

UNIT- I1 COMPANY ACCOUNTS

Meaning of company - Maintenance of books of account - Statutory books - Profit or loss prior to incorporation - Final accounts of company - Alteration of share capital - Preferential allotment, employees stock option - Buyback of securities.

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UNIT II
COMPANY ACCOUNT

2.1 Meaning of a Company: A Company or a joint stock company is an enterprise established through a process law for undertaking (usually) a business venture. A company is an artificial person existing in the eyes of law and distinct from its members. It has a share capital divided into shares, the owners of which are known as members or shareholders. Insolvency or death of a member has no effect on the life of the company. Section 3(1) of the companies Act, 1956 defines a company as “ a company formed and registered under this act or an existing company”. An existing company means, “a company formed and registered under any of the previous Company Laws”. The term company has not been much clarified by the Companies Act.

Share Capital Of A Company: Share Capital refers to the amount that a company can raise or has raised by issue of shares. From accounting point of view, share capital can be classified as follows:

1. **Authorised share Capital** is stated in the Memorandum of association and is the maximum share capital that a company can issue.
2. **Issued share Capital** is a part of share capital that is issued for subscription by the company. It cannot exceed company’s authorized share capital.
3. **Subscribed share Capital** is a part of issued share capital, which is applied for subscription.
4. **Called- up share capital** is the amount of nominal value of share that has been called up by the company for payment by the subscribers towards the shares.
5. **Paid –up Capital** is a part of called –up capital that the members of the company have paid.

Calls-in- arrears are the part of the called –up capital that remains unpaid by the subscribers.

Calls-in-advance- a company, if its articles of association permit, may receive the unpaid amount from the shareholders even when the amount has not been called. The amount so received is known as Calls-in-advance.

Accounting Treatment

A company can issue its shares in two ways:

- i. for cash
- i. for consideration other than cash

a. Issue of shares for cash

Shares, are said to be issued for cash when a company receives cash against the shares issued. These shares may be issued at par or at premium (above the face value) or at discount (below the face value). Issue price may be payable either in lump sum along with the application, or in instalments at different stages: it means partly on application, partly on allotment and the balance in one or more calls.

Shares Payable in lump sum: Accounting Entries for issue of share:

Bank A/C ...Dr.

To Share Application A/C

For allotment of share:

Share Application A/c...Dr.

To Share Capital A/c

Shares payable in instalments Accounting Entries for issue of share:

Transaction	Journal Entry	Amount
On Receipt of Application Money	Bank A/C ...Dr. To Share Application A/C	Amt recd. with application
On allotment of shares Share Application Money is transferred to share Capital Account	Share Application A/c ...Dr. To Share Capital A/c	Application money on shares allotted
Amount due on allotment	Share Allotment A/c ...Dr. To Share Capital A/c	Money due on shares allotted
On receipt of allotment Money	Bank A/C ...Dr. To Share Allotment A/C	Amount received on shares allotted
On first call being due	Share First call A/c ...Dr. To Share Capital A/c	Amount payable on First call
On receipt of first call	Bank A/C ...Dr. To Share First Call A/C	Amount received on First call

Terms of Issue of shares

Shares of a company may be issued in any of the following three ways:

- Issue of shares at par
- Issue of shares at premium (Section 78)-As per companies act, the amount of premium should be credited to Securities Premium account, which is

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Solution :

JOURNAL in the books of Y Ltd.

DATE	PARTICULARS	L.F.	Dr.(Rs.)	Cr.(Rs)
—	Bank A/C ...Dr. To Share Application A/C (Being the application money on 10,000 shares at Rs.3 per share)		30,000	30,000
—	Share Application A/c ...Dr To Share Capital A/c (Being the transfer of application money to share capital account on allotment)		30,000	30,000
—	Share Allotment A/c ...Dr To Share Capital A/c To Securities Premium a/c (Being the amount due on 10,000 shares at Rs. 6 per share, Rs.4 towards Share Capital account and Rs.2 towards Securities Premium a/c)		60,000	40,000 20,000
—	Bank A/C ...Dr. To Share Allotment A/C (Being the receipt of Rs.6 per share on 10,000 shares)		60,000	60,000
—	Share First & Final Call A/c ...Dr To Share Capital A/c (Being the amount due on 10,000 shares at Rs. 3 per share)		30,000	30,000
—	Bank A/C ...Dr. To Share First and Final Call A/C (Being the receipt of Rs.3 per share on 10,000 shares)		30,000	30,000

3. Issue of shares at a discount (Section 79)

Accounting Treatment:

Share Allotment A/c ...Dr.(with the amt due)

Discount on issue of shares a/c ..Dr.(with the amt of discount)

To Share Capital A/c

(Discount is effective on the allotment of shares and thus if the question is silent ,discount on the issue of shares is recorded at time of allotment)

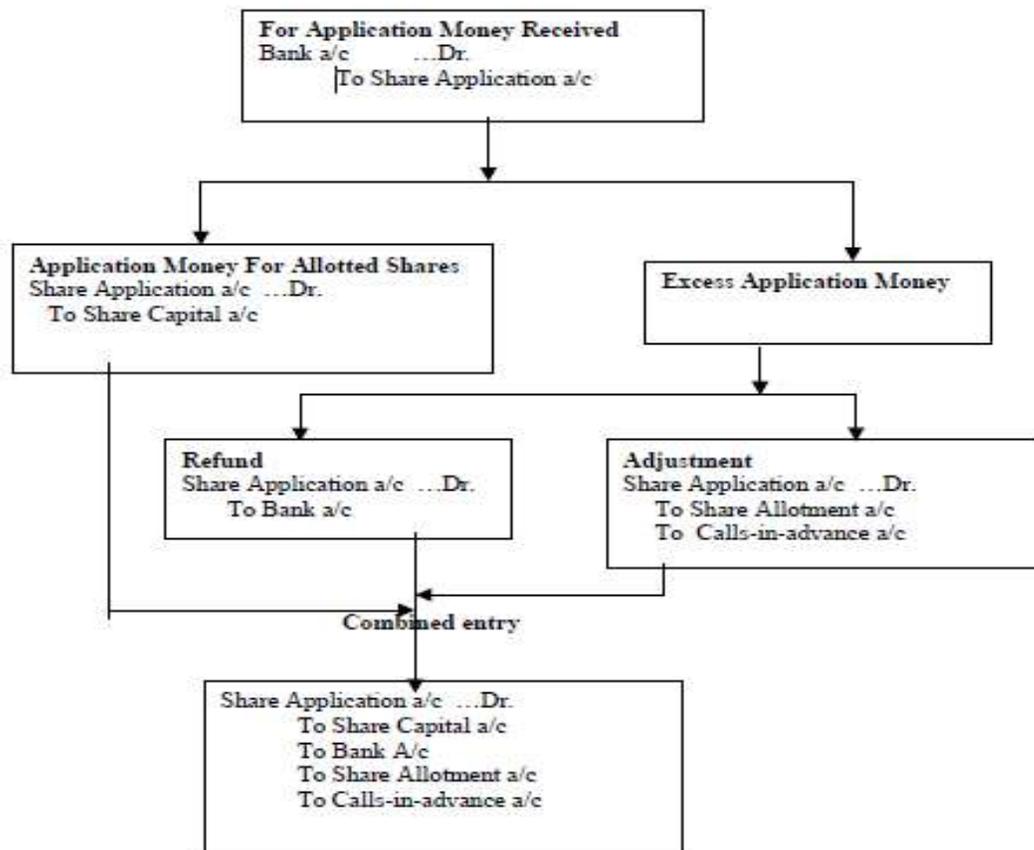
When shares are issued at a discount, the share capital Account is credited with the face value of the share in full and discount on Issue Of Shares is shown on the assets side of Balance Sheet under the head '*Miscellaneous Expenditure*'

2.2 Over-Subscription Of shares

Accounting Entries in case of Over- Subscription of Shares

Over-Subscription Of shares

Accounting Entries in case of Over- Subscription of Shares



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PROBLEM : Preeti & Co. Ltd. was registered with an authorized capital of Rs. 10,00,000/- divided into 1,00,000 shares of Rs.10 each. The company offered 60,000 shares to the public- which were payable Rs.2 per share on application: Rs.4 on allotment and the balance when required. Applications for 92000 shares were received on which the Directors allotted as follows:

Applications for 40,000 shares-Full

Applicants for 50,000 shares-40%

Applicants for 2,000 shares –NIL

Rs.1,72,000 was realized on account of allotment money (excluding the amount carried from application money). Show the journal Entries recording the above.

Solution:

JOURNAL

DATE	PARTICULARS	L.F.	Dr.(Rs.)	Cr.(Rs)
	Bank A/c ...Dr.(92,000xRs.2) To Share Application A/c (Being the application money received for 92000 shares at Rs.2 per share)		1,84,000	1,84,000
	Share Application A/c ...Dr. To Share Capital a/c (60,000x2) To Bank A/c(2000x2) (Being the allotment made as follows: Applicants for rs.40000 shares –Full, Applicants for 50,000 shares-40%, Applicants for 2,000 shares –NIL)		1,24,000	1,20,000 4,000
	Share Allotment A/c ...Dr. To Share Capital a/c (Being the allotment due on 60,000 shares @ Rs.4 per share)		2,40,000	2,40,000
	Share Application A/c ...Dr.(note.1)		60,000	

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	60,000
To Share Allotment a/c (Being the surplus application money adjusted on allotment of 20,000 shares)	
Bank A/c ...Dr. To Share Allotment A/c(note 2) (Being the amt recd on allotment except on 2000 shares)	1,72,000 1,72,000

Working Notes:

1. Application money received on 50,000 shares	
@ Rs. 2 per share	=Rs.1,00,000
Less: Application money due on shares allotted	
(40% of 50,000 =20,000 shares) x Rs.2	40,000
	60,000

Excess application money adjusted towards allotment

2. Calculation of amount received on allotment later on:

Total allotment amount due	= 2,40,000
Less: Allotment money received on application stage(note 1)	60,000
	1,80,000
Less: Allotment money not received on 2,000 shares	8,000
@ Rs.4 per share	
Allotment money received	1,72,000

Difference between Over-Subscription and Under-Subscription Of shares

Basis	Over-Subscription Of shares	Under-Subscription Of shares
1. Shares applied	Number of shares applied is more than the shares offered for subscription	Number of shares applied is less than the shares offered for subscription
2. Acceptance	All applications are not accepted. Some are rejected. Alternatively,	All the applications for shares are accepted, i.e., full allotment is

On transfer of interest on Calls-in-Arrears to P &L A/C at the end of accounting period:

Interest on Calls-in-Arrears A/C ..Dr. To
Profit and Loss A/C

(with the amt of interest)

2.4 CALLS –IN-ADVANCE

When a company accepts money paid by some of its allottees for the calls not yet due, such amount is known as 'Calls –in-advance'. It may also happen in case of partial or pro-rata allotment of shares when the company retains excess amount received on application of shares.

Since the amount has not become due, hence, it is a liability of the company and is shown in the liabilities side of the Balance Sheet under the main head current liabilities.

Accounting entries:

Bank A/C ... Dr. (with the amount of calls money received in advance)

To Calls –in-advance A/C

It is adjusted as and when respective call is made due by following entry:

Calls –in-advance A/C ... Dr.

To First Call a/c

Rate of Interest: In the case of calls- in-advance, the company must pay interest at the rate stated in its Articles of Association. However, in the absence of the interest clause in the Articles of Association, provision of Table A of the Companies Act apply and the company is liable to pay interest @ 6% p.a. on Calls-in -advance. Such interest is an expense being debited to Profit & Loss Account. It can be paid out of capital also.

When interest is paid in cash:

Interest on Calls –in-advance A/C Dr.

To Bank A/C

(With the amt of interest)

When interest is outstanding, i.e., not yet paid:

Interest on Calls –in-advance A/C ... Dr.

To Outstanding interest A/C (with the amt of interest payable)

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	To Equity Share Capital A/c(10000x3) (Being the application money tfd. To share capital a/c)			
	Equity Share Allotment A/C ... Dr. To Equity Share Capital A/c (Being the amt due on allotment on 10,000 shares @ Rs. 3 per share as per resolution of the Board of directors dated)		30,000	
				30,000
	Equity Share Application A/C ...Dr. To Bank A/C (Being the application money refunded on 3000 shares @ Rs.3)		9,000	
				9,000
	Bank A/C ... Dr. Calls-in-Arrears A/C(300xRs.3) ... Dr. To Equity share Allotment A/C(10000x3) To Calls-in-Advance A/c(200xRs.4) Or Bank A/C ... Dr. To equity share Allotment A/C(9700x3) To Calls-in-Advance A/c(200xRs.4) (being the allotment money received except on 300 shares and Calls-in-advance recd on 200 sh.)		29,900 900 29,900	30,000 800 29,100 800
	Equity First and Final Call a/c ...Dr.		40,000	
	To Equity Share Capital A/c (Being first & final call due on 10,000 shares @ Rs. 4 per share)			40,000
	Bank A/c ... Dr. To Equity First & Final Call A/C(9800x4) To Calls-in-Arrears(or Share Allotment) A/c (Being the amount of First & Final call received including arrears on 300 shares as Allotment money)		40,100	39,200 900
	Calls-in-Advance A/c(200xRs.4) ...Dr. To Equity First & Final Call A/C		800	800

	(Being the Call-in-advance transferred)			
	Interest on Calls –in-advance A/C ... Dr. To Outstanding interest A/C Or To Sundry Shareholders(members) A/C (Being interest allowed on calls-in-advance) Interest=6 x 3 x Rs.800 =12		12	
				12
	Sundry Share holders a/c ... Dr. To Bank A/C (Being the interest paid)		12	
	Sundry Share holders a/c ... Dr. To Interest on Calls-in-Arrears A/C (5/100 x 3/12x900=11.25 or 110		11	
				11

Note Share Allotment A/c will show a debit balance which is equal to the amount of Calls-in-Arrears.

SHARES ISSUED FOR CONSIDERATION OTHER THAN CASH

Sometimes companies also issue shares for consideration other than cash such as against purchase of land and buildings, plant and machinery or purchase of business, etc. The purchase of an asset against the issue of shares are two distinct transactions.

Accounting Treatment:

In Balance Sheet: Issue of shares for consideration other than cash are disclosed in the Balance sheet under the head 'Share Capital' and sub-head Issued and subscribed Capital.

Journal Entries:

(a) **On Purchase** of assets

Sundry Assets A/Cs(individually)

To Vendor

On Purchase of Business Sundry Assets A/C Goodwill A/C

To Liabilities A/C (agreed value of liabilities)

To Vendor (agreed price payable to vendor)

To Capital Reserve A/C

(if purchase consideration is given and is more than net assets, then difference shall be debited to Goodwill Account.)

(vendor is credited by purchase consideration payable to him. It may be given in the question, otherwise it will be equal to net assets, i.e., sundry assets minus sundry liabilities.

(if purchase consideration is given and it is less than net assets, then the difference shall be credited to Capital reserve account)

Either Goodwill or Capital Reserve will appear at a time.

On Issue of shares

If shares are issued to vendor at par:

Vendor ... Dr. (with the nominal value of shares allotted)
To Share Capital a/c

If shares are issued to vendor at premium:

Vendor ... Dr. (with the purchase price)
To Share Capital a/c (with the nominal value of shares allotted)
To Securities Premium a/c

If shares are issued to vendor at a discount:

Vendor ... Dr. (with the purchase price)
Discount on issue of Shares A/C (with the discount amount)
To Share Capital a/c (with the nominal value of shares allotted)

Note: A Working note should be prepared to calculate number of shares to be issued:

$$\text{Number of shares to be issued} = \frac{\text{Purchase Price}}{\text{Issue Price of a Share}}$$

PROBLEM: A Company purchased a running business from M/S Sahni Brothers for a sum of Rs. 1,50,000, payable as Rs.1,20,000/- in fully paid Equity shares of Rs. 10 each and balance in cash. The assets and liabilities consisted of the following:

Plant & Machinery	Rs.40,000	Building	Rs.40,000
Stock	Rs.50,000	Sundry Debtors	Rs.30,000
Cash	Rs.20,000	Sundry Creditors	Rs.20,000

Pass necessary Journal entries in the company's books

Solution:

JOURNAL

DATE	PARTICULARS	L.F.	Dr.(Rs.)	Cr.(Rs)
	Plant & Machinery ... Dr.		40,000	
	Building A/C ... Dr.		40,000	
	Sundry Debtors A/C ... Dr.		30,000	

Stock A/C ... Dr. Cash A/C ... Dr. To Sundry Creditors A/C To M/S Sahni brothers To Capital Reserve (balancing figure) (Being assets & liabilities taken over)		50,000 20,000	
M/S Sahni Bros. ... Dr. To Equity share Capital To Bank A/C (Being payment made to sahani Bros.)		1,50,000	20,000 1,50,000 10,000 1,20,000 30,000

2.5 FORFEITURE OF SHARES

Forfeiture of shares means cancelling the shares for non-payment of calls due as a final action against the defaulting shareholders. The company must give a clear 14 days' notice to the defaulting shareholder that unless he pays the amount due together with interest, if any, by the specified date, the shares are liable to be forfeited. If the shareholder still does not pay, the company may forfeit them by passing an appropriate resolution.

On forfeiture, the shares are cancelled; to that extent the share capital is reduced but the amount already paid by the shareholders is not returned to him – it is forfeited. Of course, the account showing the unpaid call is also cancelled by a credit. The Entry passed is as follows:

Share Capital Account

To Forfeited shares A/C ... Dr. (with called up amount) (with amount already received)

To Various Unpaid calls A/C

Or

Calls-in -Arrears A/C (with the amount which becomes due but not paid for)

On forfeiture, share capital is always debited with the called-up amount and not by the nominal value of share.

For example: 1,000 equity shares of Rs.10 each are to be forfeited for the non-payment of first call. The amounts payable were: Rs.3 on application, Rs.2 on allotment, Rs.3 on first call and Rs.2 on final call.

The Entry for forfeiture of shares will be

Equity share Capital A/c (1000x8 called-up amt) ... Dr.		Rs.8,000	
To Forfeited Shares A/C ... Dr.		Rs.5000	
To Calls-in-arrears a/c ... Dr.		Rs.3000	

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Unless the forfeited shares are reissued the balance on the shares forfeited account will be shown as a separate item (added to the paid up capital) in the liabilities side of the balance sheet.

PROBLEM: A limited company was registered with an authorized capital of Rs. 2,00,000 in Rs. 10 per Equity share, of these 6000 equity shares issued as fully paid to the vendors for the purchase of building , 8,000 Equity Shares were subscribed for by the public and during the first rear Rs. 5 per Equity Share were called up, payable Rs.2 on application, re.1 on allotment, Re.1 on first call and Re.1 on second call. The amounts received in respect of these shares were as follows:

On 6000 Equity shares the full amount called.

On 1,250 shares Rs. 4 per Equity share.

On 500 shares Rs.3 per Equity Share.

On 250 shares Rs.2 per Equity Share.

The directors forfeited 750 Equity shares on which less than Rs.4 per Equity Share had been paid. Show Journal entries in the books of the company and also show the share capital as it would appear in the Balance sheet.

Solution:

JOURNAL

DATE	PARITICULARS	L.F.	Dr.(Rs)	Cr.(Rs.)
	Building A/C ... Dr. To Vendors (Being amount of building purchased)		60,000	60,000
	Vendors ... Dr. To Share Capital A/C (Being the issue of 6000 shares of Rs. 10 each as fully paid in payment of building purchased)		60,000	60,000
	Bank A/C ... Dr. To Share Application A/C (Being the amount received in respect of application money on 8000 shares @ Rs. 2 per share)		16,000	16,000
	Share Application A/C ... Dr. To Share Capital A/C (Being the transfer of application money to Share Capital A/C)		16,000	16,000
	Share Allotment A/C ... Dr. To Share Capital A/C		8,000	8,000

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(Being the amount due on allotment of 8,000 shares @ Re.1 per share as per resolution of the board of directors) dated...)			
Bank A/C ... Dr. To Share Allotment A/C (Being the amount received on the allotment 7750 shares @ Rs. 1 per share)		7,750	7,750
Share First Call A/C ... Dr. To Share Capital A/C		8,000	8,000
(Being the amount due on first call of 8,000 shares @ Re.1 per share as per resolution of the board of directors) dated...)			
Bank A/C ... Dr. To Share First Call A/C (Being the amount received on First Call on 7250 shares @ Rs. 1 per share		7,250	7,250
Share Second Call A/C ... Dr. To Share Capital A/C (Being the amount due on second call of 8,000 shares @ Re.1 per share as per resolution of the board of directors) dated...)		8,000	8,000
Bank A/C ... Dr. To Share Second Call A/C (Being the amount received on second Call on 6000 shares @ Rs. 1 per share		6,000	6,000
Share Capital A/C ... Dr. To Forfeited Shares a/c To Share allotment A/C To Share First Call A/C To Share Second Call A/C (Being 750 shares forfeited as per Board's Resolution dated...)		3,750	2,000 250 750 750

Working Notes:

1. A holder of 250 equity shares paid only application money. He has not paid allotment money and call money. Therefore, allotment money has been received on 7,750 shares(8,000 –2500@ Re. 1 each ,i.e., Rs.7,750.

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2. First call money has not been paid by the holder of 250 Equity shares and the holder of 500 shares. In total , first call money has not been received on 750 Equity Shares.
3. Second call money has not been paid by the holder of 250 Equity shares and the holder of 500 shares holder of 1,250 Equity Shares. In total , second call money has not been received on 2,000 Equity shares.
4. Amount forfeited
 - (a) For 250 Equity Shares, application money @ Rs. 2 per Equity Shares Rs 500
 - (b) For 500 Equity Shares, application money @ Rs. 2 per Equity Shares and allotment money @ re.1 per Equity share

Rs.2,000

BALANCE SHEET AS ON ...

LIABILITIES	RS.	ASSETS	RS.
Share Capital		Fixed assets	
<i>Authorized Capital:</i>			
20,000 Equity shares of Rs.10 each	2,00,000	Buildings	60,000
<i>Issued Capital:</i>		Current assets	
14,000 Equity shares of Rs.10 each	1,40,000	Cash at Bank	37,000
<i>Subscribed & Paid up Capital:</i>			
6,000 Equity Shares allotted as fully paid for a consideration other than cash	60,000		
7,250 Equity Shares of rs. 10 each			
Rs. 5 per Equity share called up 36250	35,000		
<i>Less: Calls-in-Arrears</i> 1250	2,000		
Forfeited Shares	97,000		97,000
	<u>97,000</u>		<u>97,000</u>

Note: Unless & until the forfeited shares are reissued ,the balance on the shares forfeited account will be shown as a separate item in the Balance sheet under the heading ‘share Capital’.

2.6 Statutory Books: -

Statutory books are those, which a limited company is under statutory obligation to maintain at its registered office. The main statutory books are

- Register of investments held and their names.
- Register of change.
- Register of Members.
- Register of debenture holders.
- Annual Returns.
- Minutes books.
- Register of contracts.
- Register of Directors.
- Register of shareholdings of the Directors.
- Register of loans to companies under the same management.
- Register of investments in the shares of other companies.

Books of Account: -

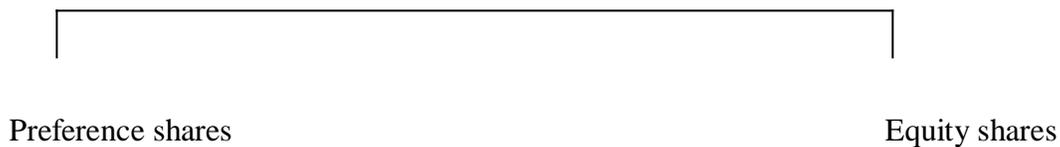
Every company is required to keep at its registered office book of Account. These books are to be maintained in such a way so as to disclose.

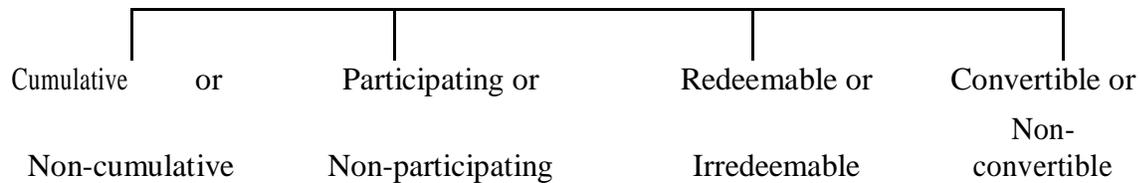
- The sum of money received and expended by the company and the matter in respect of which the receipt and expenditure taken place.
- All sales and purchase of goods of the company.
- All assets and liabilities of the company.

Meaning of shares: The capital of the company can be divided into different units with definite value called shares. Holders of these shares are called shareholders or members of the company.

They are two types of shares, which a company may issue i.e. 1. Preference shares, 2. Equity shares. Further preference shares may be of four types. The following chart explains different types of shares that are provided in the companies Act.

SHARES





Preference Shares: - Shares which carry preferential rights with regard to the payment of dividend and repayment of capital are called Preference shares. The rate of dividend payable is fixed. It is stated in Memorandum, the Articles and also the Prospectus. When a company is wound up capital must be refunded first to preference shareholders.

They are different kinds of Preference shares as explained below.

Cumulative Preference Shares:-

In the case of cumulative preference shares the right over the dividend can be carried forward. They can claim a reward of dividend out of future profits.

Non – cumulative Preference Shares:-

Dividends are paid out of divisible profits. They will not get any dividend if the company makes a loss or makes insufficient profits and the right over dividend cannot be carried forward.

Participating Preference Shares:-

In this case shareholders are entitled to a fixed dividend. If the company makes huge profits, they are given a right to share surplus profits along with other class of shareholders.

Non – Participating Preference Shares:-

The non-participating preference shares do not enjoy any right to share the surplus left after paying equity dividend.

Redeemable Preference Shares:-

The Indian Companies Act 1956 has some times permitted to issue Redeemable Preference shares.

In this case the share capital will be paid back to the shareholders after a certain agreed period.

Redeemable Preference shareholders get fixed dividends.

Irredeemable Preference Shares:-

The Preference Shares, which do not contain provision for conversion into equity shares, are called non convertible preference shares.

EQUITY SHARES: -

It is also called ordinary shares. They are paid dividends after Preference shareholders are paid. The dividend payable on equity shares is not fixed. It may vary from year to year. Dividend on equity shares depends on the profits made by the company. When a company is wound up equity shareholders are paid back their capital after preference shareholders are paid back. Equity shareholders having voting rights whereas preference shareholders do not have any voting rights.

ISSUE OF SHARES: -

Out of the face value of the shares 5% is payable with application some money will be paid on allotment and rest money will be paid as and when calls are made by the company. Generally the prospectus gives the dates of different calls along with the amount of calls by shareholders. In case it is not given in prospectus the directors have the discretion to call it in one cash or more than one call. For this a resolution of the Board of Directors must be passed and a notice is sent to the shareholders with a request to pay the amount of call.

JOURNAL ENTRIES FOR ISSUE OF SHARES:-

When a share application amount received:-

Bank a/c	Dr
To Share application a/c	

(Being the application amount on _____ shares @ Rs. ___ received)

When share application amount transferred to share capital.

Share application a/c	Dr
To Share capital a/c.	

(Being share application amount transferred to share capital)

When allotment amount due

Share allotment a/c	Dr
To Share capital a/c.	

Bank a/c	Dr
To Share allotment a/c	

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(Being the receipt of allotment money)

When call money due on call

Shares call a/c Dr
 To Share capital a/c

(Being call money due on _____ shares @ Rs _____ per share)

When call amount received.

Bank a/c Dr
 To Share call a/c

(Being the call amount received)

Note:- Similarly, entries are made for the second, third and final calls. Each time the entries are made first for the amount due then for the amount received.

Illustration:-

On 1st July 2004 Maruthi Co.Ltd, issues of 50,000 shares @ 100/- each payable as follows. On application Rs.20/- on allotment Rs.25/- on 1st call Rs.25/- on second call Rs.30/- Assuming that all the shares were issued and all the amount received. Show the necessary entries, Ledger Accounts and opening Balance Sheet of the Company.

Solution

No. of shares issued		= 50,000	
Application money received	=50000x20	=10,00,000	
Allotment money received	=50000x25	=12,50,000	
First call money received	=50000x25	=12,50,000	

	DATE	PARTICULARS	L.F	DEBIT (AMOUNT Rs)	CREDIT (AMOUNT Rs)
	1 st	Bank a/c Dr		10,00,000	
	July	To Share application a/c			10,00,000
		(Being the share application money on 50000 equity shares @ 20/- each received)			

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Share application a/c	Dr	10,00,000	
To Share capital a/c			10,00,000
(Being share application money transferred to share capital a/c)			
Share allotment a/c	Dr	12,50,000	
To Share capital a/c			12,50,000
(Being share allotment due on 50000 shares @25/- each)			
Bank a/c	Dr	12,50,000	
To Share allotment a/c			12,50,000
(Being allotment amount received)			
Share First call a/c	Dr	12,50,000	
To Share capital a/c			12,50,000
(Being share 1 st call amount due on 50000 shares @ 25/- each)			
Bank a/c	Dr	12,50,000	
To Share first call a/c			12,50,000
(Being share 1 st call amount received)			
Share second / Final call a/c	Dr	1,50,000	
To Share capital a/c			1,50,000
(Being share final call amount due on 50000 shares @ 30/- each)			
Bank a/c	Dr	1,50,000	
To Share second / final call a/c			1,50,000
(Being share final call amount received)			

Balance sheet of Maruthi Co.Ltd., as on 01-7-2004

Liabilities	Amount (Rs)	Assets	Amount (Rs)
-------------	----------------	--------	----------------

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Dr	Share Application Account				Cr

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
1-7-2004	To Share Capital a/c	10,00,000	1-7-2004	By Bank a/c	10,00,000
		10,00,000			10,00,000

Dr **Share Allotment Account** **Cr**

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
1-7-2004	To Share Capital	12,50,000	1-7-2004	By Bank a/c	12,50,000
		12,50,000			12,50,000

Dr **Share 1st Call Account** **Cr**

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)
1-7-2004	To Share Capital	12,50,000	1-7-2004	By Bank a/c	12,50,000
		12,50,000			12,50,000

Dr **Share 2nd Call / Final Call Account** **Cr**

Date	Particulars	Amount (Rs)	Date	Particulars	Amount (Rs)

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1-7-2004	To Share Capital	15,00,000	1-7-2004	By Bank a/c	15,00,000
		15,00,000			15,00,000

Excess Application Money: -

Sometimes the Public may apply for more than the number of shares issued for subscription. Then there is said to be over subscription. In this case if excess application amount refunded the following entry is to be passed.

Share application a/c	Dr	
To Bank a/c		

(Being share application amount _____ shares @ Rs _____)

Excess application money adjusted towards amount due on the allotment of calls: the following entry is to be passed:

Share Application a/c	Dr	
To Share allotment a/c		
To Share call a/c		
To Bank a/c		

(Being the surplus amount received on share application transferred to share allotment and share call and balance returned)

Illustration:-

Reddy Labs Ltd., Co issued 10,000 equity shares @ 100/- each payable as follows:

- on Application Rs 30/- Per share
- On Allotment Rs 30/- Per share
- On 1st & Final Call Rs 40/- per share

Applications were received for 15000 shares and the directors rejected applications for 3000 shares and allotted the shares to the remaining applicants on pro rata basis. Show the necessary journal entries upto allotment in the books of the company.

Solution: -

No. of Shares issued
 Application money received

Working notes

= 10,000
 = 15,000x30 =4,50,000

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Less Amount due on application	=10,000x30	=3,00,000
Excess application money received		=1,50,000
Amount refunded on rejection of Application	=3000x30	= 90,000
Surplus application amount adjusted On allotment		= 60,000
Amount due on allotment	=10000x30	=3,00,000
Excess application amount to be adjusted		= 60,000
Amount to be received on allotment		=2,40,000

JOURNAL ENTRIES in the books of REDDY LABS Ltd,Co..

DATE	PARTICULARS	L.F	DEBIT (AMOUNT Rs)	CREDIT (AMOUNT Rs)
1 ST July	Bank a/c ————— Dr		4,50,000	
	To Share application a/c			4,50,000
	(Being the share application money on 15000 shares @ 30/- received)			
	Share application a/c Dr		3,00,000	
	To Share capital a/c			3,00,000
	(Being share application money transferred to share capital a/c)			
	Share Application a/c Dr		90,000	
	To Bank a/c —————			90,000
	(Being refund of application money on rejected applications)			
	Share allotment a/c Dr		3,00,000	
	To Share capital			3,00,000

	a/c				
	(Being share allotment due on 10000 shares @30/- each) OR				
Share Application a/c	Dr		60,000		
To Share Allotment a/c				60,000	
(Being Excess application money adjusted on allotment)					
Bank a/c	Dr		2,40,000		
To Share allotment a/c				2,40,000	
(Being allotment amount received)					

2.7 Under Subscription:

Sometimes the number of shares applied for may be less than the number of shares issued. It is called Under Subscription. Ex:- A Company issues 15,000 shares. They receive only 10,000 Share applications.i.e. they can allot 10,000 shares only. No entry required for under subscription.

Re – issue of Forfeited shares: -

Forfeited shares may be re-issued by the company directors for any amount but if such shares are issued at discount then the amount of discount should not exceed the actual amount received on forfeiture shares. The purchasers of forfeited reissued shares is liable for payment of all future calls duly made by the company.

Journal entry for re – issue of forfeited shares:-

Bank a/c Dr
Shares forfeited a/c Dr

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To Share Capital a/c
 (Being Re-issue of forfeited shares)

Share forfeited a/c Dr

To Capital Reserve a/c
 (Being transfer of surplus in forfeiture to capital Reserve a/c)

Illustration :

JK Co.Ltd., issued 1000 shares @ 10/- each to Suneel, who paid Rs.6/- on application and allotment amount and fails to pay Rs .4/- on 1st & Final call. The shares were forfeited and the Directors re – issued shares to Srinivas @ 5/- each. Show the necessary Journal entry in the Company Books.

Journal entry in JK. Co.Ltd.,

Date	Particulars	Debit Amount (Rs)	Credit Amount(Rs)
	Share Capital a/c Dr	10,000	
	To Share Forfeiture a/c		6,000
	To Share allotment a/c		4,000
	To Share 1 st & Final call a/c (Being forfeiture of 1000 shares forfeited)		
	Bank a/c Dr	4,000	
	Share forfeited a/c Dr	4,000	
	To Share Capital a/c (Being Reissue of 800 shares @ 5/- each as fully paid up)		8,000
	Share forfeiture a/c Dr	800	
	To Capital Reserve a/c (Being the balance in Share forfeiture a/c Transferred to capital Reserve a/c)		800

Working Notes:-

Value of 800 shares @ 6/- each	= 4800
• Less Re-Issued shares amount	= 4000
Amount Transferred to capital Reserve	<u>= 800</u>

2.8 Preparation of Profit & Loss Account:-

The Principle for preparation of Profit & Loss a/c is same as it is a firm or company, modified by the special provisions laid down in the companies act. It consists of Trading Account to show Gross Profit, Profit & Loss a/c to determined net profit, and Profit & Loss appropriation a/c to give a view about the manner in which Profits are disposed.

No form for Profit & Loss a/c has been prescribed in the Companies act as it has been prescribed for Balance Sheet, but requirement as to Profit and Loss a/c are given in Part II of Schedule VI.

Certain items Appearing in Profit & Loss A/c:-

The following are the some of the important items appearing in Profit & Loss A/c and their treatment if it is given in Trail Balance and Adjustment.

Dividends & Interest received:- It relates to income of the company and appears credit side of Profit & Loss a/c.

Provision for Taxation:- It should be credited to Profit & Loss a/c. If it is given in adjustment, it is debited to Profit & Loss A/c and second time on the Liabilities side of Balance sheet.

Income tax Paid:- It is treated as advance tax is paid so it appears on Asset side of “Loan & Advances” head.

Preliminary Expenses:- It appears Asset side of Balance Sheet. If adjustment is there, the (adjustment appears) written off amount debited Profit & Loss A/c, and the same deducted from the item in Balance Sheet.

Discount & Expenses on issue of shares / Debentures:- It appears on the Assets side of Balance Sheet. If adjustment is there on these items, the written off amount appears on debit side of Profit & Loss A/c and the same deducted from the respective items, in Asset side of Balance sheet.

Interest on Debentures:- If it is given in Trail balance it is debited to Profit & Loss A/c. If it is given in adjustment it appears both side of Profit & Loss A/c Debit and Liabilities side of Balance sheet.

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Proforma of Trading & Profits and Loss A/C of a Company is titled as
Profit & Loss A/c of _____ Co. Ltd., as on _____.

Dr		Cr	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening Stock	Xxxxx	By Sales	Xxxxx
To Purchases	xxxxx	(-) Returns	Xxx
(-) Returns	xxx	By Closing Stock	Xxxxx
To Carriage inwards	Xxxxx		
To Productive wages	Xxxxx		
To Freight	Xxxxx		
To Gross Profit	Xxxxx		
(Transferred to Profit & Loss A/c)	Xxxxxx		xxxxxxx
To Salaries	xxxxx	By Gross Profit	
(-) Out standing	xxx	(Transferred from Trading	xxxxx
		A/c)	
To Insurance	xxxxx	By Discount received	xxxxx
(-) Prepaid	xxx	By Share Transfer fees	xxxxx
To Bank expenses	Xxxxx	By Interest on Investments	xxxxx
To Director fees	Xxxxx	By Interest on defence bonds	
To General expenses	Xxxxx	By Net Loss (if arises)	xxxxx
To Discount paid	Xxxxx	(Transferred to Profit & Loss	xxxxx
To Bad debts	Xxxxx	Appropriation A/c)	
To Advertisement	Xxxxx		
To Commission paid	Xxxxx		
To Interest on Debentures	xxxxx		
(+) Out standing	xxx		
To Preliminary Expenses written off (Adj)	Xxxxx		

To Depreciation (on Assets)	Xxxxx		
To Provision for Income tax	Xxxxx		
To Net Profit (Transferred to Profit & Loss Appropriation	Xxxxx		
A/c)			
	xxxxxx		xxxxxx

2.9 Profit and Loss Appropriation Account

A company has to prepare the Profit and Loss Appropriation Account in addition to the profit and loss account. It shows the appropriation of Profit and is popularly known as below the line the splitting of the Profit and Loss A/C into three section (i.e. trading A/C, Profit and loss A/C and profit and loss appropriation A/C) is not forbidden by the companies Act. It is desirable to split the profit and loss A/C into three sections so that gross profit, Net profit and surplus carried to the balance sheet may be ascertained. It is prepared as follows.

Profit and loss appropriation Account

Dr

Cr

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Transfer to Reserves	Xxxxx	By Last year's Balance b/d	Xxxxx
To Income tax for Previous Year not provided for	Xxxxx	By Net Profit for the year	Xxxxx
To Interim dividend	Xxxxx	By Amount withdrawn from General Reserve/other reserve	Xxxxx
To Surplus (balancing figure carried to Balance Sheet)	Xxxxx	By Provision(Income tax provision not required)	Xxxxx
	xxxxxx		Xxxxx

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Illustration: -

The following are the particulars of J.S.Co., Ltd., Tirupathi as 31-12-10.

Particulars	Dr	Cr
Opening Stock	75,000	
Sales		3,50,000
Purchases	2,50,000	
Wages	50,000	
Discount		5,000
Salaries	7,500	
Rent	5,000	
Sundry Expenses	7,000	
Profit & Loss Appropriation A/c 1-1-06		15,000
Dividend Paid	9,000	
Plant & Machinery	30,000	

Adjustments:- Closing stock valued Rs.80,000, Depreciate Plant & Machinery at Rs.10/-. You are required to Prepare Profit & Loss A/c for the year ended 31-12-11.

J.S.Co.,Ltd.,Profit & loss A/c for the year ended 31-12-10.

Dr		Cr	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening stock	75,000	By Sales	3,50,000
To Purchases	2,50,000	By Closing stock	80,000
To Wages	50,000		
To Gross Profit C/d	55,000		
	4,30,000		4,30,000
To Salaries	7,500	By Gross Profit B/d	55,000
To Rent	5,000	By Discount	5,000

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To Sundry Expenses	7,000		
To Depreciation on Plant & Machinery	3,000		
To Net Profit C/d	37,500		
	60,000		60,000
To Dividend Paid	9,000	By Balance B/d	15,000
To Balance C/d (Carried forward to Balance sheet)	43,500	By Net Profit Current year	37,500
	52,500		52,500

Illustration 2:-

PremRaj Ltd had a nominal Capital of Rs.6, 00,000 dividend in to shares of Rs.10/-each. The Balances as per Ledger of the Company as at Dec.31, 2005 was as follows: -

Particulars	Rs	Particulars	Rs
Calls in arrear	7,500	Premises	3,00,000
Plant & Machinery	3,60,000	Interim Dividend Paid	7,500
Purchases	1,85,000	Preliminary Expenses	5,000
Freight	13,100	Directors' Fees	5,740
Bad debts	2,110	6% Debentures	3,00,000
P. & L.A/c (Cr)	14,500	Sundry Creditors	50,000
General Reserves	25,000	4% Govt.Securities	60,000
Stock (1 st Jan.2005)	75,000	Fixtures	7,200
Sundry Debtors	87,000	Good will	25,000
Cash in Hand	750	Cash at Bank	39,900
Wages	84,800	General Expenses	16,900
Salaries	14,500	Provision for Bad debts	3,500

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Debtures Interest		Sales	4,15,000
Share Capital (fully called)	4,60,000	Bills Payable	38,000

Prepare the Final Accounts and the Balance sheet relating to 2005 from the figures given above after taking in to account the following:-

1. Depreciate Plant & Machinery by 10 % and Fixtures by 5%;
2. Write off 1/5 of Preliminary Expenses;
3. Rs.10, 000 of wages were utilized in adding rooms to the Premises; no entry has as yet been made for it
4. Leave Bad Debts Provision at 5% of the Sundry Debtors;
5. Provide a final dividend @5%
6. Transfer Rs.10,000 to General Reserve; and
7. Make a Provision for Income Tax to the extent of Rs.25, 000.
8. The stock on 31st December 2005 was Rs.1, 01,000.

Trading and Profit & loss A/c of the Prem Raj Co., Ltd., for the year ended 31-12-2005.

Dr

Cr

Figures relating to 31 st Dec 2005	Expenses	Figures for the Current Year Rs.	Figures relating to 31 st Dec 2005	Incomes	Figures for the Current Year Rs.
	To Stock	75,000		By Sales	4,15,00
	To Purchases	1,85,000		By Stock	1,01,000
	To Wages 84,800				
	Less Charged to Premises 10,000	74,800			

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	To Freight	13,100		
	To Gross Profit C/d	1,68,100		
		5,16,000		5,16,000
	To General Expenses			

	To salaries	16,900		By Gross Profit	
	To Debenture Interest*	14,500		b/d	1,68,100
	Paid 9,000			By Interest due	
	Add out			on Govt.	
	Standing 9,000			Securities	
		18,000		(4% on	
	To Directors' Fees	5,740		Rs.60,0000)	2,400
	To Preliminary				
	Expenses	1,000			
	To Depreciation- Plant				
	HH. Machinery	36,000			
	Fixtures	360			
		36,360			

To Provision for

Bad Debts-

Required 4,350

Add Bad

Debts 2,110

—————
6,460

Less Existing

Provision 3,500

—————
2,960

To Provision for

Income Tax

25,000

To Net Profit c/d

50,040

—————
1,70,500

—————
1,70,500

Balance Sheet of the Quick Ltd. as at December 31, 2005

(not in prescribed form)

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Share Capital:		Fixed Assets:	
Authorised – 60,000		Good will	
Shares of Rs. 10 each		Premises	25,000

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Issued	6,00,000	Plant and Machinery	3,10,000
Subscribed & paid – up		3,60,000	
Capital :		Less Depre-	
46,000 Shares		Citations	36,000
of Rs.10 each			
fully called	4,60,000	Fixtures	7,200
Less Calls in		Less Depre-	3,24,000
Arrear	7,500	Citations	360
	4,52,500		
Reserves and Surplus:		Current Assets:	6,840
General Reserve	35,000	Investments	
P.& L., A/c	24,415	Interest Due	60,000
		Stock	2,400
Secured Loans :		Sundry Debtors	87,000
6% Debentures	3,00,000	Less Provision	
Interest Outstanding	9,000	For Bad Debts	4,350
Current Liabilities:		Cash in Hand	
Bills Payable	38,000	Cash in Bank	82,650
Sundry Creditors	50,000	Preliminary Expenses	750
Provision for Income Tax	25,000		39,900
Proposed Dividend	22,625		4,000
	9,56,540		9,56,540

Alternatively, the Trading and Profit and Loss Account and the Profit and Loss Appropriation Account may be merged together and presented as follows: -

Trading and Profit & loss A/c of the Prem Raj Co., Ltd., for the year ended 31-12-2005.

Dr

Cr

Figures relating

Figures

Figures for

Figures for

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to 31 st Dec 2005	Expenses	the Current Year Rs.	relating to 31 st Dec 2005	Incomes	the Current Year Rs.
	To Stock	75,000		By Sale	4,15,000
	To Purchases	1,85,000		By Stock	1,01,000
	To Wages	74,800		By Interest on	
	To Freight	13,100		Government.	
	To General Expenses	16,900		Securities	2,400
	To Salaries	14,500			
	To Debenture interest	18,000			
	To Director's Fees	5,740			
	To Preliminary Expenses	1,000			
	To Depreciation – Plant & Machinery	36,000			
	Fixtures	360			
		36,360			
	To Provision for Bad Debts:				
	Required	4350			
	Add Bad Debts	<u>2110</u>			
		6460			
	Less Existing Provision	<u>3500</u>			
		2,960			

To Provision for Income		
– Tax	25,000	
To General Reserve	10,000	
To Interim Dividend	7,500	
To Proposed Dividend	22,625	
To Balance of Profit	9,915	
	5,18,400	5,18,400

2.10 Balance Sheet:-

It must be drawn up in such a form and should have such contents as will give affairs. For this purpose it should be drawn up as far as possible in conformity with the form set out in Part –I of schedule VI of the companies Act. Section 210 of the companies Act requires that at every annual general meeting of the shareholders, the Board of Directors of the Company shall lay before the company a Balance Sheet at the end of each trading period.

Certain important items in Balance Sheet:-

The following are some of the important items appearing in Balance Sheet.

Call in Arrears: This amount is deducted from the called up share capital.

Call in advance: The amount received in advance. So it is shown separately from the called up capital on the liabilities side.

Share premium: It is shown on the liabilities of Balance sheet under the head Reserve and surplus.

Forfeited shares: It is to be added to the paid up capital on the liability side of Balance sheet.

Fixed deposits: It can accept from public it is shown under unsecured Loan on the liability side of Balance sheet.

Unclaimed dividend: Dividend which are not cashed by the share holders are called unclaimed dividends. This item is shown under current liabilities.

Secured Loan: In case of each secured loan the nature of security given by the company should be indicated.

Unsecured Loans: Interest occurred and due on unsecured loans must be shown as an addition to the respective loans.

Fixed Assets: Full details of fixed assets their additions, Total depreciations should be clearly shown.

Current Assets: Closing stock, debtors, Bills Receivable etc., comes under this head.

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Miscellaneous Expenditure: Not written off expenditure comes under this head. Ex: Preliminary Expenditure.

The form of the Balance sheet as given in Part I of Schedule VI of the Companies Act is given below.

Schedule VI (Section 211)

Part – I Form of Balance Sheet

Balance Sheet of _____ as on _____

Figure s for the Previo us Year Rs.	Liabilities	Figur es for the Curre nt Year Rs.	Figure s for the Previo Us Year Rs.	Assets	Figu res for the Curr ent Year Rs.	Figu res for the Prev ious Year Rs.
1	2	3	4	5	6	7
	Share Capital: Authorised _____ Shares of _____ each. Issued _____ Shares of			Fixed Assets: Good will Land Buildings		

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<p>Rs. _____ each. Subscribed _____ shares of Rs. Each _____ Shares of Rs. _____ per share called up.</p> <p>Less: Calls unpaid 1) by directors 2) by others</p> <p>Add: Forfeited Shares of the above shares _____ shares are allotted as fully paid up pursuant to a contract without payments being received in cash of the above _____ shares are allotted as fully paid up by way of bonus shares.</p> <p style="text-align: center;">Reserves and Surplus:</p> <p>Capital Reserve Capital Redemption</p>	<p>Leaseholds Railway sidings Plant and Machinery Furniture & Fittings Development of Property Patents, trade marks and designs Livestock Vehicals, etc.</p> <p>Investments: Showing nature of investments and mode of valuation, e.g., cost or market value:</p> <p>a) Investments in Government or Trust Securities.</p> <p>b) Investments in shares, debentures or bonds.</p> <p>Immovable Properties.</p>	
<p>Reserve Share Premium Account Other Reserve</p>	<p>Current Assets, Loans and Advances</p> <p>A) Current Assets</p>	

<p>Less: Debit Balance in Profit and Loss Account, if any.</p> <p>Surplus, i.e., balance in Profit and Loss Account after providing for proposed allocations, namely, Dividend, Bonus, etc.</p> <p>Proposed additions to Reserves, Sinking Funds</p> <p>Secured Loans</p> <p style="padding-left: 20px;">Debentures</p> <p style="padding-left: 20px;">Loans & Advances from Banks</p> <p style="padding-left: 20px;">Loans & Advances from Subsidiaries</p> <p style="padding-left: 20px;">Other Loans & Advances</p> <p>Unsecured Loans</p> <p style="padding-left: 20px;">Fixed Deposits</p> <p style="padding-left: 20px;">Loans & Advances from Subsidiaries</p> <p>Short term loans and advances:</p> <p style="padding-left: 20px;">a) from Banks</p> <p style="padding-left: 20px;">b) from others</p>	<p>Interest accrued on Investments</p> <p style="padding-left: 20px;">Stores & Spare parts</p> <p style="padding-left: 20px;">Loose Tools</p> <p style="padding-left: 20px;">Stock – in – Trade</p> <p>Work-in-Progress</p> <p>Sundry Debtors</p> <p style="padding-left: 20px;">a) Debts out standing for a period exceeding six months</p> <p style="padding-left: 20px;">b) Other debts</p> <p style="padding-left: 40px;">Less: Provision</p> <p>Cash balance in hand Bank Balances:</p> <p style="padding-left: 20px;">a) With Scheduled Banks</p> <p style="padding-left: 20px;">B) With others</p> <p>B) Loans & Advances</p> <p style="padding-left: 20px;">Advances and Loans to Subsidiaries</p> <p style="padding-left: 20px;">Advances and Loans to partnership firms in which the company or any of its</p>	
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	<p>Current Liabilities and Provisions</p> <p>a) Current Liabilities</p> <p>Acceptances</p> <p>Sundry Creditors</p> <p>Advance payments and unexpired discounts</p> <p>Unclaimed dividends, other Liabilities (if any)</p> <p>Interest Accrued but not due on loans</p> <p>B) Provisions</p> <p>Provision of</p>			<p>subsidiaries is a partner</p> <p>Bills of Exchange</p> <p>Advances recoverable in cash or in kind or for value to be received, e.g., Rates, Taxes, Insurance, etc.</p> <p>Balance with Customs, Port Trust etc. (Where payable on demand)</p>		
	<p>Taxation Proposed</p> <p>Dividends For contingencies</p> <p>For Provident Fund Scheme</p> <p>For Insurance, Pension and similar staff other provisions</p> <p>Contingent Liabilities</p> <p>(A foot note to the balance sheet is added to show separately and these are not included in the total)</p> <p>Claims against the company not</p>			<p>Miscellaneous Expenditure</p> <p>(To the extent not write off or adjusted)</p> <p>Preliminary Expenses Expenses including commission or brokerage on underwriting or subscription of shares or debentures</p> <p>Interest paid out of capital during construction (also stating the rate of interest)</p> <p>Development</p>		

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acknowledged as debts uncalled liability on shares partly paid Arrears of fixed cumulative dividends Estimated amount of contracts remaining to be executed on capital account and not provided for other moneys for which the company is contingently liable.	expenditure not adjusted Other items (specifying nature) Profit and Loss Account (Show here the debit balance of profit and Loss Accountant carried forward, after deduction of the uncommitted reserves, if any.)	
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Illustration:

The following was the Trail balance of Sri. Nagi Reddy Textiles of Kurnool as on 31-12-05.

Trail Balance

Particulars	Debit Rs.	Credit Rs.
Call in Arrears	5,000	
Land & Building	5,00,000	
Machinery	4,00,000	
Purchases & Sales	4,00,000	9,00,000
Preliminary Expenses	1,00,000	
Wages	10,000	
Director fees	2,000	
Bad debts	3,000	
Profit & Loss A/c		1,00,000
Sundry Debtors & Creditors	1,00,000	50,000
General Reserve		50,000

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1-1-05 Stock	50,000	
Cash in hand	10,000	
Cash at Bank	50,000	
Salaries	20,000	
Share Capital		4,00,000
Bills Payable		1,50,000
	16,50,000	16,50,000

Adjustments:-

Depreciate Machinery @10 %

Write off ¼ Preliminary Expenses.

Transfer Rs.5000 to General Reserve

Closing stock 1,00,000.

You are required to Prepare final Accounts.

Profit & loss A/c of the Nagi Reddy Textiles for the year ended 31-12-2005.

Dr

Cr

Figures relating to 31 st Dec 2005	Expenses	Figures for the Current Year Rs.	Figures relating to 31 st Dec 2005	Incomes	Figures for the Current Year Rs.
	To Stock 1-1-05	50,000		By Sales	9,00,000
	To Purchases	4,00,000		By Closing Stock	1,00,000
	To Wages	10,000			
	To Gross Profit C/d	5,40,000			
		10,00,000			10,00,000
	To Salaries	20,000		By Gross Profit	5,40,000
	To Director fees	2,000		B/d	
	To Bad debts	3,000			

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To Preliminary Expenses 1/4	25,000			
To Depreciation on machinery 10%	40,000			
To Net Profit C/d	4,50,000			
	5,40,000			5,40,000

Profit & loss Appropriation A/c.

Dr

Cr

Figures relating to 31 st Dec 2005	Expenses	Figures for the Current Year Rs.	Figures relating to 31 st Dec 2005	Incomes	Figures for the Current Year Rs.
	To General Reserve	5,000		By Balance B/d	1,00,000
	To Surplus	5,45,000		By Net Profit for Current Year	4,50,000
		5,50,000			5,50,000

Sri Nagi Reddy Textiles Balance Sheet as on 31-12-05

Liabilities	Amount Rs	Assets	Amounts RS

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<p>1. Share Capital</p> <p>Authorised</p> <p> Issued Called up & Paid up 4,00,000</p> <p>(-)Call in Arrears 5,000 3,95,000</p> <p>2. Reserves & Surplus</p> <p> General Reserve 50,000</p> <p> (+)Addition 5,000 55,000</p> <p> P & L A/c</p> <p>3. Secured Loans 5,45,000</p> <p>4. Unsecured Loans -----</p> <p>5. Current Liabilities &</p> <p> Provisions</p> <p> Bills Payable 1,50,000</p> <p> Sundry Creditors 50,000</p> <p>6. Contingent Liabilities -----</p> <p style="text-align: right;"><u>11,95,000</u></p>		<p>1. Fixed Assets 5,00,000</p> <p> Land & Building</p> <p> Machinery 4,00,000</p> <p> (-) Depreciation 4,000 3,60,000</p> <p>2. Investments -----</p> <p>3. Current Assets Loan</p> <p> Advances</p> <p> Closing Stock 1,00,000</p> <p> Sundry Debtors 1,00,000</p> <p> Cash in hand 10,000</p> <p> Cash at Bank</p> <p>4. Miscellanies</p> <p> Expenditure 50,000</p> <p> Preliminary</p> <p> Expenses 1,00,000</p> <p> (-) Written off 25,000 75,000</p> <p style="text-align: right;"><u>11,95,000</u></p>
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