

Recap

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Example 1

- Consider the following data for the month of June of T Company
- Balance as per bank book is Rs. 70,240
- Bank statement showed a favourable balance of Rs. 73,920..
- Examination of bank book and bank statement revealed the following:
 - A cheque of Rs. 4,920 paid into bank was not credited by the bank until July 3rd.
 - A standing order for payment of annual payment of Rs. 1,000 had not been entered into bank book.
 - On 27th June two customers of T Co. paid directly into bank Rs. 5,500, advice of which was received in July.
 - Cheques issued but not presented in the bank amounted to Rs. 4,600.
 - The bank had debited the account by Rs. 500 on account of bank charges.
- Lets assume that T Co. has not closed its books.
- You are required to adjust the bank book and then prepare a bank reconciliation statement.

Solution

- Following require adjustment in bank book:
 - Payment of an annual subscription Rs. 1,000, not entered in bank book.

Debit	Relevant Expense A/c	1,000	
Credit	Bank		1,000
 - Receipts from two customers of directly into bank Rs. 5,500,

Debit	Bank	5,500	
Credit	Customer's Accounts	5,500	
 - Bank charges Rs. 500

Debit	Bank Charges Account	500	
Credit	Bank		500

Adjustments in Bank Book

Original Balance As Per bank book	70,240
Credit / Less Payment on standing orders	(1,000)
Credit / Less bank charges	(500)
Add Receipts from customers	<u>5,500</u>
Adjusted balance as per bank book	<u>74,240</u>

Solution

T. Co.

Bank Reconciliation Statement as on June 30, 20—

Balance as per Bank Book	74,240
Add Un presented cheques	4,600
Less Un credited cheques	<u>(4,920)</u>
Balance s per bank statement	<u>73,920</u>

Example 2

- Same data as previous example.
- Balance as per bank book is Credit Rs. 56,000
- As per bank statement unfavorable balance of Rs. 52,320

Solution

Adjustments in Bank Book

Original Balance As Per bank book	(56,000)
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Credit / Less Payment on standing orders	(1,000)
Debit / Add Receipts from customers	5,500
Credit / Less bank charges	<u>(500)</u>
Adjusted balance as per bank book	<u>(52,000)</u>

Solution

T. Co.

Bank Reconciliation Statement as on June 30, 20—

Balance as per Bank Book	(52,000)
Add Un presented cheques	4,600
Less Un credited cheques	<u>(4,920)</u>
Balance as per bank statement	<u>(52,320)</u>

Example 3

- From the following data ascertain the balance as per bank statement of Nasir & Co on March 31, 20--
 - Balance as per bank book Rs. 63,000
 - Cheques issued but not presented for payment Rs. 12,000.
 - Cheques deposited but not cleared Rs. 20,000
 - Profit on deposit was credited by bank but not debited in bank book Rs. 2,000.
 - A customer paid into bank directly Rs. 15,000 but the same was not recorded in bank book.
 - Other receipts in bank that were not recorded in bank book Rs. 8,000.

Solution

Nasir and Co.

Balance as per Bank Book	63,000
Add Un presented cheques	12,000
Less Un credited cheques	(20,000)
Add Profit received	2,000
Add amount deposited by customer	15,000
Add other receipts in bank	<u>8,000</u>
Balance as per bank statement	<u>80,000</u>

Solution

Nasir and Co.

Balance as per Bank Statement	80,000
Less Un presented cheques	(12,000)
Add Un credited cheques	20,000
Less Interest received	(2,000)
Less amount deposited by customer	(15,000)
Less other receipts in bank	<u>(8,000)</u>
Balance as per bank book	<u>63,000</u>

- Debtors OR Trade Debtors – are the receivables by the organization against the sale of goods.
- Receivables / Other Receivables – are all receivables other than trade debtors e.g. advances to staff, suppliers.
- Creditors OR Trade Creditors – are the payables by the organization against the purchase of stock.
- Payables / Other Payables – are all payables other than trade creditors e.g. advances received from customers.
- Accruals – are the expenses of the business that are payable at the end of the accounting period.
- Payables / Other Payables – are all payables other than trade creditors e.g. advances received from customers.
- Provision – where an expense is incurred but the actual amount is not known at the time of recording at the

end of accounting period.
Accounting for Creditors

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- Purchase of goods
 - Debit Stocks Account
 - Credit Creditors Account
- Goods returned
 - Debit Creditors Account
 - Credit Stocks Account
- At the time of payment
 - Debit Creditors Account
 - Credit Cash / Bank Account
- Discount received from creditors
 - Debit Creditors
 - Credit Stock OR Discount Received

Discounts Allowed to Customers

- Discount allowed to debtors
 - Debit Sales OR Discounts Allowed
 - Credit Debtors

Recording of Accrual

- At the time of recording accrual
 - Debit Relevant expense account
 - Credit Accrued expenses / Expenses Payable
- At the time of payment
 - Debit Accrued expenses / Expenses Payable
 - Credit Cash / Bank
- Recording of rebate
 - Debit Accrued expenses / Expenses Payable
 - Credit Expense Account

Recording of Accrual

- At the time of recording accrual
 - Debit Relevant expense account
 - Credit Accrued expenses / Expenses Payable
- At the time of payment
 - Debit Accrued expenses / Expenses Payable
 - Credit Cash / Bank
- Recording of rebate
 - Debit Accrued expenses / Expenses Payable
 - Credit Expense Account

Difference Between Accrual and Provision

- Accrual is made when exact amount of expense is known at the time of recording.
- Provision is made when it is known that an expense will arise but the exact amount is not known.

Recording of Provision for Doubtful Debts

- At the time of creating the provision
 - Debit Profit and Loss Account
 - Credit Provision for Doubtful Debts
- At the time of actual bad debt
 - Debit Provision for Doubtful Debts
 - Credit Trade Debtors
- In case of bad debt where no provision was made

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Debit Profit and Loss Account
Credit Trade Debtors

Provision for Expenses (e.g. Electricity)

- At the time of creating the provision
 - Debit Relevant Expense Account
 - Credit Accrued Expenses
- At the time actual amount is known
 - Where actual bill is less than the provision
 - Debit Accrued Expenses
 - Credit Expense Account
- Recording of payment
 - Debit Accrued Expenses
 - Credit Cash / Bank

Presentation of Provision

- Provisions are presented as current liabilities in the balance sheet.
- Exceptions
 - Depreciation
 - Provision for doubtful debts
- Provision for Doubtful Debts is shown as a reduction from debtors in the balance sheet.

Recording of Debtors

- At the time of sale
 - Debit Debtors
 - Credit Sale
- At the time of receipt
 - Debit Cash / Bank
 - Credit Debtors

Recording of Debtors

- Return of goods by debtors
 - Debit Sale
 - Credit Debtors
- Debit Stock
- Credit Cost of Sales

Recording of Provision

Extract of Profit and Loss Account

- Extract of Profit and Loss to show the Provision for Doubtful Debts

Profit and Loss Account
For the year ended ---

Gross Profit	90,000
Less: Expenses	
Provision for bad debts	(5,000)

Extract of Balance Sheet

- Extract of Balance Sheet to show the Provision

Current Assets

Debtors		100,000
Provision for Bad Debts	<u>(5,000)</u>	95,000

Recording of Bad Debt

- Where provision has already been made for that debt:

Debit	Provision for Bad and Doubtful Debts
Credit	Debtors
- No expense will be charged.

Recording Change in Provision

- Reducing the provision

Debit	Provision for Bad and Doubtful Debts
Credit	Profit and Loss Account
- Increasing the provision

Debit	Profit and Loss Account
Credit	Provision for Bad and Doubtful Debts

Example

- Following information is available for A Ltd. For the year ended June 30, 20--.
 - Bad Debts During the year

November	1,100
January	640
April	120
 - At the year end total debtors amounted to Rs. 68,000 out which Rs. 2,200 is considered to be doubtful / bad.
- Show the relevant accounts and extracts from Profit and Loss and Balance Sheet.

Example

Presentation

A Ltd.

- Profit and Loss Account for the year ended June 30, 20--

Gross Profit		-----
Less: Expenses		
Bad Debts		(1,860)
Provision for bad debts		(2,200)

- Extract of Balance Sheet As On June 30, 20--

Current Assets		
Debtors		68,000
Provision for Bad Debts	<u>(2,200)</u>	65,800

Example 2

- A business creates a provision for bad debts @ 5% of its debtors on balance sheet date.
- On Jan 01, 20-- the balance of Provision was 6,600.
- During the year debts written off amounted to Rs. 5,400.
- On December 31, 20--, debtors totaled Rs. 62,000.
- Show Bad debts Account and provision for bad debts account.

Solution

- Required closing balance of Provision

$$62000 \times 5\% = 3,100$$

Example 2

Presentation

• Extract of Balance Sheet

Current Assets

Debtors		62,000
Provision for Bad Debts	<u>(3,100)</u>	58,900

Control Accounts

• In general ledger summarized record is maintained in the account called “Control Account”. Separate control account is used for Debtors and Creditors.

• Details of individual accounts are kept in a separate Register / Ledger called subsidiary ledger.

Control Accounts

• Control accounts are part of Double Entry recording.

• Entries in Subsidiary Accounts are not part of double entry.

• Total of transactions in subsidiary ledger should match with the transactions in control accounts.

Information for Control Accounts - Debtors

Control Accounts

• Cash sales are usually not recorded in control accounts.

Example

• Prepare a Debtors control Account from the following data and work out the closing balance on May 31, of debtors.

■ May 1	Opening Balance		55,000
	Totals for May		
	Total Credit Sales		45,000
	Returns Inward		8,000
	Cheques and Cash received	40,000	
	Discounts allowed		4,500

Example 2

• Prepare a Creditors Control Account from the following data and work out the closing balance on April 30, of creditors.

■ Apr. 1	Opening Balance		44,500
	Totals for May		
	Total Credit Purchases		32,000
	Purchase Return		6,200
	Cheques and Cash paid	28,800	
	Discounts received		2,500

Recap

• With the increase in business, it becomes difficult to maintain separate accounts for every Debtor and every Creditor.

• Control Accounts are opened in the ledger for both Debtors and Creditors.

• Control Accounts are part of double Entry system.

• Subsidiary ledgers are not part of double entry system.

• Control Account system is used only for credit sale and credit purchase.

Subsidiary Books

• To reduce the volume of general ledger, number of books are opened that are called Subsidiary books.

Subsidiary Books- Debtors

• Three subsidiary books are maintained in case of sales / debtors.

■ Sales Journal / Sales Day Book – individual invoice wise sales are recorded in this Journal.

■ Sales Return / Return Inward Journal – in case the volume of returns is also high then these are also recorded in a separate register.

■ Debtors Ledger – this ledger maintains record of individual debtor.

- Cash sale is not included in the debtors control account.

Information for Control Accounts

Opening balance of debtors List of debtors balances drawn up to the end of previous period confirms with the aggregate balance of the Control Account.

Credit Sales Periodically total of sales journal is posted into the debtors control account.

Sales Return In case the transaction volume of sales return is high then these are recorded in the sales return journal. Periodically the total is posted in the debtors control a/c.

Cheques / Cash Received List of receipts is extracted from cash and bank book. Or a separate column is maintained in cash and bank books for this purpose

Closing Balance This is the balancing figure. It can also be checked with the total of balances in debtors Control Account.

- Again if we total the balance of three accounts of the debtors ledger on Jan 30,:

▪ A	8,500
▪ B	10,000
▪ C	<u>15,000</u>
▪ Total	33,500

- It will be the same as the balance in the debtors control account of the general ledger.

Receipts From Debtors

- When control accounts are used we maintain cash and bank books with separate pages for receipts and payments i.e. two column cash/bank books are not used.
- On the receipts side of the cash and bank book a column is added in which receipts from debtors are separately noted.
- This type of cash / bank book is also called multi column cash / bank book.

Recording of Receipts – Multi Column Cash Book

Subsidiary Books- Creditors

- The recording of creditors is similar to debtors. The subsidiary books maintained in case of purchases / creditors are:
 - Purchase Journal / Purchase Day Book – individual purchases are recorded in this Journal.
 - Purchase Return / Return outward Journal – in case the volume of returns is also high then these are also recorded in a separate register.
 - Creditors Ledger – this ledger maintains record of individual creditors.
- Cash purchase is not included in the creditors control accounts.

Subsidiary Books - Creditors

Opening balance of Creditors List of creditors balances drawn up to the end of previous period confirms with the aggregate balance of the Control Account.

Credit Purchases Periodically total of purchase journal is posted into the creditors control account.

Purchase Return In case the transaction volume of purchase return is high then these are recorded in the purchase return journal. Periodically the total is posted in the creditors control a/c.

Cheques / Cash Paid List of payments is extracted from cash and bank book. Or a separate column is maintained in cash and bank books for this purpose

Closing Balance This is the balancing figure. It can also be checked with the total of balances in creditors Control Account.

Recording of Payments – Multi Column cash book

Recap

- The need for maintaining control accounts

- Subsidiary record maintained, and
- Control Accounts when a person is both Debtor & Creditor.
- Numerical Examples of Control Accounts.

When a person is both debtor and creditor

- When a person is both debtor & creditor, that means you are purchasing one thing from him and at the same time selling another thing to him.
- In the absence of written agreement, the way of settling the payable and receivable is that you pay him full and ask him to pay you full amount.
- If the agreement exists, the way and may be the wiser way is that you pay or receive from him, the net amount of payables and receivables.

When a person is both debtor and creditor

- For example, you purchase item A from Mr. ABC for Rs. 100,000 and sell him item B for Rs. 65,000.
 - One way of settling the payable and receivable is that you can pay Mr. A 100,000 and ask him to pay Rs. 65,000.
 - The other and may be the wiser method is that you pay him Rs. 35,000 and both the transactions are settled. And this is how such transactions are handled in real life.

When a person is both debtor and creditor

Normally where no control accounts are maintained, following entries will be passed:

Debit	A (payable/creditor) account	65,000	
Credit	A (receivable/debtor) account	65,000	
The other entry will be:			
Debit	A (payable/creditor) account	35,000	
Credit	Cash / Bank		35,000

This will settle the payable account fully.

When a person is both debtor and creditor

- Where control accounts are being maintained the above two entries are still passed but with slight modification:

Debit	Creditors Control account	65,000	
Credit	Debtors Control account		65,000

The other entry will be:

Debit	A (payable/creditor) account	35,000	
Credit	Cash / Bank		35,000

This entry comes from the creditors column of cash / bank book payment side as usual.

Bad Debts

- Provision does not effect debtors account in simple books. It will therefore, have no effect either on debtor control account or debtors ledger.
- At the time of actual bad debt, the journal entry

Debit	Provision / Bad Debts
Credit	Debtors Control Account
- In subsidiary ledger, the debit entry will be same but the credit effect will go to Individual Debtors Account in Debtors Ledger.
- Similar treatment is given to discounts received and allowed.

Example 1

- You are required to prepare the Creditors Control account for the month of March and calculate the closing balance from the following data.
 - March 1 Opening balance Dr. 50,390
 - Totals for the month

Sales from Sales Register	60,500
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Sales Return (Sales Return Register)	1,550	
Cheques and cash received	75,500	
Discounts Allowed		2,000
Bad debts written off	1,800	

- No provision for bad debts was made previously.

Example

- Prepare the Creditors Control account for the month of June and calculate the closing balance from the following data.

■ June 1 Opening balance Cr.		35,500	
■ Totals for the month			
Purchases from Purchase Register	50,000		
Purchase Return (Purch. Return Register)	1,550		
Payments made		45,500	
Discounts received			1,500

Example

- The financial year of ABC Co. ended on June 30, 2002. You have been asked to prepare the Debtors and Creditors Control Account from the information extracted from subsidiary books.

NOTE			
■ Sales	Cash	140,500	1
	Credit	255,000	
■ Purchases	Cash	95,000	1
	Credit	199,500	
■ Total Receipts		405,000	2
■ Total Payments		275,000	2
■ Discounts allowed(all credit cust.)	12,000		
■ Discounts received(all credit supp.)	9,500		

Example 3

NOTE			
■ Bad debts written off		800	
■ Increase in prov. Doubtful debts	2,000	3	
■ Last year closing balances were			
Debtors		285,000	
Creditors		194,000	

NOTES

- 1 Cash Sales and Purchases don't effect debtors/creditors control accounts.
- 2 Total receipts and payments include cash sale and purchases.
- 3 Change in provision does not effect debtors actual write off .

Subsidiary Ledgers

- Subsidiary ledgers contain the record of all individuals Debtors and Creditors.
- Subsidiary ledgers give information about the main clients and slow moving clients which is helpful for the management in decision making.
- If the business has distributors in different areas, subsidiary ledger give information about sale of different distributors in different areas which is helpful for the management in decision making.

Recording of Bad Debts in Control Accounts

- In case no provision was created for doubtful debts:

Debit	Bad Debts
Credit	Debtors Control Account

- In case provision was created for doubtful debts

Debit	Provision for Doubtful Debts
Credit	Debtors Control Account

- Recording is also made in the respective account of the debtor in subsidiary ledger.

Recording of Discounts Received in Control Accounts

Debit	Creditors Control Account
Credit	Discount Received Account

Recording is also made in the respective account of the creditor in subsidiary ledger.

Recording of Discounts Allowed in Control Accounts

Debit	Discount Allowed Account
Credit	Debtors Control Account

Recording is also made in the respective account of the debtor in subsidiary ledger.

Rectification of errors

- In recording transactions, there is always a chance of error.
- There can be clerical errors in the books of Accounts.
- Whatever the reason may be, there may be an error or two in the accounting process.
- Which means that we need a procedure to rectify those errors.

Rectification of errors

- One way is that we can simply erase or overwrite the incorrect entry and replace it with the correct one but this practice is not allowed in accounting.
- We have to Rectify / Correct the mistake by passing another entry.

Types of errors

ERRORS OF OMISSION.

- This means that an event occurred but we did not record it.

ERRORS OF COMMISSION.

- Event is classified and recorded correctly but classification of account is wrong.

ERRORS OF PRINCIPLE

- Entry is recorded in the wrong class of account.

ERRORS OF ORIGINAL ENTRY

- Recording of transaction is in correct account but incorrect figure is recorded.

Types of errors

REVERSAL OF ENTRY

- Entry is reversed by mistake. This means that the account that should have been Debited is Credited and vice versa.

Rectifying the errors

ERRORS OF OMISSION.

- You have to record the entry that was omitted by mistake.

Example

A sale of Rs. 15,000 made to XYZ on Apr 15, was omitted by mistake

Rectification Entry on the date of discovery

Debit XYZ Account 15,000
 Credit Sales 15,000

Narration: Rectification of omission of recording sale to XYZ on Apr 15.

Rectifying the errors

ERRORS OF COMMISSION / ERROR OF PRINCIPLE

- In both these cases the effect given to incorrect account is reversed and effect is given to the correct account.

Example

Purchase of an asset for Rs. 50,000 is recorded in the expense account.

Rectification

Debit Asset Account 50,000
 Credit Relevant Expense Account 50,000

Narration: Rectification of purchase of asset incorrectly recorded as expense.

Rectifying the errors

ERROR OF ORIGINAL ENTRY

- If the entry recorded is of lesser amount than the required amount, then an entry of the balance amount is passed. On the other hand if the entry recorded is of a greater amount than the required amount, a reverse entry is passed that cancels the effect of the error.

Example

- 1) A receipt of cash Rs. 5,000 from B is recorded as Rs 500
- 2) A receipt of cash Rs. 5,000 from B is recorded as Rs 50,000

Rectifying the errors

Rectification

- In the first instance the recorded figure is less by Rs. 4,500. The rectification entry will therefore be:

Debit Cash Account 4,500
 Credit B Account 4,500

- In the second instance the recorded figure exceeds by Rs. 45,000 from the desired figure. The rectification will, therefore be a reverse entry by Rs. 45,000

Debit B Account 45,000
 Credit Cash Account 45,000

Rectifying the errors

• REVERSAL OF ENTRY

- If a reverse entry is passed by mistake then two entries are required to rectify it, one to reverse the effect of mistake and the other to record correct entry. we can also pass one entry with double amount that serves the purpose of both the entries.

Example

- A payment of Rs. 10,000 made to Mr. D is recorded on the receipt side of the cash book and credit is given to D's account.

Rectifying the errors

Rectification

- We can correct this mistake by two entries

Debit Mr. D Account 10,000
 Credit Cash Account 10,000

This will reverse the effect of mistake.

Debit Mr. D Account 10,000
 Credit Cash Account 10,000

And this will record the transaction correctly.

Or we can record it through one entry.

Debit	Mr. D Account	http://vustudents.ning.com	20,000
Credit	Cash Account		20,000

Rectification of Errors – Example 2

- Assume that we received cash Rs. 50,000 from a debtor and instead of Debiting the Cash Book / Cash Account we Debited the Bank Book whereas the credit was given to the correct account.

Rectification of Errors

Step 1 Note down the correct entry

Debit	Cash	50,000
Credit	Debtors	50,000

Step 2 Note down the incorrect entry

Debit	Bank	50,000
Credit	Debtors	50,000

Step 3 See that Credit affect is correct. In case of Debit, affect has been given to Bank instead of cash. Therefore we will give the due affect to Cash by debiting it and Remove the incorrect affect from bank by crediting it.

Debit	Cash Account	50,000
Credit	Bank Account	50,000

Examples

Rectify the following errors

- Additional Capital paid in bank Rs. 100,000 credited to sales account.
- Purchase of goods of Rs. 5500 from Mr Amir recorded in books at Rs 5050
- Cash deposited in bank Rs. 20,000 credited to bank and debited to cash
- A purchase of Computer Rs. 25,000 recorded as maintenance expense.
- Completely omitted a payment of bank charges of Rs. 500

Solution

Rectify the following errors

- Additional Capital paid in bank Rs. 100,000 credited to sales account.

• Correct Entry

• Debit	Bank	100,000
• Credit	Capital	100,000

• Entry recorded

• Debit	Bank	100,000
• Credit	Sales	100,000

• Rectification

• Debit	Sales	100,000
• Credit	Capital	100,000

Solution

Rectify the following errors

- Purchase of goods of Rs. 5500 from Mr Amir recorded in books at Rs 5050

• Correct Entry

• Debit	Stock	5,500
• Credit	Amir	5,500

• Entry recorded

• Debit	Stock	5,050
• Credit	Amir	5,050

• Rectification

- Debit Stock 450
- Credit Amir 450

Solution

Rectify the following errors

- Cash deposited in bank Rs. 20,000 credited to bank and debited to cash

- Correct Entry

- Debit Bank 20,000
- Credit Cash 20,000

- Entry recorded

- Debit Cash 20,000
- Credit Bank 20,000

- Rectification

- Debit Bank 40,000
- Credit Cash 40,000

Solution

Rectify the following errors

- A purchase of Computer Rs. 25,000 recorded as maintenance expense.

- Correct Entry

- Debit Computers 25,000
- Credit Bank / Cash 25,000

- Entry recorded

- Debit Maintenance 25,000
- Credit Bank / Cash 25,000

- Rectification

- Debit Computers 25,000
- Credit Maintenance 25,000

Solution

Rectify the following errors

- Completely omitted a payment of bank charges of Rs. 500

- Correct Entry

- Debit Bank Charges 500
- Credit Bank 500

- Entry recorded

- -----

- Rectification

- Debit Bank Charges 500
- Credit Bank 500

Profit and Loss Account

Profit and Loss Account

- Sales

- Sales are the revenue against the sale of the product in which the organization deals.
- In case of a service organization, there will be Income Against Services Rendered instead of Sales and

there will be no Cost of Sales on Gross Profit

- Cost of Goods Sold / Gross Profit
 - It is the direct cost incurred to manufacture the goods that are sold during the period.
 - $\text{Gross Profit} = \text{Sales} - \text{Cost of Goods Sold}$

Profit and Loss Account

- Other Income
 - Other income includes revenue from indirect source of income, such as return on investment, profit on PLS account, Sale of scrap etc.
- Administrative and Selling Expenses
 - All costs that are incurred for the purpose of business but are not directly related to production are classified in Admin and Selling Expenses.
- All expenses should be distributed properly among the three classifications i.e. Cost of Goods Sold, Administrative Expenses and Selling Expenses to present the financial statements fairly.

Profit and Loss Account

- Financial Expenses
 - Financial expense are the cost / interest paid on loans taken by the organization. These are shown separately in the Profit and Loss Account

Profit and Loss Account

- Income Tax
 - Income Tax is paid on Net Profit.
 - At the time of preparing annual financial statements, an estimate of expected tax liability is made.
 - A provision is then created equal to that estimate.
 - The treatment of Provision for tax is same as that of provision for Doubtful debts. i.e. provision is made at the time of preparing accounts which then adjusted accordingly at the time actual tax expense is known.

Balance Sheet (Assets)

- Fixed Assets
 - Assets purchased not for resale are called fixed assets and these are presented at cost less accumulated depreciation OR revalued amount.
- Capital Work in Progress
 - A fixed asset under completion is shown under this head. At the time of completion it is transferred to fixed assets.
- Deferred Costs
 - These are revenue expenditures that benefit the organization for a period longer than one year.
 - These are, therefore, initially shown in balance sheet and then charged to profit and loss (amortized) over the period they are expected to provide benefit to the organization.

Balance Sheet (Assets)

- Long Term and Short Term Investments
 - Investments made with the intention that they will be held for a period longer than twelve months are classified as long term and those made for a period shorter than 12 months are classified as short term.

Balance Sheet (Assets)

- Following things are important to note here:
 - Classification is to be made every time a balance sheet is prepared and the period is to be calculated from the date of balance sheet.
 - An investment may initially be made as a current investment. Subsequently, if it is decided to hold it for a longer period. Then, its classification will have to be changed accordingly and vice versa.
- Therefore, investments are checked for classification every time a balance sheet is prepared and presented accordingly.

Classification of Investments

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- Long term investments are those investments that are meant to be held for a long term period.
- If it is decided to dispose off a long term investment, then its classification is changed to current investment from long term.

Balance Sheet (Liabilities)

- Capital
 - It is the total of resources supplied to a business by its owners.
 - Capital is termed as “Share Capital” in case of Limited Companies.
- Capital Introduced By Owner In form of Assets

Debit	Fixed Assets Account
Credit	Capital Account

- Reserves
 - Reserve is the portion of profit set aside for use in future years for a specific purpose.
 - Profit and Loss / Accumulated Profit and Loss Account
 - It is that portion of the profit that is reemployed in the business.
- OR
- This is the accumulated balance of undistributed profit.

• Accumulated Profit and Loss Account

- In the first year of business this account shows following figure:

Profit for the year		X
Less: Transferred to Reserve	X	
Less: Profit distributed		<u>X</u>
Balance carried to Balance Sheet	<u>X</u>	

- In Subsequent years balance brought forward from previous years and profit for the year is added and distributed as above and the balance is carried to next year.
- Long Term Loans
 - Loans that are payable later than a period of more than twelve months from the balance sheet date.
- Short Term Loans
 - Loans that are payable within twelve months of the balance sheet date.
- Current Portion of Long Term Loans
 - It is that portion / installment of the long term loan that is payable with in next twelve months.
- Other Long Term Liabilities
 - These include all other liabilities that are payable after a period of one year of balance sheet date.
 - For example staff gratuity and other benefits, liability against lease finance and other liabilities that become payable after a period of one year.
- Provision
 - Provision is charge created for an expected expense or loss whose actual amount is not known.
 - It is usually shown as a reduction in the asset to which it relates
- Reserves
 - Reserve is the portion of profit set aside for use in future years for a specific purpose.
 - It is usually created at the discretion of the owners an is shown as a liability.

- Current Liabilities
 - Trade Creditors
 - Short Term Borrowings
 - Other Short Term Liabilities
 - Salaries Payable
 - Accrued Expenses
 - Bills payable
 - Advances From Customers
 - Current Portion of Long Term Liabilities

Different Business Entities

- Commercial Organizations
 - Sole proprietorship
 - Partnership, and
 - Limited Company
- In commercial organizations profit is distributed among the owners of the business.

Different Business Entities

- Non-Commercial Organizations
 - Co-operative institutions
 - NGO's
 - Trusts
- In non-commercial organizations profit is not distributed but is used for the objective of the organization.

Sole Proprietorship

- Sole Proprietorship is a business owned and run by an Individual called Proprietor / Sole Proprietor.
- It is the simplest form of business.

Partnership

- Partnership is a business owned and run by more than one persons called Partners.
- There can be a maximum of 20 partners.

Partnership

- Partners in a partnership business are Jointly and Severally liable for repayment of partnership's liabilities.
- The liability of the partners is Unlimited.

Limited Companies

- The liability of the owners is limited to the extent of funds invested by them in the company.

Journal Entries for Drawings Account

- Cash Drawn by Proprietor

Debit	Proprietor's Drawing
Credit	Cash

- The balance in drawings account is transferred to Capital Account at the year end.

Sole Proprietor – Capital Account

Balance Sheet - Sole Proprietor

Partnership – Capital Accounts

- Fixed Capital Account
 - In this case capital account shows movement in capital only i.e. actual increase or decrease in capital, by partners.
 - Other transactions such as Drawings and Profit etc. are not recorded in capital account

• Fluctuating Capital Account

- In fluctuating capital account all transactions relating to partners are recorded in capital account.

Partnership – Current Accounts

- Fixed Capital Account <http://vustudents.ning.com>
 - In case of fixed capital accounts other transactions such as Drawings and Profit etc. are recorded in a separate account called Current Account.

Partnership – Journal Entries

- Capital Introduced by Partner

Debit	Cash / Bank
Credit	Partner’s Capital Account

Separate capital account is opened in general ledger for each partner.

Partnership – Journal Entries

- Drawing by Partner

Debit	Individual Partner’s Current Account
Credit	Cash / Bank

- Excess Drawn Amount Returned by Partner

Debit	Bank / cash
Credit	Individual Partner’s Current Account

- Profit Distribution

Debit	Profit and Loss Appropriation Account
Credit	Partner A’s Current Account
Credit	Partner B’s Current Account
Credit	Partner C’s Current Account

Balance Sheet - Partnership

Limited Companies – Number of Shareholders

- Private Limited Company
 - Two to fifty persons can form a private limited company.
 - Minimum two members are elected to form a board. This board is given the responsibility to run day to day business of the company.

Limited Companies – Number of Shareholders

- Public Limited Company
 - Minimum Seven persons can form a public limited company.

Limited Companies – Shareholders

- Capital of the company is divided into small units / denominations. These units / denominations are called shares.

- Owners purchase these shares and are therefore called shareholders.

Limited Companies – Shareholders

- Capital of the company is divided into small units / denominations. These units / denominations are called shares.

- Owners purchase these shares and are therefore called shareholders.

Distribution of Profits

- The profit of company is distributed in the form of Dividend.

- (5) Fixed Assets at WDV

		Cost	Rate	Dep.	WDV
Furniture	72,000	12.5%	9,000	63,000	
Vehicle	120,000	20%	<u>24,000</u>	<u>96,000</u>	
				33,000	159,000

Solution

- Working

• (6) Debtors	http://vustudents.ning.com		246,000
Debtors			
Less: Provision for Doubtful Debts (note 4)	<u>(16,500)</u>		<u>229,500</u>

Solution

- Working
- (7) Expenses Payable

Question

- Following trial balance has been extracted from the books of Javed Furniture Manufacturers on June 30, 2002.

Notes:

- Stocks on June 30, 2002
 - Raw Material Rs. 60,000
 - Finished Goods Rs. 100,000
 - Work in Process Rs. 37,500.
- Out of total wages Rs. 450,000 is direct and balance indirect.
- 80% of Rent and Insurance are to be apportioned to factory and balance to administrative office.
- Depreciation to be charged on Machinery at 20% and Office Equipment at 10% on cost.
- Required
You are required to prepare profit and loss account for the year and balance sheet as on June 30, 20-2

Solution

Working 1 – Cost of Goods Sold

Cost of Goods Sold Statement

Stock of Raw Material Jul 01, 2001			52,500
Add. Purchases			925,000
Add. Carriage Inward			<u>8,750</u>
			986,250
Less: Closing Stock of Raw Material			<u>(60,000)</u>
Raw Material Consumed			926,250
Direct labour			450,000
Factory Overheads			
General Factory Overheads	77,500		
Power	34,250		
Rent (80% of 30,000)	24,000		
Insurance (80% of 10,500)	8,400		
Plant dep. (Note 5)	140,000		
Indirect Labour	<u>362,500</u>	<u>646,650</u>	
Total Factory Cost			2,022,900
Add: Work in Process Jul 01, 2001			33,750
Less: Work in Process Jun 30, 2002			<u>(37,500)</u>
Cost of Goods Manufactured			2,019,150
Add: Finished Goods Stock Jul 01, 2001			97,250
Less: Finished Goods Stock Jun 30, 2002			<u>(100,000)</u>
Cost of Goods Sold			<u>2,016,400</u>

Cost of Goods Sold Statement

Stock of Raw Material Jul 01, 2001			52,500
Add. Purchases			925,000
Add. Carriage Inward			<u>8,750</u>
			986,250
Less: Closing Stock of Raw Material			<u>(60,000)</u>

Raw Material Consumed <http://vustudents.ning.com> 926,250
 Direct labour 450,000

Raw Material Consumed 926,250
 Direct labour 450,000
 Factory Overheads
 General Factory Overheads 77,500
 Power 34,250
 Rent (80% of 30,000) 24,000
 Insurance (80% of 10,500) 8,400
 Plant dep. (Note 5) 140,000
 Indirect Labour 362,500 646,650
 Total Factory Cost 2,022,900

Working 1 – Cost of Goods Sold

Total Factory Cost 2,022,900
 Add: Work in Process Jul 01, 2001 33,750
 Less: Work in Process Jun 30, 2002 (37,500)
 Cost of Goods Manufactured 2,019,150
 Add: Finished Goods Stock Jul 01, 2001 97,250
 Less: Finished Goods Stock Jun 30, 2002 (100,000)
Cost of Goods Sold 2,016,400

Working 2 – Administrative Expenses

Administrative Salaries 110,000
 Rent (20% of 30,000) 6,000
 Insurance (20% of 10,500) 2,100
 General Admin Expenses 33,500
 Office Electricity 18,750
 Depreciation Office Equip. (Note5) 5,000
Administrative Expenses 175,350

Working 3 – Selling Expenses

Salesman's Salary 75,000
 Commission on Sales 28,750
 Carriage Outward 14,750
Administrative Expenses 118,500

Working 4 – Financial Expenses

Bank Charges 5,750
 Discount Allowed 12,000
Administrative Expenses 17,750

Working 5 – Fixed Assets at WDV

	Cost	Rate	Opening	For the	Acc. Depreciation Closing	WDV
				Year		
Plant and Mach.	700,000	20%	125,000	140,000	265,000	435,000
Office Equip.	50,000	10%	20,000	<u>5,000</u>	25,000	<u>25,000</u>
						<u>145,000</u>
	<u>460,000</u>					

Working 6 – Current Assets

Stock
 Raw Material 60,000
 Work in Process 37,500
 Finished Goods 100,000

Debtors	http://vustudents.ning.com	355,750
Bank		142,000
Cash		<u>21,250</u>
Current Assets		<u>716,500</u>
Working 7 – Current Liabilities		
Creditors		<u>312,500</u>

Mark up on Capital

- A partner may be given markup on the capital invested by him.
- Markup can be calculated on the whole amount or an amount exceeding a specific limit depending upon the terms of the agreement.

Mark up on Drawings

- Markup may also be charged on drawings, depending upon the partnership agreement.
- Markup on capital and drawing do not become part of Profit and Loss Account. They are treated in the appropriation account.

Recording

• Mark up on Capital

Debit	Profit and Loss Appropriation Account
Credit	Partner A's Current Account
Credit	Partner B's Current Account
Credit	Partner C's Current Account

Recording

• Mark up on Drawings

Debit	Partner A's Current Account
Debit	Partner B's Current Account
Debit	Partner C's Current Account
Credit	Profit and Loss Appropriation Account

Calculation – Mark up on Capital

EXAMPLE

- Mr. Ali is a partner in AB Partnership.
- He is given mark up on capital @ 5 % on the proportionate amount of capital invested during the year.
- The details of his capital account are as follows:
 - Opening balance as on July 01, Rs. 150,000
 - Further capital invested on December 01, Rs. 75,000
- Calculate the markup on his capital.

Calculation – Mark up on Capital

SOLUTION

- From July 1 to November 30 capital was Rs. 150,000 and From December 1 to June 30 it increased to Rs. 225,000.
- Markup will be calculated as follows:

$150,000 \times 5\% = 7,500 \times 5 / 12 =$	3,125.00
$225,000 \times 5\% = 11,250 \times 7 / 12 =$	6,562.50
TOTAL	9,687.50

Calculation – Mark up on Drawings

EXAMPLE

- Mr. Umer is a partner in a partnership firm. He drew following amounts during the year:
 - August 1 Rs. 2000
 - October 1 Rs. 2500
 - November 1 Rs. 1500
 - March 1 Rs. 2000

▪ June 1 Rs. 3000 <http://vustudents.ning.com>

- Calculate the markup on his drawing if the rate is 5%.
- Consider a financial year from July to June.

Calculation – Mark up on Drawings

SOLUTION

Aug 1	Rs. 2,000 x 5% = 100 x 11 / 12 = 91.67
Oct 1	Rs. 2,500 x 5% = 125 x 9 / 12 = 93.75
Nov 1	Rs. 1,500 x 5% = 75 x 8 / 12 = 50.00
Mar 1	Rs. 2,000 x 5% = 100 x 4 / 12 = 33.33
Jun 1	Rs. 3,000 x 5% = 150 x 1 / 12 = 12.50
TOTAL	

281.25

Admission Of A Partner

- At the time of admission of a partner:
 - Assets and liabilities are revalued.
 - Value of Goodwill is determined.
- The value (in monetary terms) of the reputation of the business is called GOODWILL. It is an intangible asset.

Dissolution Of A Firm

- When a partnership firm is dissolved, first of all, liabilities of the partnership are paid.
- The remaining amount (if available) is distributed among the partners in their profit/loss sharing ratios.

Maximum Number of Partners in a Partnership

- There can be a maximum of Twenty partners in a partnership firm.
- Exceptions – Partnership firms of professional can have more than twenty partners.

What is the Need to Form a Limited Company?

- Size of Project – The size of project may be so large that it constantly requires more capital and therefore a large number of persons is required to finance it.
- Limited Liability – In a limited company liability of the shareholders is limited to the amount invested in the company through the shares purchased.
- Tax Benefits – There are certain tax benefits that a limited company enjoys as compared to a partnership firm.

Limited Companies

- In Pakistan, affairs of Limited Companies are controlled by COMPANIES ORDINANCE issued in 1984.
- The formation of a company and other matters related to companies are governed by SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP).

Types of Companies

Types of Companies

- Private Limited Company:
 - Can not ask public at large to invest in its shares.
 - Can have a Minimum Two and Maximum Fifty members / shareholders.
 - In case a shareholder decides to sell his shares, his shares are first offered to existing shareholders. If all existing shareholders decide not to purchase these shares, only then an outsider can buy them.
- Private Limited Company (Management):
 - Minimum two persons are elected from the shareholders to run the affairs of the company. These persons are called directors.
 - These directors form the Board of Directors of the company.
 - Head of the board of the directors is called Chief Executive of the company.

Types of Companies

- Public Limited Company
 - Restriction mentioned in case of Private Limited Company do not apply to Public Limited Companies.
 - Minimum Seven persons can form a limited company. There is no restriction on the number of

maximum shareholders in a public limited company.

- Minimum number of directors is Seven.

Types of Public Companies

- Non Listed Company
 - A company whose shares are not traded by general public on a stock exchange.
- Listed company
 - Listed companies are those companies whose shares are traded on a stock exchange.
- Name of the Company
 - Words and parentheses (Private) Limited are added at the end of the name of a private limited company. Example ABC (Private) Limited.
 - Word Limited is added at the end of the name of a public limited company. Example ABC Limited.

Formation of Companies

- Steps in the Formation of a Company:
 - Availability of name of the company.
 - Memorandum and Articles of Association Memorandum of Association

Formation of Companies

- Memorandum of Association
- Contains Following Information
 - Objectives of the company.
 - Place of registered office of the company
 - Capital of the company.
 - Division of capital into shares.
 - Name, addresses and N.I.C. numbers of the persons forming the company.

Formation of Companies

- Articles of Association
 - A document that contain the policies and procedures to run the company.
 - These are also signed by the persons forming the company.

Share Capital

- Authorized Share Capital
 - Maximum amount of the capital that a company can raise is called Authorized Capital.
 - Authorized Capital can be enhanced with the prior approval of SECP.
 - This total capital is divided into smaller denominations called shares.

Preliminary Expenses

- All expenses incurred before the registration (incorporation) of the company are called Preliminary Expenses.

Share Capital

- Issued Capital
 - The actual amount of capital raised is called Issued Capital.
 - It is also called Paid Up Capital.
 - Accounting entry is recorded for Issued / Paid Up Capital and not for Authorized Capital.

Share capital

- Authorized Share Capital is the maximum capital, a company may raise.
- It can be increased with the approval of SECP.

Share capital

- Shares can be issued against cash or assets such as land etc.
- Share certificate is an evidence of ownership of number of shares held by a member.

Share capital

- Shares sold at a price higher than their face value are termed as Shares Issued at Premium.
- Shares sold on a price lesser than their face value are termed as Shares Issued on Discount.

Certificate of incorporation

- Certificate of Incorporation is the evidence of registration (incorporation) of the company.

• It is issued by the SECP. <http://vustudents.ning.com>

Separate Legal Entity

- A company is a Separate Legal Entity.
- It can sue in its own name and be sued in its own name.
- It can purchase assets and contract liabilities in its name.

Dividend

- Profit distributed among the share holders is called Dividend.
- Dividend is approved by share holders in annual general meeting at the recommendation of the board of directors.
- Dividend is determined as a proportion of the face value of the share. Example 10% dividend means Rs. 1 on a Rs. 10 share.

Subscribers / Sponsors of the Company

- Subscribers / Sponsors are the persons who sign articles and memorandum of the company and contribute in the initial share capital of the company

Issuance of Further Capital

- Where a company wants to issue further capital (called raising of capital), shares are first offered to current shareholders.
- If shareholders refuse to accept these shares then these are offered to other people.

Issuance of further capital to current share holders

• Journal Entry:

- Shares issued against cash

Debit	Cash / Bank Account
Credit	Share Capital Account

- Shares issued against transfer of asset:

Debit	Asset Account
Credit	Share Capital Account

This is called issuance of asset in kind.

Right Issue

- The issuance of further capital to Present Shareholders is called Right Issue.
- This issue is in proportion to current shares held by the shareholders.
- The shareholders can accept or reject the offer.

Bonus Shares

- Bonus Shares are the shares issued to the shareholders in place of dividend and no cash is received from them.
- Bonus shares are fully paid shares.
- It is another way of distribution of profit.

Financial Statements of Limited Companies

- In Pakistan Financial Statements of limited companies are prepared in accordance with:
 - International accounting standards adopted in Pakistan.
 - Companies Ordinance 1984.
 - In case of conflict the requirements of Companies Ordinance would prevail over Accounting Standards.

Components of Financial Statements

- Balance Sheet
- Profit and Loss Account
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to the Accounts

• Comparative figures of Previous Period
Equity <http://vustudents.ning.com>

- EQUITY
 - Total of capital, reserves and undistributed profit
- OR

• Total of shareholders fund in the company.

Statement of Changes Equity

- Statement of changes in equity shows the movement in shareholders' equity.
- Statement of changes in equity shows the movement in:
 - Share Capital (issued share capital)
 - Share Premium
 - Nature of Reserves created
 - Un-appropriated Profit / Loss
 - Dividend Distributed

Statement of Changes In Equity

- Capital Reserve and Fixed Asset Replacement Reserve are used for specific purpose. These are not distributed among share holders.
- General Reserve and undistributed profit` can be distributed among share holders.

Share Premium

- Share Premium – Amount received in excess of the face value of the share. Example: if a Rs. 10 share is sold for Rs, 12 then Rs. 2 is share premium.
- Share Premium can not be distributed among the share holders.
- It can be utilized for:
 - To issue Bonus Shares
 - To write off Preliminary Expenses
 - To meet the difference of face value and cash received in case of shares issued at discount
 - To meet the expenses of issue of shares
 - For payment of premium on redemption of debentures

Revaluation Reserve

- Revaluation Reserve – is created when an asset is re-valued from cost to market value.
- Revaluation Reserve can not be distributed among the share holders.
- It can be utilized for:
 - Setting off any loss on revaluation
 - At the time of disposal of asset, the reserve relating to that asset is transferred to profit & loss account.

Cash Flow Statement

- Cash Flow Statement – shows the movement of cash resources during the year.
- It is an integral part of Financial statements.

Notes to the Accounts

- Notes to the Accounts – are the explanatory notes of all the items shown in the profit and loss account and the balance sheet.
- It is the requirement of the Companies Ordinance and the International Accounting Standards.

Contents of Notes to the Accounts

- Following are explained in Notes to the accounts:
 - Nature of business of the company
 - Accounting Policies of the company
 - Details and explanation of items given in the Profit and Loss Account and Balance Sheet.

Debentures

- Debenture is an instrument for obtaining loan from general public.
- Mark up is paid on Debentures which is generally equal to the market rate.

Debentures

- Debentures are acknowledgement of debt owed by the company to the public at large for a defined period of time, and has a mark up (profit) rate attached to it.

Term Finance Certificate

- Term Finance Certificate are issued for a defined period.
- These are also issued to obtain loan from public at large.
- Both Debentures and Term Finance Certificates are usually issued by Public Companies.

Significant Accounting Policies

- Historical Cost Convention
 - These accounts have been prepared under the historical cost convention.
- Revenue Recognition
 - Sales are recorded on dispatch of goods to customers.
- Fixed Assets
 - Fixed Assets are recorded at cost less accumulated depreciation.
- Stock Valuation
 - Method of stock valuation is -----
- Taxation
 - Provision for Taxation is calculated on the basis of -----
- Profit and Loss Account
 - Shows profit earned or loss sustained from the operations of the business during the period.
- Balance Sheet
 - Shows the financial position of the business on a specific date.
- Cash Flow Statement
 - Shows the sources and utilization of cash during the period.

Cash Flow Statement

- Cash Flow Statement shows the sources and utilization of cash during the period.

Difference Between Profit and Cash

Liquidity

- Liquidity
 - Liquidity means that a business has sufficient funds (cash and cash equivalents) to repay its liabilities in time.
- Cash
 - Cash includes cash in hand and bank balances.
- Cash Equivalents
 - Cash equivalents are those short term investments that can be readily converted into cash.

Components OF Cash Flow Statement

- Cash flow statement is divided into three components
 - Cash Flow from Operating Activities
 - Cash Flow from Investing Activities
 - Cash Flow from Financing Activities

Operating Activities

- Cash Flow from Operating Activities means cash generated from daily operations of the organization.
- Examples of cash flows from operating activities are:
 - Cash receipt from sale of goods and rendering of services.
 - Cash receipts from fees, commission and other revenues.
 - Cash payments to suppliers for goods and services.
 - Cash payments to and on behalf of the employees.
 - Cash payments or refunds of income taxes.

Cash Flow from Investing Activities <http://vustudents.ning.com>

- Cash Flow from Investing Activities include cash receipts and payments from fixed and long term assets of the organization.
- Examples of cash flows from investing activities are:
 - Cash payments to acquire property plant and equipment.
 - Cash receipts from sale of property plant and equipment.
 - Cash payments and receipts from acquisition and disposal of other long term assets e.g. Shares, Debentures, TFC, Long Term Advances etc.

Cash Flow from Financing Activities

- Cash Flow from Financing Activities include cash receipts and payments that arise from owners of the business and other long term liabilities of the organization.
- Examples of cash flows from financing activities are:
 - Cash received from owners i.e. share issue in case of company and capital invested by sole proprietor or partners.
 - Cash payments to owners i.e. dividend, drawings etc.
 - Cash receipts and payments for other long term loans and borrowings.

Form of Cash Flow Statement

	Name of the Entity	
Cash Flow Statement for the Period Ending -----		
Net Profit Before Tax		XYZ
Add: Adjustment for Non-Cash Items		
Depreciation for the Year		XYZ
Provision for Doubtful Debts		XYZ
Exchange Gain / Loss		XYZ
Gain / Loss on Disposal of Assets	XYZ	
Return on Investments		XYZ
Mark-up on Loans		XYZ
		XYZ
Operating Profit Before Working Capital Changes	XYZ	
Working Capital Changes		
Add: Decrease in Current Assets	XYZ	
Less: Increase in Current Assets	XYZ	
Add: Increase in Current Liabilities	XYZ	
Less: Decrease in Current Liabilities	XYZ	
		XYZ
Cash Generated From Operations	XYZ	
Form of Cash Flow Statement		
Cash Generated From Operations		XYZ
Less: Markup paid on loans	XYZ	
Less: Taxes Paid		XYZ
Net Cash Flow from Operating Activities	XYZ	
Cash Flow from Investing Activities		
Add: Disposal of Fixed Asset and Long Term Investments	XYZ	
Less: Acquisition of Fixed Assets and Long Term Investments	XYZ	
Add: Dividend Received / Returns on Investment Received	XYZ	
Net Cash Flow from Investing Activities		XYZ
Cash Flow from Financing Activities		
Add: Shares Issued / Capital Invested	XYZ	
Less: Dividend Paid / Drawings		XYZ

http://vustudents.ning.com
Add: Increase in Long Term Borrowings
Net Cash Flow from Financing Activities
Net Increase / Decrease in Cash and Cash Equivalents
Add: Opening Balance of Cash and Cash Equivalents
Closing Balance of Cash and Cash Equivalents

XYZ
XYZ
XYZ
XYZ
XYZ

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