee benefit Exp ^{Interest on loan} [Finance cost] | | | |
| (f) Depreciation and ammortisation Exp | | | |
| (g) Other Expenses. | | | |
| (4) Total Expenses | | | |
| 6. Profit before Exceptional & Extraordinary Items and Tax. (3 - 4) | 5 | | |
| u. 6. Exceptional Items. | | | |
| 7. Profit before Extraordinary items & Tax (5 - 6) | 6 | | |

- | | | | | |
|-----|--|--|--|--|
| 8. | Extraordinary items | | | |
| 9. | Profit before Tax (7-8) | | | |
| 10. | Tax Expense | | | |
| | (a). Current Tax | | | |
| | (b). Deferred Tax | | | |
| 11. | Profit / Loss for the period from continuing operations (7-8) | | | |
| 12. | Profit / Loss from discontinuing operations | | | |
| 13. | Tax Expense of discontinuing operations | | | |
| 14. | Profit / Loss from discontinuing operations [After Tax]. (12-13) | | | |
| 15. | Profit or Loss for the period [11+14] | | | |
| 16. | Earning per Equity Share | | | |
| | (a). Basic | | | |
| | (b). Dilute | | | |

Problems: [Schedule III & PEIL A/c]

- You are given the following extracts of ledger balances taken from 'S', co Ltd for the year ending 31.3.20. Prepare Statement of PEIL A/c as per revised schedule 3 of the company Act 2013.

| | |
|---------------------------------|--------|
| opening stock of finished goods | 190500 |
| cost of Material consumed | 292000 |
| salary to office staff | 68000 |
| closing stock of finished goods | 203000 |
| Interest on Debenture paid | 16250 |
| General Expenses | 8250 |

| | |
|-----------------------------------|--------|
| Discount Earned | 4900 |
| Cash Sales | 266000 |
| Credit Sales | 387500 |
| Income Tax refund | 11500 |
| Provision for Taxation | 30,000 |
| Goodwill return off | 18,000 |
| Sales return | 17000 |
| Provision for Bad debts | 8200 |
| Delivery Expenses | 1200 |
| Printing and Stationery | 22600 |
| Factory Expenses | 82000 |
| Bonus to Employee | 32000 |
| Depreciation on plant & Machinery | 50000 |

Solution:-

S co'y Ltd

Statement of P&L for year

| Particulars | Note no ^s | (₹) |
|---|----------------------|----------|
| I. Revenue from operation | 1 | 636500 |
| II. Other Income | 2 | 16400 |
| III. Total Revenue (I + II) | 3 | 652900 |
| IV. Expenses | 4 | |
| (a). Material consumed | | 292000 |
| (b). changes in Inventories | | (12500) |
| (c). Employee Benefits | | 100,000 |
| (d). ^{Finance cost} Interest on debentures paid. | | 16250 |
| (e). Depreciation & Ammortisation | | 68000 |
| (f). other Expenses | | 128250 |
| Total Expenses | | 592000 |
| V. Profit Before Tax III - IV III - IV | 5 | 60,900 |
| VI. Provision for Taxation | 6 | (30,000) |
| VII. Profit after Tax | 7 | 30,900 |

Working Note

| | |
|---------------------------|--------------------------------|
| 1. Revenue from operation | 6. Other Expenses |
| Cash Sales = 266,000 | General Exp = 8,250 |
| Credit Sales = 387,500 | Delivery Exp = 7,200 |
| <u>6,53,500</u> | Factory Exp = 82,000 |
| (-) Sales Return = 17,000 | Printing & Stationery = 22,600 |
| Total = <u>6,36,500</u> | Provision for BP = 8,200 |
| | Total = <u>1,28,250</u> |

2. Other Income

| |
|----------------------------|
| Discount Earned = 4,900 |
| Income Tax Refund = 11,500 |
| Total = <u>16,400</u> |

3. Employee Benefit Expenses

| |
|---------------------------------|
| Salary to office staff = 68,000 |
| Bonus to Employee = 32,000 |
| Total = <u>1,00,000</u> |

4. Depreciation and Ammortisation

| |
|------------------------------------|
| Goodwill return off = 18,000 |
| Depreciation of Plant & M = 50,000 |
| Total = <u>68,000</u> |

5. changes in inventories

| |
|--------------------------------|
| Opening stock = 1,90,500 |
| (-) Closing stock = (2,03,000) |
| Total = <u>12,500</u> |

2. Following ledger balances are taken from Anand company Ltd for the year ending 31.3.20.
Prepare P&L A/c.

| | |
|---|-----------|
| Stock of finished goods as on 1.4.19 | 290,000 |
| Stock of working progress as on 1.4.19 | 393,000 |
| Stock of finished goods as on 31.3.20 | 184,000 |
| Stock of working progress as on 31.3.20 | 260,000 |
| Material consumed | 315,000 |
| wages Employee Benefit | 74,000 |
| cock and cock Expenses other Exp | 87,500 |
| Life stock | 100,600 |
| Patents returned off Depreciation & Prime | 25,200 |
| Director's fees other Exp | 57,000 |
| SALES Revenue I | 10,95,000 |
| Depreciation on plant D&A | 38,000 |
| Bad debts other Exp | 16,570 |
| provision II | 18,000 |
| Royalty recd other Income, II | 18,300 |
| Bank loan | 400,000 |
| Administration Exp other Exp | 37,400 |
| Interest on loan. Exp III | 60,000 |

Solution:

Anand company Ltd, statement of P&L for 31.3.20

| Particulars | Note No ^r | € |
|---------------------------|----------------------|-----------|
| I. Revenue from operation | 1 | 10,95,000 |
| II. Other Income. | 2 | 18,300 |
| III. Total Revenue | 3 | 11,13,300 |
| IV. Expenses | 4 | |
| (a). Material consumed | | 315,000 |
| (b). Purchases | | - |

| | | |
|---|---|----------|
| (c). Employee benefit Expenses (Wages) | | 74,000 |
| (d). changes in Inventories | | 239,000 |
| (e). Depreciation & Ammortisation | | 63,200 |
| (f). Interest on loan | | 60,000 |
| (g). Other Expenses | | 198,470 |
| Total Expenses | | 9,49,670 |
| <u>V</u> . Profit before Tax (III - IV) | 5 | 1,63,630 |
| <u>VI</u> . Provision for Taxation | 6 | (18,000) |
| <u>VII</u> . Profit after Tax | | 1,45,630 |

working:

1. changes in Inventories

| | | |
|--|---|----------------|
| stock of finished ^{finished} Goods | = | 290,000 |
| stock of work in progress | = | 393,000 |
| | | <u>683,000</u> |

↳ stock of finished goods = (184,000)

↳ stock of working progress = (260,000)

Total = 239,000

2. Depreciation and Ammortisation.

Depreciation on Plant = 38,000

patents returned off = 25,200

Total = 63,200

(3). Other Expenses

Coal and coke Exp = 87,500

Director's Fees = 57,000

Bad debts = 16,570

Administration Exp = 37,400

Total = 1,98,470

3. From the following Trail Balance of Apoorva co'y ltd as on 31.3.2020. Prepare a statement of P&L A/c as per schedule III of the Companies Act 2013.

| Particulars | (₹) | Particulars | (₹) |
|------------------------|-----------|---------------------|-----------|
| Interest on Debenture | 32,400 | Share transfer fees | 15,000 |
| Travelling Expenses | 10,200 | Debentures | 270,000 |
| Delivery van Exp | 5,100 | Commission recd. | 7,400 |
| Bad Debts | 6,500 | Sales | 645,500 |
| Discount | 7,000 | Share capital | 500,000 |
| Purchases | 318,800 | | |
| Opening stock | 72,000 | | |
| Freight outward | 8,400 | | |
| Free samples | 5,000 | | |
| Depreciation | 38,900 | | |
| Showroom Exp | 11,400 | | |
| Bank Balances → balanc | 15,860 | | |
| wages | 93,000 | | |
| Land & Building | 400,000 | | |
| Office Equipment | 145,000 | | |
| Insurance | 6,000 | | |
| Furniture | 122,600 | | |
| | 1,437,900 | | 1,437,900 |

Additional Information:

Closing stock was valued at ₹ 85,500.

Solution:

Working Note:

1. Changes of Inventories

| | |
|-------------------|-----------------|
| opening stock | 72000 |
| (-) closing stock | (85,500) |
| Total = | <u>(13,500)</u> |

2. Other Expenses

| | |
|-------------------|--------------|
| Travelling Exp | 10200 |
| Delivery van Exp | 5100 |
| Bad debts | 6500 |
| Discount | 7000 |
| Freight outwards | 8400 |
| Free sample | 5000 |
| Showroom Expenses | 11,400 |
| Insurance | 6000 |
| Total = | <u>59600</u> |

3. Other Income

| | |
|---------------------|--------------|
| Share Transfer Fees | 15000 |
| commission recd | 7400 |
| | <u>22400</u> |

Appoosva co'y Ltd

Statement of P&L A/c for the year ending 31.3.20

| Particulars | Note no ^s | (₹) |
|---|----------------------|----------|
| I. Revenue from operation | 1 | 645,500 |
| II. Other Income | 2 | 22,400 |
| III. Total Revenue | 3 | 667,900 |
| IV. Expenses | 4 | |
| (a) Purchases | | 3,15,800 |
| (b) Employee Benefit Expenses (wages) | | 93,000 |
| (c) changes in Inventory | | (13,500) |
| (d) Depreciation & Ammortisation | | 38,900 |
| (e) Financial cost [Interest on ^{debt} loan] | | 32,400 |
| (f) Other Expenses | | 59,600 |
| Total Expenses | | 526,200 |
| V. Profit before Tax (III - IV) | | 1,41,700 |
| VI. Provision for Taxation | | Nil |
| VII. Profit after Tax | | 1,41,700 |

4. calculate cost of goods sold and Gross Profit from the following information.

| | |
|--------------------|------------|
| opening inventory | £ 11,000 |
| Purchases | £ 2,10,000 |
| Purchases returns | £ 7000 |
| Purchases discount | £ 3000 |
| Freight Inward | £ 18,000 |
| Ending Inventory | £ 17,000 |
| Sales Revenue | £ 250,000 |

Solution:-

Working Note :-

calculation of cost of goods sold.

| Particulars | ₹ | ₹ |
|--|---------|--------|
| (A). Opening Inventory | | 11000 |
| (+): Purchases | 210,000 | |
| (-): Purchase returns | 7000 | |
| | 203000 | |
| (-): Purchase Discount | 3000 | |
| Net Purchases | 200000 | |
| (+): Freight inwards/direct Expenses | 18000 | 218000 |
| (B). Net cost of Purchases | | 218000 |
| cost of goods available for sale (A+B) | | 229000 |
| (-): closing stock / Ending inventory | | 13000 |
| cost of goods sold | | 212000 |

calculation of Gross Profit.

| Particulars | ₹ |
|-------------------------|---------|
| Revenue (Sales) | 250,000 |
| (-): Cost of Goods sold | 212000 |
| Gross Profit | 38000 |

5. Prepare Income Statement of Srinivas Ltd for the period 31.03.21 from the following info.

Revenue from Sales ₹ 878,240

Cost of goods sold ₹ 597,400

Operating Expenses:

Selling Expenses ₹ 104,600

Administrative Expenses ₹ 49,000

Interest Expenses ₹ 9,400

Tax Burden ₹ 52,000

Solution:

Srinivas Ltd

Income Statement as on 31.3.2021.

| Particulars | (₹) |
|--------------------------------|---------|
| Revenue (Sales) | 878,240 |
| (-) : Cost of Goods Sold | 597,400 |
| Gross Profit | 280,840 |
| (-) : Operating Expenses | |
| * Selling Expenses | 104,600 |
| * Administrative Expenses | 49,000 |
| Profit bfr dep, Interest & Tax | 127,240 |
| Depreciation | - |
| (+) : Interest Expenses | 9,400 |
| Profit bfr Tax | 117,840 |
| (-) : Tax Burden | 52,000 |
| Profit After Tax / Net Profit | 65,840 |

6. From the following particulars XYZ Co., prepare a statement of P&L for the year ended 31.3.21 as per Schedule III of companies Act, 2013.

| Particulars | (₹) |
|--------------------------------|-------|
| Revenue from operations | 39000 |
| Cost of Material consumed | 24500 |
| Other Income | 6000 |
| Changes in Inventory | 2500 |
| changes in W/P | 1500 |
| Finance cost | 1000 |
| Employees Benefit | 2000 |
| Depreciation and Ammortisation | 3000 |
| Other Expenses | 500 |
| Income Tax Expenses | 1200 |
| Non - controlling Interest | 4000 |

Solution:

XYZ Co., Ltd

Statement of P&L A/c for the year ending 31.3.21

| Particulars | Note no | (₹) |
|-------------------------------------|---------|-------|
| I. Revenue from operations | 1 | 39000 |
| II. Other Income | 2 | 6000 |
| III. Total Revenue (I + II) | 3 | 45000 |
| IV. Expenses | 4 | |
| (a). Cost of Material Consumed | | 24500 |
| (b). Changes in Inventory | | 2500 |
| (c). changes in W/P | | 1500 |
| (d). Finance cost | | 1000 |
| (e). Employees Benefit | | 2000 |
| (f). Depreciation and Ammortisation | | 3000 |
| (g). Other Expenses | | 500 |

XYZ Co., prepare
 year ended 31.3.21
 Act, 2013.

| | | |
|-----------------------------------|---|--------|
| I. Total Expenses (a+b+c+d+e+f+g) | | 35000 |
| II. Profit before Tax (III - IV) | 5 | 10,000 |
| VI. Provision for Tax | 6 | (1200) |
| VII. Profit after Tax | 7 | 8800 |
| Controlling Expenses Interest | | 4800 |
| Non-controlling Interest | | 4000 |

| |
|-------|
| (₹) |
| 39000 |
| 24500 |
| 6000 |
| 2500 |
| 1500 |
| 1000 |
| 2000 |
| 3000 |
| 500 |
| 1200 |
| 4000 |

7. You are given the following extracts of ledger Balances taken from Shankar Ltd. for the year ending 31.3.21. Prepare a statement of P&L.

| | | |
|----------------------------------|--|-------|
| I Revenue from operations. | | 98000 |
| II Other Income | | 2000 |
| III Advertising | | 5250 |
| IV Salaries | | 27000 |
| V Depreciation | | 2800 |
| VI Insurance | | 1000 |
| VII Interest on Debentures | | 1000 |
| VIII Preliminary Exp written off | | 1000 |
| IX Bad Debts | | 500 |
| X Discount | | 500 |
| XI Printing and Stationery | | 1000 |
| XII Cost of materials consumed. | | 25000 |

year ending 31.3.21

| Note no | (₹) |
|---------|-------|
| 1 | 39000 |
| 2 | 6000 |
| 3 | 45000 |
| 4 | |
| | 24500 |
| | 2500 |
| | 1500 |
| | 1000 |
| | 2000 |
| | 3000 |
| | 500 |

Solution:

Shankar Ltd.

Statement of P&L A/c for the Year ending 31.3.21

| Particulars | Note No | (₹) |
|-----------------------------|---------|---------|
| I. Revenue from operations | 1 | 98000 |
| II. Other Income | 2 | 2000 |
| III. Total Revenue (I + II) | 3 | 100,000 |
| IV. Expenses: | 4 | |

| | | |
|---|---------------------|-------|
| (a). Material Consumed | | 25000 |
| (b). changes in Inventories. | | - |
| (c). Employee Benefits (Salaries) | | 27000 |
| (d). Finance cost (Interest on Debenture) | | 1000 |
| (e). Depreciation and Ammortisation. | | 2800 |
| (f). other Expenses. | | |
| Advertising | | 5250 |
| Insurance | | 1000 |
| Preliminary Exp written off | Expenses | 1000 |
| Bad Debts | related to Dep & Am | 500 |
| Discount | | 500 |
| Printing and stationery | | 1000 |
| Total Expenses | | 65050 |
| <u>VI</u> . Profit before Tax (III - IV) | 5 | 34950 |
| <u>VII</u> . Provision for Taxation | 6 | - |
| <u>VII</u> . Profit after Tax | 7 | 34950 |

8. Prepare Profit and loss statement of Bhaskar ltd for the year ended 31.3.21 with given data .

| | |
|------------------------------------|------------------------|
| Gross sales | 230510 |
| Sales returns and allowances | 10950 |
| Merchandise inventory 1.4.2020 | 23650 |
| Purchases | 163450 |
| Purchases returns and allowances . | 6600 |
| Freight in Purchase discount | 700 |
| Freight in | 14500 14500 |
| Merchandise inventory 31.3.21 | 44500 |
| Operating Expenses: | |
| (a). Selling Expenses: | |
| Sales salaries Expenses | 10175 |
| Sales Commission Expenses | 4120 |
| Advertising | 4710 |

| | |
|--|-------|
| Freight out | 2245 |
| Store Rent | 1200 |
| Sales discount | 700 |
| Depreciation Expenses - store furniture | 3000 |
| Total of Selling Expenses | 26150 |
| b). Administrative Expenses. | |
| Office salaries | 8450 |
| Insurance. | 600 |
| Rent | 1200 |
| Depreciation Expenses - office Equipment | 2000 |
| Total of administrative Expenses. | 12250 |
| Interest Expenses. | 2350 |
| Tax Burden. | 13000 |

Solution:-

Working Note - 1

Calculation of cost of Revenue from sales.

| | |
|---------------------------------------|----------|
| Gross profit | 23,0510 |
| Sales | 10950 |
| Total ^{Net} Sales | 2,19,560 |

(a). cost of goods sold

| | | |
|-------------------------|----------------|---------|
| (A) : Opening Inventory | | 23,650 |
| (+) : Purchases | 163,450 | |
| (-) : Purchase returns | 6,600 | |
| | 156,850 | |
| (-) : Purchase Discount | 700 | |
| | 156,150 | |
| | 14,050 | |
| (+) : freight in | 14,500 | 170,200 |
| | 156,150 | 19,3850 |
| | Net purchases. | 170,200 |
| (-) : closing Inventory | | 44,500 |
| cost of goods sold. | | 149,350 |

P&L A/c for the year ended 31.3.21 for Bhaskar Ltd

| PARTICULARS | (₹) |
|---|---------|
| (a) Revenue (Sales) (WN a) | 219,560 |
| (b) (-) cost of Goods sold | 149,350 |
| Gross Profit | 70,210 |
| Less :- Expenses [Operating] | |
| * Selling Expenses [Excluding Dep] | 2,3150 |
| * Administration Exp [Excluding Dep] | 10,250 |
| Earning b/y Interest & Dep & Tax | 36,810 |
| Less :- Depreciation and Ammortisation. | |
| * Store furniture | 3,000 |
| * Office Equipment | 2,000 |
| Earning b/y Int & Tax | 31,810 |
| Less :- Interest Expenses | 2,350 |
| Earning Before Tax | 29,460 |
| Less :- Tax Burden. | 13,000 |
| Earnings after Tax | 16,460 |

9. Prepare Statement of P&L A/c for the year ending 31.3.21 as per revised schedule (II) part 2 company Act 2013

| | |
|-------------------------|-----------|
| Revenue from operations | 12,00,000 |
| Salaries and Allowances | 1,40,000 |
| Stationery | 30,000 |
| Interest on term loans | 50,000 |
| Publicity | 80,000 |
| Raw material consumed | 2,20,000 |
| Discount Allowed | 20,000 |
| Depreciation | 20,000 |
| Rent recd | 80,000 |

Solution:-

Statement of P&L A/c for the year ending 31.3.21.

| Particulars | Note no ^s | (₹) |
|---|----------------------|----------|
| I. Revenue from operations. | 1 | 1200,000 |
| II. Other Income [Rent recd] | 2 | 80,000 |
| III. Total Revenue | 3 | 1280,000 |
| IV. Expenses [Raw material consumed] | 4. | |
| (a). Raw material consumed | | 220,000 |
| (b). Purchases | | - |
| (c). changes in Inventory. | | - |
| (d). Employee Benefit [salaries] | | 140,000 |
| (e). Depreciation and Ammortisation | | 20,000 |
| (f). Finance cost [Interest on term loan] | | 50,000 |
| (g). Other Expenses. | | |
| Stationery | | 30,000 |
| Discount Allowed | | 20,000 |
| Publicity | | 80,000 |
| IV. Total Expenses (a+b+c+d+e+f+g) | | 560,000 |
| V. Profit before Tax (III - IV) | 5 | 720,000 |
| VI. Provision for Tax | 6 | - |
| VII. Profit after Tax | 7. | 720,000 |

10. Prepare a Statement of P&L under companies Act 2013 from the following details of Kavya Ltd for year ended 31.3.2021.

| | |
|--------------------------------|----------|
| Sales | 1600,000 |
| Purchase of Raw materials | 700,000 |
| Commission recd | 300,000 |
| Carriage Inwards | 100,000 |
| Returns outwards | 40,000 |
| opening stock of Raw materials | 180,000 |
| closing stock of Raw materials | 100,000 |
| Rent recd | 40,000 |
| Salaries to Employees | 200,000 |
| PF contribution to Employees | 50,000 |
| Interest on Bank loan | 30,000 |
| Interest on Debentures | 30,000 |
| Sundry Expenses | 10,000 |
| Depreciation | 40,000 |
| Income Tax paid | 75,000 |
| Excise duty | 50,000 |
| Consumable | 60,000 |

Solution :-

working Note :

| | |
|-----------------------------------|------------------|
| 1. Revenue from operation (Sales) | 16,00,000 |
| (-) Excise duty | 50,000 |
| | <u>15,50,000</u> |
| 2. Other Income | |
| Commission recd | |
| Carriage Inwards | 300,000 |
| Rent recd | 40,000 |
| | <u>340,000</u> |

panies Act 2013
for year

3. Employee Benefit Expenses

| | |
|------------------------------|----------------|
| Salaries to Employees | 200,000 |
| PF contribution to Employees | 50,000 |
| | <u>250,000</u> |

1600,000

700,000

300,000

100,000

40,000

180,000

100,000

40,000

200,000

50,000

30,000

30,000

10,000

40,000

75,000

50,000

60,000

4. Changes in Inventory

| | |
|-------------------|---------------|
| opening stock | 180,000 |
| (+) closing stock | 100,000 |
| | <u>80,000</u> |

5. Raw material consumed

| | |
|--------------------------|----------------|
| Purchase of Raw material | 700,000 |
| (+) carriage Inward | 100,000 |
| (-) Return outwards | 40,000 |
| | <u>760,000</u> |

6. Finance cost

| | |
|-----------------------|---------------|
| Interest on Bank loan | 30,000 |
| Interest on Debenture | 30,000 |
| | <u>60,000</u> |

7. Other Expenses

| | |
|-----------------|---------------|
| Sundry Expenses | 10,000 |
| consumable | 60,000 |
| | <u>70,000</u> |

16,00,000

50,000

15,50,000

300,000

40,000

340,000

P&L A/c for the year ending 31.3.2021

| Particulars | Note no. | (₹) |
|-------------------------------------|----------|-----------|
| I. Revenue from operations | 1 | 15,50,000 |
| II. Other Income | 2 | 340,000 |
| III. Total Revenue | 3 | 1890,000 |
| IV. Expenses | 4. | |
| (a). Cost of Materials consumed | | 760,000 |
| (b). Changes in Inventory | | 80,000 |
| (c). Employee Benefit Expenses | | 250,000 |
| (d). Finance cost | | 60,000 |
| (e). Depreciation and Ammortisation | | 40,000 |
| (f). Other Expenses | | 70,000 |
| Total Expenses | | 1260,000 |
| V. Profit before Tax (III - IV) | 5 | 630,000 |
| VI. Provision for Taxation | 6 | 75,000 |
| VII. Profit after Tax (V - VI) | 7 | 555,000 |

11. From the following Particulars of M/s Ravinandan Ltd, prepare a Statement of P&L for the year ended 31.3.2021 as per Schedule III of Companies Act 2013.

| | (₹) |
|---|---------|
| Revenue from operations. | 100,000 |
| Printing and Stationery <small>DE</small> | 2000 |
| Advertisement <small>DE</small> | 4000 |
| Salaries and allowances <small>EBE</small> | 6000 |
| Interest on long term loans <small>FE</small> | 4500 |
| Goodwill written off <small>DE</small> | 1500 |
| Material consumed | 35000 |
| Discount allowed <small>DE</small> | 1000 |
| Interest on Investment recd <small>DE</small> | 1500 |
| Depreciation on fixed assets <small>P&A</small> | 2000 |

Solution:-

Working Note:-

| | |
|-------------------------|-------------|
| 1. Other Expenses | |
| Printing and Stationery | 2000 |
| Advertisement | 4000 |
| Goodwill written off | 1500 |
| Discount allowed | 1000 |
| | <u>8500</u> |

Statement of P&L A/c of M/s Ravinandan Ltd for the year ending 31.3.2021.

| Particulars | Note no ^y | (₹) |
|--|----------------------|-----------------------|
| I. Revenue from operations | 1 | 100,000 |
| II. Other Income [Int. on Investment recd) | 2 | 1500 |
| III. Total Revenue (I + II) | 3 | <u>1,01,500</u> |
| IV. Expenses:- | | |
| (1). Cost of Material consumed | | 35000 |
| (2). Changes in Inventory | | - |
| (3). Employee Benefit Expenses | | 6000 |
| (4). Finance cost | | 4500 |
| (5). Depreciation and Ammortisation | | 2000 |
| (6). Other Expenses | | 8500 |
| | | <u>Total Expenses</u> |
| | | 56000 |
| V. Profit before Tax (III - IV) | | 45,500 |
| VI. Profit Provision for Tax | | - |
| VII. Profit after Tax (V - VI) | | <u>45,500</u> |

12. The particulars are given from Sachidananda Ltd. for the year ending 31.12.2020.

| Particulars | ₹ |
|---------------------------------------|-----------|
| goods acquired | 600,000 |
| Stock of goods on 1.1.2020 | 80,000 |
| Stock of goods on 31.12.2020 | 90,000 |
| Sales Revenue from operations | 10,00,000 |
| Depreciation on Fixed Assets DP | 19,000 |
| Preliminary Expenses written off DP | 8,000 |
| salaries to the employees. EBE | 19,000 |
| Rent of showroom DE | 12,000 |
| Interest on loan PC | 10,000 |
| Discount received from suppliers | 5,000 |
| Office Expenses. DE | 2,000 |
| Printing and Stationeries. DE | 1,800 |
| carriage outwards | 1,200 |
| Advertisement DE | 800. |
| Income tax at 40% - provision for Tax | |

From the above particulars, prepare a statement of Profit or Loss as per Schedule III of Companies Act 2013.

Solution:-

Working Note :-

1. Cost of Goods Sold

Other Expenses.

| | |
|----------------------------|---------------|
| Rent of Showroom | 12000 |
| Office Expenses | 2000 |
| Printing and Stationeries. | 1800 |
| carriage outwards. | 1200 |
| Advertisement - | 800 |
| Preliminary Expenses | 8000 |
| Total | 25,800 |

Statement of P&L A/c of Sachidananda Hda for the year ending 31.12.2020

| Particulars | Note no ^y | (₹) |
|--|----------------------|----------|
| I. Revenue from operations (Sales) | 1 | 1,00,000 |
| II. Other Income (Discount and Sundry) | 2 | 5000 |
| III. Total Revenue | 3 | 1,05,000 |
| IV. Expenses | 4. | |
| (a) Cost of Materials Consumed. | | 650,000 |
| (b) Changes in Inventory | | (10,000) |
| (c) Employee Benefit Expenses | | 19,000 |
| (d) Finance cost (Interest on loan) | | 10,000 |
| (e) Depreciation & Ammortisation. | | 10,000 |
| (f) Other Expenses | | 25800 |
| Total Expenses. | | 654800 |
| Profit before Tax (III - IV) | | 350200 |
| Provision for Taxation | | 140080 |
| Profit after Tax | | 210120 |

consider the following items appear in Balance sheet group and sub-group as per schedule III, part I of Companies Act.

- Capital Reserve
- Sundry Debtors
- sundry creditors
- Good will
- Proposed dividend.

| Particulars | Group | Sub-Group |
|-------------------|--------------------|-------------------------|
| Capital Reserve | Share Holders Fund | Reserves & Surplus |
| Sundry Debtor | Current Asset | Receivables |
| Sundry creditor | current liability | Payable |
| Good will | Non-current Asset | Intangible, Fixed Asset |
| Proposed Dividend | Current liability | Short-term provision |

2. Consider the following items

(a) Sinking fund, (b) Loose tools, (c) Debentures.

(d) O/s Expenses (e) Provision for Tax.

Solution.

| Particulars | Group | Sub-Group |
|-------------------|-------------------------|-------------------------|
| Sinking fund | Share Holders Fund | Reserve & Surplus |
| Loose tools | Current Asset | Inventories |
| Debentures | Non-current liabilities | Long-term Borrowing |
| O/s Exp | Current liability | Other current liability |
| Provision for Tax | Current liability | Short-term provisions |

3. From the following details prepare other comprehensive Income for the year ended 31.3.20 of Raghav Ltd.

| Particulars | (₹) |
|--|---------|
| Gains on property revaluation | 10000 |
| Losses on Investment in Equity instruments | (24000) |
| Re-measurement losses on defined pension plans | (600) |
| Share of gain on property revaluation. | 1000 |
| Income tax related to item that will not be reclassified | 9000 |
| Items that may be reclassified subsequently to P&L:- | |
| Exchange diff on translating foreign operations | 4000 |
| Cash flow hedge | (600) |
| Income tax relating to items that may be reclassified | 1000 |

| | |
|----------------------------|--------|
| Profit for the year | 50,000 |
| Non - controlling Interest | 4800 |

Solution :-

computation of Other comprehensive Income as on 31.3.20

| Particulars | (₹) | (₹) |
|---|----------|--------|
| Profit for the year | | 50,000 |
| (A) <u>Items will not be reclassified to profit or loss :-</u> | | |
| 1. Gains on property revaluation | 10,000 | |
| 2. Losses on Investment in Equity instruments | (24,000) | |
| 3. Re-measurement losses on defined pension plans | (600) | |
| 4. Share of gain on property revaluation | 1000 | |
| 5. Income tax related to item that will not be reclassified | 5000 | |
| Total (A) | | (8600) |
| (B). <u>Items that may be reclassified subsequently to Profit or Loss</u> | | |
| 1. Exchange difference on translating foreign operations | 4000 | |
| 2. cash flow ledgers | (600) | |
| 3. Income tax relating to items that may be reclassified | 1000 | |
| Total (B) | | 4400 |
| Other comprehensive Income for the year <u>Net of Tax</u> | | (4200) |
| Total comprehensive Income for the year (50,000 - 4200) | | 45,800 |
| controlling Interest | 41,000 | 41,000 |
| Non - controlling Interest | 4800 | 4800 |
| Total | 45800 | |

4. From the full details prepare others comprehensive Income for the year ended 31.3.2020 of Geetha Ltd.

| Particulars | (₹) |
|---|--------|
| Re-measurement losses on defined pension plans | (9000) |
| Losses on investment in Equity Instruments | (5000) |
| Income tax relating to items that may be reclassified | (2000) |
| cash flow hedges | (3000) |
| Available for sale financial Assets | 5000 |
| Share of Gain on property revaluation | 10,000 |
| Exchange diff. on translating foreign operations | 12000 |
| Gains on property revaluation | 14000 |
| Profit for the year | 70,000 |

Solution:-

Computation of other Comprehensive Income as on 31.3.20

| Particulars | (₹) | (₹) |
|---|--------|--------|
| Profit for the year | | 70,000 |
| (A). <u>Items will not be reclassified to P&L A/c</u> | | |
| 1. Gain on property revaluation. | 14,000 | |
| 2. Losses on Investment in Equity Instruments | (5000) | |
| 3. Available for Sale Financial Assets | 5000 | |
| 4. Re-measurement losses on defined pension plans | (9000) | |
| 5. Share of Gain on property revaluation. | 10,000 | |
| Total (A) | | 15,000 |
| (B). <u>Items that may be reclassified subsequently to P&L A/c.</u> | | |
| 1. Exchange diff on translating foreign operations | 12000 | |
| 2. Cash Flow hedges | (3000) | |
| 3. Income tax relating to items that may reclassified | (2000) | |
| TOTAL (B) | | 7000 |
| Other Comprehensive Income for the year Net of Tax (A+B) | | 22000 |
| Total comprehensive Income for the year | | 92000 |

NOV 2018

5. Following are the information -

| Particulars | Debit (₹) | Particulars | Credit (₹) |
|--------------------------|-----------|----------------------------|------------|
| Plant property Equipment | 800,000 | Equity share capital | 500,000 |
| Intangible Assets | 300,000 | Capital Redemption Reserve | 50,000 |
| current Investments | 100,000 | Non-current Liabilities | 800,000 |
| other Non-current Assets | 200,000 | P&L A/c | 40,000 |
| Inventories | 90,000 | current Liabilities | 600,000 |
| Cash & cash Equivalents | 400,000 | | |
| Trade Receivables | 100,000 | | |
| | | | |
| | 19,90,000 | | 19,90,000 |

Solution:-

Statement of financial position

| Particulars | (₹) | (₹) |
|----------------------------------|---------|-----------|
| A. Sources of fund. | | |
| 1. Equity share holders fund. | | |
| (a). Equity share capital | 500,000 | |
| (b). Capital Redemption Reserve | 50,000 | |
| (c). P&L A/c | 40,000 | 590,000 |
| 2. Non-current liability | | 800,000 |
| 3. Current liability | | 600,000 |
| | | |
| Total A | | 19,90,000 |
| B. Application of funds. | | |
| 1. Fixed tangible and Intangible | | |
| (a) Plant property Equipment | 800,000 | |
| (b) Intangible Assets | 300,000 | 11,00,000 |
| 2. Non-current Asset. (Other) | | 200,000 |

SOLUTION:-

Balance Sheet as on 31.12.2020

| Particulars | ₹ | ₹ |
|---|---------|---------|
| A. SOURCES OF FUND. | | |
| 1. Share holders fund. | | |
| (a) Capital | 50,000 | |
| (b) Reserves | 45,000 | 95,000 |
| 2. Non-current liabilities | | |
| (a) Secured loan | 75,000 | |
| (b) Unsecured loan | 40,000 | 115,000 |
| 3. Current liabilities. | | |
| (a) Trade creditors | 55,000 | |
| (b) Accrued Expenses | 1000 | |
| (c) Sundry creditors | 10,000 | |
| (d) Provisions | 86,000 | 152000 |
| Total A | | 362000 |
| (B) Application of fund | | |
| 1. Fixed Tangible and Intangible | | |
| (a) Gross Block | 230,000 | |
| (b) Less:- Depreciation of Total Fixed Assets | 60,000 | 170,000 |
| | 170,000 | |
| (c) capital work in progress | 12000 | 182000 |
| 2. ^{Non} Current Assets | | |
| 3. Non -current Assets | | |
| Investments | 20,000 | |
| Incentives | 60,000 | |
| Trade Debtors | 75,000 | |

| | | |
|--|---------|-----------|
| (c) Unclaimed Dividends | 60,000 | 804,000 |
| TOTAL (A) | | 17,64,000 |
| B. APPLICATION OF FUND | | |
| 1. Fixed Asset / Tangible Asset / Intangible Asset | | |
| (a) Plant & Machinery- | 720,000 | |
| (b) Free hold property | 360,000 | |
| (c) Good will | 120,000 | 1200,000 |
| 2. Non-current Asset | - | - |
| 3. Current Asset | | |
| (a) Sundry Debtors | 168,000 | |
| (b) closing stock | 240,000 | 408,000 |
| 4. Preliminary Expenses | | |
| (a) cost of Issue of shares | 48,000 | |
| (b) Advertisement Expense | 108,000 | 156,000 |
| TOTAL (B). | | 17,64,000 |

| 8. | Particulars | Debit | Particulars | Credit |
|----|-------------------------------------|-----------|--|-----------|
| | Tangible Asset FA | 12,00,000 | Equity Share Capital ^{ESH} | 10,00,000 |
| | Intangible Asset FA | 400,000 | General Reserve ^{(Res) ESH} | 600,000 |
| | Current Investments | 400,000 | P&L A/c ^{ESH} | 600,000 |
| | Other Non-current Investments N.C.A | 400,000 | Non-current Liabilities ^{N.C.L} | 10,00,000 |
| | Trade Receivable ^{CA} | 500,000 | Current Liability ^{CL} | 700,000 |
| | Stock CA | 800,000 | | |
| | Cash CA | 200,000 | | |
| | | 39,00,000 | | 39,00,000 |

Solution:

Statement of Financial Position.

| Particulars | (₹) | (₹) |
|---------------------------------------|-----------|------------------|
| A. SOURCES OF FUND. | | |
| 1. Equity Share Holders Fund. | | |
| (a) Equity share capital | 10,00,000 | |
| (b) General Reserve | 6,00,000 | |
| (c) P&L A/c | 6,00,000 | 22,00,000 |
| 2. Non-current liabilities | | 10,00,000 |
| 3. Current liabilities | | 700,000 |
| Total (A) | | <u>39,00,000</u> |
| B. APPLICATIONS OF FUND | | |
| 1. Fixed Tangible / Intangible Asset. | | |
| Tangible Asset | 1200,000 | |
| Intangible Asset | 400,000 | 16,00,000 |
| 2. Non-current Asset. | | |
| Other Non-current Investments | 400,000 | 400,000 |
| 3. Current Asset | | |
| Current Investment | 400,000 | |
| Stock | 800,000 | |
| Cash | 200,000 | 1400,000 |
| Trade Receivable | 500,000 | 19,00,000 |
| Total (B) | | <u>39,00,000</u> |

9. From the following Trial Balance prepare Balance Sheet as on 31.3.2016.

| (₹) | Particulars | Debit | Particulars | Credit |
|-----------|-------------------------|----------|-------------------------|----------|
| | Cash @ Bank CA | 150,000 | Equity Share Capital | 250,000 |
| | Non-current Asset | 100,000 | Reserves & Surplus | 50,000 |
| | Non-current Investments | 50,000 | Non-current Liabilities | 400,000 |
| | Land & Building FA | 400,000 | Current Liabilities | 100,000 |
| 22,00,000 | Furniture FA | 100,000 | Staff Provident fund | 100,000 |
| | Office Equipment FA | 50,000 | Deposit from Public | 100,000 |
| 10,00,000 | Good Will CA | 100,000 | Preference Capital | 250,000 |
| | Stock CA | 200,000 | | |
| 700,000 | Trade Receivable CA | 100,000 | | |
| | | 1250,000 | | 1250,000 |

39,00,000

Solution ::

Statement of financial position.

| | Particulars | ₹ | (₹) |
|-----------|-----------------------------|---------|----------|
| | A. SOURCES OF FUND. | | |
| | 1. Share Holders Fund | | |
| 16,00,000 | (a) Equity Share Capital | 250,000 | |
| | (b) Reserves and Surplus | 50,000 | |
| | (c) Preference Capital | 250,000 | 550,000 |
| 400,000 | | | |
| | 2. Non-current Liabilities. | | |
| | (a) Staff Provident fund | 100,000 | |
| | (b) Deposit from Public | 100,000 | |
| | (c) Non-current Liabilities | 400,000 | 600,000 |
| 1400,000 | | | |
| 19,00,000 | 3. Current Liabilities | | 100,000 |
| 39,00,000 | Total (A) | | 1250,000 |

| 2. APPLICATIONS OF FUND | | | |
|--|------------------------|---------|----------|
| 1. Fixed / Tangible / Intangible Asset | | | |
| (a) | Land and Building | 400,000 | |
| (b) | Furniture | 100,000 | |
| (c) | Office Equipment | 50,000 | 550,000 |
| 2. Non-current Assets | | | |
| (a) | Non-current Asset | 100,000 | |
| (b) | Non-current Investment | 50,000 | 150,000 |
| 3. Current Asset | | | |
| (a) | cash @ Bank | 150,000 | |
| (b) | Good will | 100,000 | |
| (c) | Stock | 200,000 | |
| (d) | Trade Receivable | 100,000 | 550,000 |
| Total (B) | | | 1250,000 |

10. Prepare Balance sheet of Venu Global Co'y on 31.3.2020 from the following info:

Share capital ^{ESH} 80,000 ; Reserves & Surplus ^{ESH} ₹ 74,220 ;
 Long term Borrowings ^{Net} 20,000 ; Trade Payables ^{CL} ₹ 39,260 ;
 Short term provisions ^{CL} ₹ 52000 ; Tangible Assets ^{FA} ₹ 60,000 ;
 Investments ^{CA} ₹ 4000 ; Inventories ^{CA} ₹ 178,000 ; Trade
 Receivable ^{CA} ₹ 14,800 ; Cash & Bank Bal. ^{CA} ₹ 6280 ;
 Short term loans & Advances ^{CA} ₹ 2400 .

179220

Solution:

Statement of financial position of Venu Gopal Co^y

Particulars

(₹)

A. SOURCES OF FUND.

1. Equity Share Holders Fund.

(a) Share Capital

80,000

(b) Reserves & Surplus

74,220

1,54,220

2. Non-current Liabilities

(a) Long term Borrowings

20,000

20,000

3. Current Liabilities

(a) Trade Payables

39,260

(b) Short term Provisions

52,000

91,260

Total (A)

265480

B. APPLICATIONS OF FUND

1. Fixed / Tangible / Intangible Asset

(a) Tangible Asset

60,000

60,000

2. Non-current Assets

3. Current Assets

(a) Investments

4000

(b) Inventories

178000

(c) Trade receivable

14800

(d) Cash & Bank Balance

6280

(e) Short term Loans & Advances

2400

205480

Total (B)

265480

11. Following is the Trail Bal. of Shreya ^{co'y Ltd} as on 31.3.20

| Particulars | Debit | Particulars | Credit |
|--|----------|----------------------------|----------|
| Land FA | 200,000 | Equity share capital | 300,000 |
| Building FA | 300,000 | Loan from related parties | 200,000 |
| Brand or Trademark ^{Tangible} | 200,000 | Bond [long term] | 200,000 |
| Loans CA | 100,000 | P&L A/c | 200,000 |
| Investment in MF CA | 150,000 | Capital Redemption Reserve | 100,000 |
| Trade Receivables CA | 50,000 | Unpaid Dividend | 200,000 |
| Cash & Cash Equivalents CA | 200,000 | Current Liability | 40,000 |
| Inventories CA | 40,000 | | |
| | 1240,000 | | 1240,000 |

Prepare statement of financial position of Shreya co'y Ltd as per Companies Act 2013.

Solution:-

Statement of financial position of Shreya co'y Ltd as on 31.3.20

| Particulars | (₹) | (₹) |
|---|---------|-----------|
| A. SOURCES OF FUND. | | |
| 1. Share Holders Fund. | | |
| (a) Equity share capital | 300,000 | |
| (b) P&L A/c | 200,000 | |
| (c) Capital Redemption Reserve | 100,000 | 600,000 |
| 2. Non-current liabilities. | | |
| (a) Bond [long term] | 200,000 | 200,000 |
| 3. Current liabilities. | | |
| (a) Long loan from related parties | 200,000 | |
| (b) Unpaid Dividend | 200,000 | |
| (c) Current liability | 40,000 | 440,000 |
| Total (A) | | 12,40,000 |

B. APPLICATIONS

- Fixed / Tangible
 - Brand or
 - Land
 - Building
- Non-current
- Current Assets
 - Loans
 - Investment
 - Trade Receivables
 - Cash & cash equivalents
 - Inventories

12. The trail was given

Particulars
Share capital
8% Mortgage
Plant and furniture
Land and buildings
Accounts receivable
Long term loans
Provision
Inventories
Accounts payable

| 31.3.20 | | B. APPLICATIONS OF FUND | | |
|----------------------|----------|---|---------|----------|
| | credit | 1. Fixed / Tangible / Intangible Assets | | |
| total | 300,000 | (a) Brand or Trademark | 200,000 | |
| d | 200,000 | (b) Land | 200,000 | |
| l | 200,000 | (c) Building | 300,000 | 700,000 |
| | 200,000 | | | |
| ve. | 100,000 | 2. Non - current Assets | | - |
| | 200,000 | | | |
| l | 40,000 | 3. Current Assets | | |
| | | (a) Loans | 100,000 | |
| | 1240,000 | (b) Investment in Mutual Fund | 150,000 | |
| Myra Co'y | | (c) Trade Receivable | 50,000 | |
| | | (d) cash & cash equivalents | 200,000 | |
| | | (e) Inventories | 40,000 | 540,000 |
| ltd as on 31.3.20 | | | | |
| | | TOTAL (B) | | 1240,000 |

| 12. The trail Balance of Mysore Ltd on 31.3.20 was given as under :- | | | | |
|--|--|--------------------------------------|---------|---------|
| | | Particulars | Dr. (₹) | Cr. (₹) |
| 600,000 | | Share capital : shares of ₹ 100 each | - | 400,000 |
| | | 8% Mortgage debentures | - | 100,000 |
| | | Plant and Machinery | 450,000 | |
| 200,000 | | Furniture | 50,000 | |
| | | Land and Building | 100,000 | |
| | | Accounts Payable | - | 120,000 |
| | | Long term loans | | 200,000 |
| | | Provision for depreciation | | 50,000 |
| 440,000 | | Inventories | 180,000 | |
| 12,40,000 | | Accounts receivables | 20,000 | |

| | | |
|-----------------------------|----------|-----------|
| Investments in Flats | 160,000 | |
| Technical know-how | 40,000 | |
| Cash and cash Equivalents | 20,000 | |
| P & L A/c | - | 130,000 |
| Revenue received in Advance | - | 20,000 |
| TOTAL | 1020,000 | 10,20,000 |

14.07.2022

UNIT - 03

Provisions under Accounting Standards for Items appearing in Financial Statements.

uv 1m

Plant, Property, Equipment [Format] to find out initial cost.

| Particulars | (₹) | (₹) |
|---|-----|-----|
| Purchase Price or Quoted Price | XXX | |
| Less: Trade Discount or Rebates | XXX | |
| | | XXX |
| Add: (i). Import Duties. | | XXX |
| (ii). Non-Refundable taxes | | XXX |
| (iii). Directly attributable cost of bringing the Assets of working condition for its intended use. | | XXX |
| (iv). Site preparation cost. | XXX | |
| (v). Initial Delivery & Handling cost | XXX | |
| (vi). Installation & Assembly cost | XXX | |
| (vii). Cost of testing | XXX | |
| (viii). Professional Fees like architects and Engineering Fees | XXX | |
| INITIAL COST OR COST OF ASSET <small>or Original cost</small> | | XXX |

Problems:

- A Ltd is installing a new plant at its production facility. It has incurred these costs -
 - Cost of plant [cost per supplier invoice plus taxes] ₹ 25,00,000.
 - Initial delivery and handling cost ₹ 200,000.

- cost of st
- consulta
- the plan
- Interest
- defferred
- Estimated
- 7 years
- operating
- ₹ 400,00
- calculate
- to IND
- Solution:
- calculatio
- Particula
- cost of
- Add: Directly
- (i). Initia
- (ii). Cost
- (iii). cons
- (iv). ESTIM
- TOT

Note: I
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should

- (c). cost of site preparation ₹ 600,000 .
- (d). consultants used for advice on the acquisition of the plant ₹ 700,000 .
- (e). Interest charges paid to supplier of plant for deferred credit ₹ 200,000 .
- (f). Estimated dismantling cost to be incurred after 7 years ₹ 300,000 .
- (g). Operating losses before commercial production ₹ 400,000 .

calculate the cost need to be capitalised according to IND-AS 16 .

Solution :-

calculation of Total cost capitalization under IND AS 16

| Particulars | ₹ | ₹ |
|---------------------------------------|---------|-----------------|
| Cost of Plant | | 25,00,000 |
| Add: Directly Attributable cost | | |
| (1). Initial Delivery & Handling cost | 200,000 | |
| (2). Cost of site preparation . | 600,000 | |
| (3) . consultation Fees . | 700,000 | |
| (4). Estimated dismantling cost | 300,000 | 1800,000 |
| Total cost capitalized | | 4300,000 |

Note :- Interest charges paid to supplier of plant for deferred credit and Operating losses are not regarded as directly attributable cost they should be written off to the Income statement .

2. Roman Ltd set up five safety devices around its factory premises. The price paid for devices is ₹ 1,10,000 [1,00,000 + GST of ₹ 10,000]. The entity put a credit of ₹ 10,000 while calculating the tax payable on the finished goods sold. Additional cost of Freight ₹ 2000, Import duty is ₹ 5000, Installation Expenses ₹ 1000. The Initial estimate of dismantling and removing the item ₹ 3000. After the machine was put to use ₹ 1500 was spent for maintenance. Calculate the Initial cost of Asset.

Solution ::

Calculation of Total cost capitalisation under IND AS - 16

| Particulars | ₹ | ₹ |
|----------------------------------|------|-----------------|
| Purchase price | | 110,000 |
| Less:- GST credit | | 10,000 |
| | | 100,000 |
| Add:- Direct attributable cost - | | |
| (1). Freight | 2000 | |
| (2). Import Duty | 5000 | |
| (3). Installation Expenses | 1000 | |
| (4). Dismantling charges | 3000 | 11,000 |
| INITIAL COST | | 1,11,000 |

3. Abinav Ltd purchased a machine from Kishore Ltd on 31.3.2019. Price of machine is ₹ 1,00,000. Kishore Ltd offered a trade discount of 10% on the payment of ₹ 1,00,000. GST is @ 12%. 2% towards trade discount. Installation cost of the machine is ₹ 10,000. A loan of ₹ 1,00,000 was used per annum on 1.10.2019.

on 1.4.2020. As per input GST credit. Solution ::

Calculation of Particulars

Quoted Price

Less:- Trade Discount

Add:- 12% GST on

Add:- Directly attributable

(a). Transport

(b). Erection

(c). Pre-operat

Less

Add:- GST credit

Add:- Interest

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rices

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ting

Why is
Initial

tm

= 1500

Initial

3. Abinav Ltd purchased plant from Kishore Ltd on 31.3.2019. Price quoted was ₹ 200 lakhs.

Kishore Ltd offered 3 months credit with a condition that trade discount of 1.25% will be allowed if the payment is made within one month.

GST is @ 12% on quoted price. Abinav Ltd incurred 2% towards transportation cost & 3% on

erection cost of the quoted price. Pre-operative cost amounted to ₹ 150,000. To finance the purchase

of the machinery Abinav Ltd took a term Bank loan of ₹ 145 lakhs at a interest rate 14.5%.

used per annum. The machine was ready for

use on 1.10.2019. However it is put to use only

on 1.4.2020. Calculate Original cost and ^{amt of} _{capitalisation} on

1.4.2020. Assuming that Abinav Ltd is eligible for input GST credit.

Solution:

Calculation of Original cost of plant & cost of capitalisation

| Particulars | | ₹ Lakhs | ₹ Lakhs |
|-------------|---|---------|---------|
| | Quoted price | 200 | |
| | Less: Trade Discount (200 × 1.25%) | 2.5 | 197.5 |
| 11,000 | Add: 12% GST on quoted price (200 × 12%) | | 24 |
| 1,11,000 | | | 221.50 |
| | Add: Directly attributable cost | | |
| | (a) Transportation (200 × 2%) | 4.00 | |
| | (b) Erection cost (200 × 3%) | 6.00 | |
| | (c) Pre-operative cost | 1.50 | 11.50 |
| | | | 233.00 |
| | Less: GST credit | | 24.00 |
| | | | 209.00 |
| | Add: Interest for 3 months (145 × 14.5% × 3/12) | | 5.26 |
| | | | 214.26 |
| | COST OF CAPITALIZATION | | |

4. Bhaskar Ltd set up a manufacturing plant near industrial area. The price paid for the equipment is ₹ 250,000 including GST of ₹ 25,000. To finance the equipment, the company took a bank loan of ₹ 50,000 at an interest rate of 14.50% p.a. Additional cost include freight ₹ 6000, custom duty of ₹ 5000. Installation Exp of ₹ 5000, ₹ 1000 will be incurred on clearing the spare parts after the equipment was put to use. Calculate original cost under IND AS - 16.

Solution:

calculation of original cost. under IND-AS-16.

| Particulars | (₹) | (₹) |
|--------------------------------|------|---------|
| Purchased price | | 250,000 |
| Add:- Direct attributable cost | | |
| (a). Freight | 6000 | |
| (b). Custom Duty | 5000 | |
| (c). Installation Expenses | 5000 | 16000 |
| | | |
| ORIGINAL COST | | 266,000 |

Nov 2017

5. R Ltd purchased a equipment for its company the price paid for the equipment is ₹ 250,000, inclusive of value added tax of ₹ 60,000. The entity gets a credit of value added of ₹ 60,000. The entity gets a credit of GST while calculating the tax payable on the finished goods sold. Additional cost incurred are :-

- (1). Freight ₹ 10,000 (2). custom duty ₹ 8000
 (3). Installation Exp ₹ 5000 (4). the estimate of dismantling and removing the item would be ₹ 5000.

(5). After the Equip spent on cleaning calculate the cost solution:

calculation of the particulars

purchased price

less:- GST credit

Add:- Direct attributable

(1). Freight

(2). Custom Duty

(3). Installation Exp

(4). Dismantling E

COST OF

6. X Ltd, obtained from Vijaya

(a) construction of

(b) Purchase of P

(c) working capital

(d) Purchase of ve

In March 20

was complete

ready for its

by Vijaya Ba

31.3.21 was

the total in

Plant near
the equipment
to finance
bank loan
50% p.a.
custom
5000, ₹ 1000
parts
calculate

(5). After the Equipment was put to use ₹ 5000 was spent on cleaning the spare parts. Calculate the cost of the Asset acc. to INDAS - 16.

Solution:

Calculation of the cost of the Asset

| Particulars | | (₹) | (₹) |
|-------------|--------------------------|---------|----------------|
| | Purchased price | 250,000 | 2 |
| less:- | GST credit | 60,000 | 190,000 |
| | | | 190,000 |
| Add:- | Direct attributable cost | | |
| (1) | Freight | 10,000 | |
| (2) | Custom Duty | 8000 | |
| (3) | Installation Exp | 5000 | |
| (4) | Dismantling Exp | 5000 | 28000 |
| | COST OF THE ASSET | | 218,000 |

AS-16
₹
250,000
₹6000
266,000

6. X Ltd, obtained a loan of ₹ 60 lakh on 1.4.2020 from Vijaya Bank to be capitalised as under:-

- (a) construction of company building ₹ 20,00,000
- (b) Purchase of Plant & machinery ₹ 15,00,000
- (c) working capital required ₹ 10,00,000
- (d) Purchase of vehicle ₹ 15,00,000.

company
250,000,
The entity
The
ating the

In March 2021, construction of company building was completed and plant & machinery was ready for its intended use. Total interest charged by Vijaya Bank for the financial year ending 31.3.21 was ₹ 720,000. How do you treat the total interest charged on loan.

dismantling

Solution:-

Calculation of Rate of Interest -

$$\text{Rate of Interest} = \frac{\text{Total Interest}}{\text{Total Loan}} \times 100$$

$$= \frac{720,000}{60,00,000} \times 100$$

$$\text{ROI} = 12\%$$

| Utilisation of loan. | Loan Amount | Rate of Interest | Interest amount. |
|---------------------------------------|-------------|------------------|------------------|
| (1). Constructing of company Building | 20,00,000 | 12% | 240,000 |
| (2). Purchase of Plant & machine | 15,00,000 | 12% | 180,000 |
| (3). Working capital required | 10,00,000 | 12% | 120,000 |
| (4). Purchase of Vehicle | 15,00,000 | 12% | 180,000 |
| | 60,00,000 | | 720,000 |

7. Veena Traders purchased a plant from Sujay Ltd. on 30.9.20 with a quoted price of ₹ 200 lakhs. Sujay Ltd offer 3 months credit with a condition that the discount of 1.5% will be allowed if the payment was made within 1 month. GST is 14% on the quoted price. Company incur 2% on transportation cost and

Carrying Value = 02

8% erection cost
- five cost of P
Estimated life
Residual value
calculate origin
amount of the
solution:

* calculation of
particulars
Quoted Price

less: Discount (2)

Add: GST @ 14% 0

Add: Directly attri

1. Transportation

2. Erection cost

3. Pre-operativ

Residual Va

Depreciation

Depre

* calculation
carrying a

carrying value = Original cost - Residual value

3% erection cost of the quoted price. Pre-operative cost of plant ₹ 200,000.

Estimated life of the plant is 8 years, Residual value of the plant ₹ 20 lakh.

calculate original cost of the plant and carrying amount of the plant on 31.3.21.

Solution:

* calculation of original cost.

| Particulars | (₹) in lakhs | (₹) in lakhs |
|------------------------------------|--------------|---------------|
| Quoted Price | | 200 |
| less: Discount (200 x 1.5%) | | 3 |
| | | 197 |
| Add: GST @ 14% on Q.P | | 28 |
| | | 225 |
| Add: Directly attributable cost | | |
| 1. Transportation cost @ 2% on Q.P | 4 | |
| 2. Erection cost @ 3% on Q.P | 6 | |
| 3. Pre-operative cost | 2 | 12 |
| | | 237 |
| | | ORIGINAL COST |

Residual Value = 20 lakhs, Estimated life = 8 years

Depreciation = $\frac{\text{Original cost} - \text{Residual value}}{\text{Estimated life}}$

$$= \frac{237 - 20}{8}$$

$$\text{Depreciation} = 27.125$$

* calculation of carrying cost.

carrying amount of plant = Original cost - Depreciation

$$= 237 - 27.125$$

$$= 209.875$$

NOTE:

Assuming that payment has been done within 1 month and GST credit not taken.

Nov 20

8. T Ltd has purchased an equipment for its manufacturing unit. The price paid for equipment is ₹ 2,20,000 inclusive of GST ₹ 39,600. The company gets a credit of GST while calculating tax payable on finished goods sold. The additional cost incurred are Freight ₹ 4500, Custom duty ₹ 4000, Installation Expenses ₹ 3000, Estimated cost of dismantling and removing the item would be ₹ 1500. After the equipment was put into use ₹ 11000 was spent for cleaning the spare parts. Calculate the cost of PPE as per IND-AS 16.

Solution:

calculation of cost of Plant IND AS - 16.

| Particulars | ₹ | ₹ |
|--------------------------------|------|---------|
| Purchased Price | | 220,000 |
| less:- GST credit | | 39,600 |
| | | 180,400 |
| Add: Direct attributable cost. | | |
| 1. Freight | 4500 | |
| 2. Custom duty | 4000 | |
| 3. Installation Expenses | 3000 | |
| 4. Dismantling Expenses | 1500 | 13000 |
| | | |
| Total cost of plant | | 193,400 |

9. Ganesh Ltd
Price of
discount

18% GST
charges

₹ 3000,
calculate

IND-AS

Solution:

calculati

particul

Purchas

less:- Discoun

Add:- GST L

Add: Direct

1. Shippin

2. Softwar

10. Sham L

Shed.

₹ 58100

gets a

payable

Addition

Custom

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item u

was p

Nov 18

9. Ganesh Ltd ordered a laptop in Flipkart. The price of the laptop is ₹ 40,000, Allowed 10% discount at the time of purchase and charged 18% GST which is not refundable. Shipping charges ₹ 500, Software installation charges ₹ 3000, Annual service charges ₹ 3000. Calculate the initial cost of laptop. As per IND-AS 16.

Solution:

Calculation of Initial cost as per Ind AS 16

| Particulars | ₹ | ₹ |
|-----------------------------------|-------|---------------|
| Purchased Price | | 40,000 |
| Less: Discount 10% (40,000 × 10%) | | 4,000 |
| | | 36,000 |
| Add: GST (36,000 × 18%) | | 6,480 |
| | | 42,480 |
| Add: Direct attributable cost | | |
| 1. Shipping charges | 500 | |
| 2. Software Installation charges | 3,000 | 3,500 |
| INITIAL COST | | 45,980 |

10. Sham Ltd set up a unit near its manufacturing shed. The price paid for the equipment is ₹ 58,100 inclusive of VAT ₹ 18,100. The entity gets a credit of GST while calculating the tax payable on the finished goods sold. Additional cost sold are Freight ₹ 2,900, Custom duty ₹ 2,500, Installation exp ₹ 1,400. The estimate of dismantling and removing the item would be ₹ 2,300. After the equipment was put to use ₹ 500 was spent of cleaning

the spare parts. calculate cost of the Asset according to IND-AS - 16.

Solution:

Calculation of cost of the Asset acc. to IND AS - 16

| Particulars | ₹ | ₹ |
|---------------------------------|--------|---------|
| Purchased Price | | 581,000 |
| less: GST credit | | 181,000 |
| | | 400,000 |
| Add: Directly attributable cost | | |
| 1. Freight | 29,000 | |
| 2. Custom duty | 25,000 | |
| 3. Installation Expenses | 14,000 | |
| 4. Dismantling Expenses | 23,000 | 91,000 |
| | | |
| Total cost of plant | | 491,000 |

Borrowing cost IND-AS-23

IND AS 23 requires that the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the Asset. Other Borrowing cost are recognised as an Expenses.

Borrowing cost are interest and other cost that an Entity incurs in connection with the Borrowing of funds.

1. calculate Borrowing cost in the case of P Ltd is as follows:

- * 6 crores arranged by 10% debentures repayable after 8 years, 2 crores by 8 years loan from IFCI and 2 crores from O/S with canara BANK.

The IFCI interest is 9% per annum and O/A interest is 13% p.a.

- * The cost of issue of debentures is ₹ 20 lakhs
- * Service charges for IFCI loan and consultancy charges together amounted 5% of loan.
- * Debenture repayable at 5% premium.

Solution: Cost of Borrowing cost

| Particulars | (₹) |
|---|--------------------|
| Interest on Debenture $[600,00,000 \times 10\%]$ | 60,00,000 |
| Interest on IFCI $[200,00,000 \times 9\%]$ | 18,00,000 |
| Interest on O.A $[200,00,000 \times 13\%]$ | 26,00,000 |
| Issue of Debentures $[20,00,000 \div 8]$ | 250,000 |
| Service charges of IFCI $[200,000 \times 5\% \div 8]$ | 125,000 |
| Premium on Debentures $[600,000 \times 5\% \div 8]$ | 375,000 |
| Total Annual Borrowing cost | 1,11,50,000 |

2. Calculate Borrowing cost

- * Project cost ₹ 2 crores, 1 crore is financed by 8% Debentures repayable in 5 years, 50 lakhs by ICICI loan @ 10% p.a. Interest and Balance 50 lakhs loan from IDBI @ 12% p.a. interest and both repayable in 4 years.
- * The cost of issue of debentures is ₹ 3 lakhs
- * The Service and consultancy charges for ICICI and IDBI ₹ 2 lakhs.
- * Debenture repayable @ 5% premium.

Solution:

Calculation of Borrowing cost

| Particulars | ₹ |
|--|------------------|
| Interest on Debentures $[100,00,000 \times 8\%]$ | 8,00,000 |
| Interest on ICICI loan $[50,00,000 \times 10\%]$ | 5,00,000 |
| Interest on IDBI loan $[50,00,000 \times 12\%]$ | 6,00,000 |
| Issue of Debentures $[300,000 \div 5]$ | 60,000 |
| Service charges for ICICI & IDBI $[200,000 \div 4]$ | 50,000 |
| Premium on Debentures $[100,00,000 \times 5\% \div 5]$ | 1,00,000 |
| Total Annual Borrowing cost | 21,10,000 |

3. Honey Ltd has taken a loan of USD 10,000 on April 1 2019 for a special project at an interest rate of 5% p-a. Payable annually. On 1.4.2019, the exchange rate between the currency was ₹62 per USD. The exchange rate as at 31.3.20 is ₹64 per USD. The corresponding amount could have been borrowed by Honey Ltd. In local currency at an interest of 11% per annum as on 1.4.2019. Compute total borrowing cost.

Solution:-

Calculation of Total Borrowing cost

| Particulars | ₹ |
|---|---------------|
| Interest for the period USD $(10,000 \times ₹64 \times 5\%)$ | 32,000 |
| Increased liability USD $10,000 \times (64 - 62) = 10,000 \times 2$ | 20,000 |
| Interest on local Borrowed capital $(10,000 \times 11\% \times 62)$ | 68,200 |
| Difference b/w Foreign and local currency $(68,200 - 32,000)$ | 36,200 |
| <u>Borrowing cost</u> | |
| Interest for the period | 32,000 |
| Add: Increased liability | 20,000 |
| ∴ Total Borrowing cost → | 52,000 |

4. XYZ Ltd for a special project payable between rate, amount local currency 1.4.2019 solution comp Particulars Interest Increased Interest Differer Borrow Intu Add: 5. Ashor for The 5% rate exch The borrr 1.4. (1).

4. XYZ Ltd has taken a loan of USD 10,000 on 1.4.2019, for a specific project at an interest rate of 5% p.a payable annually. On 1.4.2019, the exchange rate between the currency was ₹45 per USD, the exchange rate, as at 1.3.2020 is ₹48 per USD. The corresponding amount could have been borrowed by XYZ Ltd. In local currency at an interest rate of 11% p.a as on 1.4.2019. Compute Borrowing cost.

Solution:

computation of Total Borrowing Cost

| Particulars | ₹ |
|---|--------|
| Interest for the period. USD (10,000 x 48) x 5% | 24,000 |
| Increased Liability USD 10,000 x (48 - 45) = 10,000 x 3 | 30,000 |
| Interest on local Borrowed capital (10,000 x 11% x 45) | 49,500 |
| Difference b/w Foreign & local currency (49,500 - 24,000) | 25,500 |

Borrowing cost

| | |
|-----------------------------------|--------|
| Interest for the period | 24,000 |
| Add:- Difference b/w Foreign & LC | 25,500 |
| Total Borrowing cost → | 49,500 |

5. Ashok Ltd took a loan of ~~USD~~^{EURS} 5000 on 1.4.2020 for the purpose of setting up a new subsidiary. The company took a loan at an interest rate of 5% p.a payable annual. On 1.4.21 the exchange rate was determined @ €60 per EURO. The exchange rate on 31.3.21 stood at €65 per Euro. The amount corresponding could have also been borrowed at 12% p.a. In the local currency on 1.4.20. Calculate

- (1). Borrowing cost (2). Increased in liability towards the principle amount.

(3). Exchange rate account difference

Solution:

calculation of Borrowing cost.

particulars

| | |
|--|---------|
| Interest for the period EURO $(5000 \times 65 \times 5\%)$ | = 16250 |
| Increased liability EURO $(5000 \times (65 - 60))$ | = 25000 |
| Interest on loan Borrowed capital $(5000 \times 12\% \times 60)$ | = 36000 |
| Difference b/w foreign & local currency $(36000 - 16250)$ | = 19750 |

(1). Calculation of Total Borrowing cost

| | |
|--|--------------|
| Interest for the period | 16,250 |
| Add: Diff b/w Foreign & local currency | 19,750 |
| Total Borrowing cost \Rightarrow | <u>36000</u> |

(2). Increased in liability towards principal Amt \Rightarrow 25000

(3). Exchange rate account difference \Rightarrow 19,750

6. PQR company constructing power generation plant.

This project requires totally 12 crores which are raised as follows:

- ₹4 crore from IFCI for 10 years @ 11% Interest.
- ₹2 crore loan from HFC Bank for 6 yrs @ 10% Int
- ₹2 crore of loan from SBI Bank for 4 yrs @ 12% Int
- ₹3 crore from 10% Debentures for 5 yrs @ 5% Discour.
- ₹1 crore as overdraft from corporation Bank @ 4% Int
- Out of total borrowed fund ₹5 crore are kept in ~~HFCI~~ Hudco Bank as short term deposit for 6 months @ 5% Interest.

(9). IFCI Bank loan is borrowed through consultation and the consultancy charges are 2% of Total loan

amount. calculate Total borrowing cost under IND AS 23.

Solution:

calculation of Total Borrowing cost under IND AS 23

| Particulars | (₹) |
|--|----------------------------------|
| 1. Interest on IFCI loan ($400,00,000 \times 11\%$) | 44,00,000 |
| 2. Interest on HDFC ($200,00,000 \times 10\%$) | 20,00,000 |
| 3. Interest on SBI ($200,00,000 \times 12\%$) | 24,00,000 |
| 4. Interest on Debentures ($300,00,000 \times 10\%$) | 30,00,000 |
| Add:- Discount of 5% ($300,00,000 \times 5\%$) | 15,00,000 |
| | 45,00,000 |
| 5. Overdraft ($100,00,000 \times 4\%$) | 4,00,000 |
| 6. Short-term deposit ($500,00,000 \times 5\% \times 6/12$) | (12,50,000) |
| 7. Consultancy Exp of IFCI ($400,00,000 \times 2\% \div 10$) | 80,00,000 8,00,000 |
| | |
| Total Borrowing cost | 1,25,30,000 |

7. calculate the borrowing cost under IND AS 23.

(a) ₹ 30 crores arranged by 12% p.a, debenture payable after 10 years, 10 crores by 12 years loan from SBI and 10 crores from Indian Bank. The SBI interest rate is 14% p.a and Indian Bank rate of interest is 16% p.a.

(b) Debenture repayable at 10% premium.

(c) The cost of issue of debentures is ₹ 2,00,000

(d) The service charges for SBI loan 8%.

Solution:

calculation of Total borrowing cost under IND AS 23

| Particulars | (₹) |
|---|-------------|
| 1. Interest on Debenture payable ($30,00,00,000 \times 12\%$) | 3,60,00,000 |
| 2. Interest on SBI ($10,00,00,000 \times 14\%$) | 1,40,00,000 |
| 3. Interest on Indian Bank ($10,00,00,000 \times 16\%$) | 1,60,00,000 |
| 4. Premium on Debenture ($30,00,00,000 \times 10\% \div 10$) | 30,00,000 |

| | |
|--|-----------|
| 5. Issue of debentures ($2,200,000 \div 10$) | 2,20,000 |
| 6. Service charge ^{SBI} ($10,00,00,000 \times 8\% \div 12$) | 6,66,667 |
| Total Borrowing cost | 69,88,667 |

8. Pushpa Ltd took a loan of EURO 5,500 on 1.4.2020 for the purpose of setting up a new subsidiary by name Divya construction. The company took a loan at an interest rate of 5% p.a payable annual. On 1.4.2020 the exchange rate was determined at ₹36 per EURO. The exchange rate as at 31.3.2021 at ₹38 per EURO. The amount corresponding could have also been borrowed @ 11% p.a in the local currency on 1.4.2021. Calculate Borrowing cost, Increased liability and Exchange rate difference account.

Solution:

Calculation of Borrowing cost.

| | |
|--|----------|
| Interest for the Period EURO ($5500 \times 5\%$) | = 10,450 |
| Increased liability EURO [$5500 \times (38 - 36)$] | = 11,000 |
| Interest on loan Borrowed capital ($5500 \times 11\%$) | = 21,780 |
| Diff b/w Foreign & local currency ($21,780 - 10,450$) | = 11,330 |

- Calculation of Total Borrowing cost.

| | |
|-------------------------------|--------|
| Interest for the Period | 10,450 |
| Add: Increased liability EURO | 11,000 |
| Total Borrowing cost | 21,450 |

- Increased liability amount is 11,000
- Exchange rate difference account is 11,330.

9. Mr. R Ltd has taken a loan of EURS 40,000 on 1.4.2020 to execute a project @ an interest rate @ 5% p.a payable Annual. On 1.4.2020, the exchange rate between the currencies is ₹90 per Euro. The exchange rate as on 31.3.2021 is ₹96 per EURO. The amount to execute the mega project could also be borrowed in local currency @ an interest rate of 11% p.a as on 1.4.2020. calculate Total Borrowing cost.

Solution:-

calculation of Borrowing cost.

$$\text{Interest for the period EURO } (40,000 \times 96 \times 5\%) = 192,000$$

$$\text{Increased liability EURO } (40,000 \times 96 - 90) = 240,000$$

$$\text{Interest on loan Borrowed } (40,000 \times 11\% \times 90) = 396,000$$

$$\text{Diff b/w Foreign \& local currency } (396,000 - 192,000) = 204,000$$

calculation of Total Borrowing cost.

| | |
|--|----------------|
| Interest for the period | 192,000 |
| Add: Diff b/w Foreign & local currency | 204,000 |
| TOTAL Borrowing cost | 396,000 |

UNIT -05

CONSOLIDATED FINANCIAL STATEMENT.

IFRS 10 consolidated financial statements the requirements for the preparation and presentation of consolidated financial statement. Entities to consolidate for control. Control requires rights to variable returns and ability of affect those returns through power over on investment.

Objectives

1. Requires a parent Entity [Entity that controls one or more other entities] to present consolidated financial statement.
2. It defines the principle of control and establishes control as the basis for consolidation.
3. set out how to apply the principle of control to identify whether an investor control and investee and therefore must consolidate the investee.
4. set out the accounting requirements for the Preparation of consolidating particular subsidiaries of an Investment Entity.

Definition of consolidated financial statement [meaning].

the financial statement of a group in which the assets, liabilities, Equity, Income, Expenses and cash flow of the parent and its subsidiaries are presented as those of a single Economic Entity.

Steps to be
Balance sh

1. Ascertain the subsidiary
2. Ascertain the periods.
3. Ascertain profits and minority
4. calculate
5. calculate

PROBLEMS

1. Vani Itd on Meena I accumulated paid ₹ Assets a reval calculation solution calculate 70% of 70% of 70% of ∴ Van

Steps to be taken for preparation of consolidated Balance Sheet.

1. Ascertain the percentage of holding of shares of the subsidiary company.
2. Ascertain the pre-acquisition and post-acquisition periods.
3. Ascertain the pre-acquisition and post-acquisition profits and divide between holding company and the minority company.
4. Calculate the cost of control.
5. Calculate minority interest.

PROBLEMS :-

1. Vani Ltd acquires 70% of Equity shares of Meena Ltd on 1.1.2020. On that date, paid up capital of Meena Ltd was ₹20,000 Equity shares of ₹10 each, accumulated reserve balance was ₹200,000. Vani Ltd paid ₹320,000 to acquire 70% interest in the Meena Ltd, Assets of Meena Ltd were revalued on 1.1.2020 and a revaluation loss of ₹40,000 was ascertained. Calculate the value of Goodwill.

Solution:-

Calculation of Goodwill of Vani Ltd.

| | |
|--|----------|
| 70% of ES $[20,000 \times 10]$ $(200,000 \times 70\%)$ | 140,000 |
| 70% of accumulated Reserve $(200,000 \times 70\%)$ | 140,000 |
| 70% of revaluation loss $(40,000 \times 70\%)$ | (28,000) |
| Goodwill | 252,000 |

∴ Vani Ltd paid 320,000 the diff is $(320,000 - 252,000) = 68,000$ is Goodwill.

2. Deepa Ltd acquires 60% of Equity shares of Jyothi Ltd on 1.1.2020 on that date paid up capital Jyothi Ltd was ₹20,000 Equity shares of ₹10 each, accumulated Reserve balance was ₹200,000. Deepa Ltd paid ₹320,000 to acquire 60% of Interest in the Jyothi Ltd, the Assets of Jyothi Ltd was revalued on 1.1.2020 and a revaluation profit of ₹40,000 was ascertained. Deepa Ltd paid ₹260,000 to purchase the said Interest. Calculate value of goodwill.

Solution:-

Calculation of Goodwill of Deepa Ltd

| | |
|---|---------|
| 60% of Equity share (20,000 × 10) (200,000 × 60%) | 120,000 |
| 60% of accumulated Reserve (200,000 × 60%) | 120,000 |
| 60% of revaluation profit (40,000 × 60%) | 24,000 |
| Goodwill. | 264,000 |

∴ Deepa Ltd paid 260,000 the difference is (260,000 - 264,000) = 4,000 is Goodwill.

3. Calculate goodwill and non-controlling interest from the following 'A' Ltd acquired 75% of Equity shares in 'B' Ltd as on 1.10.2019 at 50% premium.

The following balances are extracted from the Balance sheet of 'B' Ltd as on 31.3.2020.

* Share capital 40,000, Equity shares of ₹10 each

* Balance as on 1.4.2019

General reserve ₹100,000

P/L A/c ₹20,000

* Net profit for the Year 2019-20 ₹160,000

calculation of Ratio

| | |
|--|-----------------|
| No ^s of shares in B Ltd | 40,000 |
| No ^s of shares in A Ltd 75% | 30,000 |
| No ^s of shares in minority shares | 10,000 |
| | 30,000 : 10,000 |
| | Ratio - 3:1 |

calculation of Non-controlling interest.

| | |
|--|---------|
| Share capital (10,000 x 10) | 100,000 |
| Share of capital profit | |
| General Reserve | 100,000 |
| P/L A/c | 20,000 |
| Profit during yr $(160,000 \times 6/12) =$ | |
| | 80,000 |
| | 200,000 |
| Share of capital profit $(200,000 \times 1/4)$ | 50,000 |
| Revenue Profit $(800,000 \times 1/4)$ | 20,000 |
| Non-controlling Profit | 170,000 |

calculation of Goodwill.

| Particulars | (₹) |
|--|---------|
| Share capital (30,000 x 15) | 450,000 |
| less :- Face value of shares (30,000 x 10) = 300,000 | |
| Share of capital Profit 150,000 | |
| $(200,000 \times 3/4)$ or 75% | 400,000 |
| Goodwill | - |

Solution:

calculation of Goodwill of H Ltd

| | | |
|--|--------------|---------|
| Purchasing price of shares | | 160,000 |
| less: Face value of shares $(100,000 \times 70\%)$ | $= 70,000$ | |
| Accumulated Reserve $(100,000 \times 70\%)$ | $= 70,000$ | |
| Revaluation of loss | $= (14,000)$ | 126,000 |
| | Goodwill | 34,000 |

6. V Ltd acquires 75% of shares of S Ltd on 31.7.2015 and earned a profit of £67,500 for the year ending 31.3.2016. The face value of the shares of S Ltd is £10 per share. S Ltd had a balance of £82,500 in P&L A/c as on 31.3.2016 and £105,000 in General Reserve. Calculate Non-controlling Interest.

Solution:

calculation of Non-controlling Interest.

| Particulars | | £ |
|--|------------------------------------|--------|
| Share capital | | - |
| Capital Profit :- | | |
| G/R | 105,000 | |
| P/L A/c $(82,500 - 67,500)$ | 82,500 15,000 | |
| Net Profit $[67,500 \times 2/12]$ | 45,000 | |
| | 165,000 | |
| Capital Profit $[165,000 \times 25\%]$ | | 41,250 |
| Residual Profit after acquired | | 56,250 |
| | $[67,500 \times 25\% \times 4/12]$ | |
| Non-controlling Interest | | 46,875 |

7. Sri. Ram Ltd acquires 60% of E.S in Lakshman Ltd on 1.10.16. The foll Balances are extracted from the B/s of Lakshman Ltd. as on 31.3.2017.

Share capital ₹ 40,000, E.S of ₹ 100 each fully paid, General Reserve on 1.4.16 ₹ 80,000, P/L A/c [credit] on 1.4.16 ₹ 30,000, Net profit for the Year ended 31.3.17 ₹ 60,000.
calculate cost of Control.

Solution:-

Calculation of Ratio.

No^x of shares Purchase Price = ? 60 : 40

$$40,000 \times 60\% = 24,000 \times \overset{fv}{100} = 2400,000.$$

$$\therefore \text{Purchase Price} = 2400,000.$$

Calculation of Goodwill.

| | | |
|--|------------|----------|
| Purchasing Price of Shares | | 2400,000 |
| Less:- Face Value of share (24000x100) | = 2400,000 | |
| General Reserve (80,000 x 60%) | = 48000 | |
| P/L A/c (30,000 x 60%) | = 18000 | |
| Net Profit (60,000 x $\frac{6}{12}$ x 60%) | = 18000 | 2484,000 |
| Cost of Good Control. | | (84000) |

8. Calculate NDN - controlling interest from the foll
Geetha Ltd acquires 75% of E.S in Seetha Ltd on 1.7.15. The following Bal. are extracted from the financial position of Seetha Ltd as on 31.3.2016.

Share Capital 20,000 E.S of ₹ 10 each

Balance as on 1.4.2015 are -

General Reserve ₹ 70,000, P/L A/c ₹ 55,000

Net Profit for the Year ended 31.3.16 ₹ 45,000.

Solution:

Calculation of Non-controlling Interest.

| Particulars | | Rs |
|--|----------------|---------------|
| Share Capital (200,000 x 25%) | | 50,000 |
| Capital Profit | | |
| General Reserve | 70,000 | |
| PLA/c | 55,000 | |
| Net Profit (45,000 x 9/12) | 33,750 | |
| | <u>158,750</u> | |
| Capital Profit (158,750 x 25%) | | 39,687 |
| Revenue Profit after acquired 45,000 x 25% P/L | | 2,813 |
| Non-controlling Interest | | <u>92,500</u> |

Calculation of Goodwill.

| | | |
|---|-----------|-----------------|
| Purchase Price of shares | | 150,000 |
| Less:- Face value of shares (200,000 x 75%) | = 150,000 | |
| GR (70,000 x 75%) | = 52,500 | |
| PLA/c (55,000 x 75%) | = 41,250 | 269,062 |
| Net Profit (45,000 x 9/12 x 75%) | = 25,312 | |
| Good Will | | <u>1,19,062</u> |

$$\text{Purchase Price} = 20,000 \times 75\% = 15,000 \times 10 = 150,000$$

(Ans. 2M)

9. The following are the balances of P Ltd and S Ltd as on 31.3.21.

| | P Ltd (₹) | S Ltd (₹) |
|---|------------------|------------------|
| I. Liabilities | | |
| Share capital of ₹10 shares | 10,00,000 | 800,000 |
| Reserve on 1.4.20 | 80,000 | 120,000 |
| P&L A/c | 400,000 | 380,000 |
| Current Liabilities | 380,000 | 380,000 |
| Total | 23,60,000 | 18,60,000 |
| II. Assets | | |
| Plant of Equipment | 800,000 | 11,20,000 |
| Investment in shares of S Ltd [60,000 shares] | 800,000 | Nil. |
| Current Assets | 760,000 | 440,000 |
| Total | 23,60,000 | 18,60,000 |

P&L A/c of S Ltd stood at ₹120,000 on 1.4.20

P Ltd acquired shares of S Ltd on 1.1.21.

Calculate the controlling interest. Profit for year ₹200,000

Solution:-

Calculation of controlling interest | Capital Reserve | Good Will

| Particulars | ₹ |
|---------------------------------------|--------------------------------|
| Investment (Purchase price of shares) | 800,000 |
| Less: Face Value (60,000 x 10) | 600,000 |
| Less: Share of capital profit | |
| Reserve | 120,000 |
| P&L (1.4.20) | 120,000 |
| Profit during the year | |
| (200,000 x 3/2) | 50,000 |
| | $890,000 \times 3/5 = 534,000$ |
| Good Will. | 26,000 |
| Ratio = 60,000 : 40,000 | |
| 3 : 2 | |