

Chapter 1 Financial Statements of Companies (As per Schedule III)

Question 1

On 1st April 2018, ABC Ltd. was established with an authorized capital of ₹. 25,00,000/- divided into 2,50,000 equity shares of ₹. 10/- each. Out of these, the company issued 1,00,000 equity shares of ₹. 10/- each at a premium of 10%. The amount was payable as follows:

On Application: ₹. 4/- (including premium)

On Allotment: ₹. 4/-

On Final Call: ₹. 3/-

The public applied for 90,000 equity shares and all the money was duly received. How will you show the 'Share Capital' in the Balance Sheet of a company? Also, prepare 'notes to accounts' for the same.

Solution:

EXTRACT OF BALANCE SHEET OF ABC LTD.

As at 31st March 2019

| Particulars | Note No. | Amount | Amount |
|-------------------------------|----------|--------------|---------------|
| | | Current year | Previous year |
| | | ₹ | ₹ |
| EQUITY AND LIABILITIES | | | |
| Shareholder's Funds: | | | |
| Share Capital | 1 | 9,00,000 | |

Notes to Accounts:

| Particulars | ₹ |
|--|-----------|
| Share Capital: | |
| Authorised Capital: | |
| 2,50,000 Equity Shares of ₹.10/- each | 25,00,000 |
| Issued Capital: | |
| 1,00,000 Equity Shares of ₹. 10/- each | 10,00,000 |
| Subscribed and Fully Paid | |

90,000 Equity Shares of ₹. 10/- each

9,00,000

Question 2

French Ltd. has an opening debit balance of ₹. 5,00,000/- in Reserves and Surplus as Balance of Statement of Profit and Loss. It earned a profit of ₹. 8,00,000/- for the year ended March 31st 2019. How would you show these items in the Balance Sheet and notes to accounts?

Solution:

French Ltd.

EXTRACT OF BALANCE SHEET *As at 31st March 2019*

| Particulars | Note No. | 31.03.2019 | 31.03.2018 |
|-------------------------------|----------|------------|------------|
| | | ₹ | ₹ |
| EQUITY AND LIABILITIES | | | |
| Shareholder's Funds: | | | |
| Reserves and Surplus | 1 | 3,00,000 | (5,00,000) |

Notes to Accounts:

| Particulars | ₹ |
|--|-----------------|
| Reserves and Surplus: | |
| Surplus | |
| Balance in the statement of P&L (Opening) (5,00,000) | |
| Surplus for the period 8,00,000 | 3,00,000 |

Question 3

Neptune Ltd. has the following balances on 1st April 2018:

₹

General reserve 4,50,000

Statements of P&L 2,00,000

During the year ended 31st March 2019, it incurred a loss of ₹.3,20,000/-. How would you show these items in the Balance Sheet and notes to accounts?

Solution:

Neptune Ltd.

EXTRACT OF BALANCE SHEET *As at 31st March 2019*

| Particulars | Note No. | 31.03.2019 | 31.03.2018 |
|-------------------------------|----------|------------|------------|
| | | ₹ | ₹ |
| EQUITY AND LIABILITIES | | | |
| Shareholder's Funds: | | | |
| Reserves and Surplus | 1 | 3,30,000 | 6,50,000 |

Notes to Accounts:

| Particulars | ₹ |
|--|-----------------|
| Reserves and Surplus: | |
| General Reserve | 4,50,000 |
| Surplus | |
| Balance in the statement of P&L (Opening) 2,00,000 | |
| Surplus for the period (3,20,000) | (1,20,000) |
| | 3,30,000 |

Question 4

Name the sub-headings under which the shareholder's funds shall be classified in a company's balance sheet.

Solution:

Shareholder's funds shall be classified as follows:

- Share Capital
- Reserves and Surplus
- Money received against share warrants