

Decision making using financial accounting
Prof. Arun Kumar G
Department of Management Studies
Indian Institute of Technology, Madras

Lecture - 09
Transaction and Financial Statements

We did a list of transactions; I am not going to do a recap today of what we did yesterday because I mean you I presume that you would not have forgotten right.

(Refer Slide Time: 00:25)

| Balance sheet as at the end of transaction | | | | Profit and loss for the | |
|--|-------------|------------------------------|--------------------|-------------------------|--------|
| Assets | | Liabilities & Equity | | Income | |
| Fixed Assets | | Shareholder's funds | | Disc received | 3000 |
| building | 95,00,000 | 12,00,000 equity share@10 | 1,20,00,000 | consulting fee | 26000 |
| Plant | 45,00,000 | Drawings by partners | -5,00,000 | Sales | 168454 |
| Cars, vechiles | 42,00,000 | P&L | 1,76,08,160 | | |
| | | NET WORTH | 2,91,08,160 | | |
| Long term Investments | | Long term liabilities | | | |
| Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | |
| Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | |
| | | Loan | 45,00,000 | | |
| | | Liab for vec | 38,00,000 | | |
| Current Assets | | Current Liabilities | | | |
| bank account | 1,55,47,980 | Creditors for spcl raw mat | - | | |
| cash | 6,00,000 | creditors | 16,90,200 | | |

So, we did a list of transaction we started entering out here and then we sort of stopped at around, if I am not wrong we start at around 19th transaction, 20th transaction we were just about to start. At 20th transaction we finished inside infact we wrote the drawings by partner and I explained what is this drawings.

3 forms a partner can draw money from the organization from the what you call it as the entities 3 or 4 forms.

1?

Student: Salary.

They take it as a salary which is mentioned; number 2 they take it as a dividend that is what is called the profit gets distributed to them quickly settle down man.

Number 3?

Student: Loan.

They take a loan, number 4 they reduced their capital they draw from their capital and then this particular case since nothing else was mentioned, we assume that it is what is called as drawings. If nothing else is mentioned always it is assumed as drawings out there. So, we say this that where the drawings. So, what happens? Their capital or the net worth is sort of reducing in the process, have you reduced it from the current account also?

Student: Yeah sir.

Check once again keep your cursor on the bank account, reduce 5 lakhs yes there is a reduction of 5 lakhs from there because cash has also gone out.

Further the 21st transaction if you look at, the following expenditure were incurred during the year 2018 it says postage 1.5 lakhs fully paid. So, what is it? It is an expenditure goes in the expenditure and then what else?

(Refer Slide Time: 01:57)

| Liabilities & Equity | | Profit and loss for the period 1st January to 31st December | | | |
|------------------------------|--------------------|---|-----------------|-----------------------|---------|
| | | Income | Expense | | |
| Shareholder's funds | | Disc received | 300000 | Advt exp | 1687500 |
| 12,00,000 equity share@10 | 1,20,00,000 | consulting fee | 2600000 | Prelim exp ammortized | 450000 |
| Drawings by partners | -5,00,000 | Sales | 16845660 | Postage | 150000 |
| P&L | 1,70,08,160 | | reg maintenance | 4,50,000 | |
| NET WORTH | 2,85,08,160 | | | | |
| Long term liabilities | | | | | |
| M. Loan | 95,00,000 | | | | |
| 8% debentures (200,000) | 2,00,00,000 | | | | |
| Loan | 45,00,000 | | | | |
| Liab for vec | 38,00,000 | | | | |
| Current Liabilities | | | | | |
| Creditors for spcl raw mat | - | | | | |
| creditors | 16,90,200 | | | | |



Student: Reduced.

Reduced in the bank account that is all because unless until specifically mentioned it is always reduction in the bank account out there. Just do that. Repairs and maintenance 4.5 lakhs, 40 percent payable at the end of the year. So, what is the expenditure amount?

Student: 60 percent payable (Refer Time: 02:24).

Sorry 60 percent payable at the end of the year.

Student: (Refer Time: 02:29) lakhs.

No what is the expenditure? What will go in basically the same thing right partly expenditure partly cash all of you agree. So, what part will be expenditure?

Student: 4.5 lakhs (Refer Time: 02:40) 40 percentage is (Refer Time: 02:41).

No what is it that I will write out here?

Student: (Refer Time: 02:47).

Why is its 4.5 lakhs or 60 percent of 4.5 lakhs or 40 percent of 4.5 lakhs?

Student: 40 percentage of 4.5 (Refer Time: 02:55) 40 percent.

How many 40 percent of 4.5 lakhs how many of you?

(Refer Slide Time: 02:59)

| | B | C | D | E | F | G | H |
|----|------------------------------|---------------|------------------------------|---------------------------------|---|----------------|------------|
| 2 | | Assets | | Liabilities & Equity | | Income | |
| 3 | Fixed Assets | | Shareholder's funds | | | Disc received | 300000 A |
| 4 | building | 95,00,000 | 12,00,000 equity share@10 | 1,20,00,000 | | consulting fee | 2600000 P |
| 5 | Plant | 45,00,000 | Drawings by partners | -5,00,000 | | Sales | 16845660 P |
| 6 | Cars, vechiles | 42,00,000 | P&L | 1,74,58,160 | | | |
| 7 | | | NET WORTH | 2,89,58,160 | | | |
| 8 | | | | | | | |
| 9 | Long term Investments | | Long term liabilities | | | | |
| 10 | Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | | |
| 11 | Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | | |
| 12 | | | Loan | 45,00,000 | | | |
| 13 | | | Liab for vec | 38,00,000 | | | |
| 14 | | | | | | | |
| 15 | Current Assets | | Current Liabilities | | | | |
| 16 | bank account | 1,53,97,980 | creditors for spcl raw mat | - | | | |
| 17 | cash | 6,00,000 | creditors | 16,90,200 | | | |
| 18 | Spcl raw mat | 30,00,000 | | | | | |

Why sir?

Student: Sir basically it is 60 percent is payable at the end of the year. So, percent it is consider it is only 40 percent on the present expenditure.

Present expenditure agreed. At this is it is following expenditure are incurred during the year that is 60 percent regular maintenance of 4.5 lakhs, 60 percent payable at the end of the year fine, as of now 40 percent is incurred. So, you would say that, but let us look at it as end of the year we are preparing, it is almost we are at the end of the year.

Student: (Refer Time: 03:23) 100 percent (Refer Time: 03:30).

It would 100 percent any doubts as at on for anybody right, 4.5 lakhs. Then what has will happen, yes sir?

Student: (Refer Time: 03:37).

Yeah, you can ask me.

Student: (Refer Time: 03:42).

Nothing with regard to this no, then we have to discussed after the class.

Student: Sir whether 4.5 he is asking whether it is 4.5 (Refer Time: 03:52).

Fine 4.5. So, expenditure is 4.5 lakhs what he has written out there then what else will happen?

Student: Reduced the bank account.

Reduced the bank account by how much?

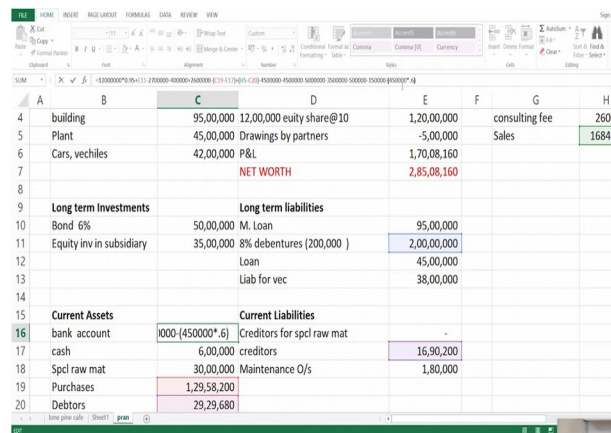
Student: 4.5 lakhs 40 percent.

40 percent by initially it is 40 percent somewhere sometime if it happens, supposing the same thing had happened 40 percent were due at the 40 percent was due at the end of the year supposing I had mentioned 4.5 lakhs, 40 percent of it was still due at the end of the year then what will what will happen to the bank account?

Student: Liability (Refer Time: 04:26).

What will be liability?

(Refer Slide Time: 04:27)



| | A | B | C | D | E | F | G | H |
|----|------------------------------|------------------|--------------------------|------------------------------|--------------------|----------------|-------|--------|
| 4 | building | 95,00,000 | 12,00,000 | equity share@10 | 1,20,00,000 | consulting fee | 26000 | |
| 5 | Plant | 45,00,000 | Drawings by partners | | -5,00,000 | Sales | | 168454 |
| 6 | Cars, vechiles | 42,00,000 | P&L | | 1,70,08,160 | | | |
| 7 | | | NET WORTH | | 2,85,08,160 | | | |
| 8 | | | | | | | | |
| 9 | Long term Investments | | | Long term liabilities | | | | |
| 10 | Bond 6% | 50,00,000 | M. Loan | | 95,00,000 | | | |
| 11 | Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | | 2,00,00,000 | | | |
| 12 | | | Loan | | 45,00,000 | | | |
| 13 | | | Liab for vec | | 38,00,000 | | | |
| 14 | | | | | | | | |
| 15 | Current Assets | | | Current Liabilities | | | | |
| 16 | bank account | 1000-(450000*.6) | | creditors for spcl raw mat | | | | |
| 17 | cash | 6,00,000 | | creditors | | 16,90,200 | | |
| 18 | Spcl raw mat | 30,00,000 | | Maintenance O/s | | 1,80,000 | | |
| 19 | Purchases | 1,29,58,200 | | | | | | |
| 20 | Debtors | 29,29,680 | | | | | | |



Student: 40 percent.

40 percent will remain as a liability. So, what will reduced from the bank account?

Student: 60 percent.

Beautiful all of you have got it fantastic. So, as of now everything is paid at the end of the year so will reduce it 100 percent out there please walk in sir fast. Now I said its payable at end of the year we are taking it as of now at the end of the year. So, there is no 0.4 right. It is at the end of the year; that means it is completely paid. Supposing we are done at the middle of the year, so, the purpose of giving this transaction is for you to understand this difference, at that point of time when 40 percent was paid 40 percent is paid; the 60 percent is payable. So, 60 percent of it could possibly if the entire thing that accrued would be a liability.

(Refer Slide Time: 05:03)

| | C | D | E | F | G | H |
|-----------------------------|-------------|----------------------------|-----------------------|--------------------|----------------|------------|
| 4 building | 95,00,000 | 12,00,000 | equity share@10 | 1,20,00,000 | consulting fee | 2600000 P |
| 5 Plant | 45,00,000 | | Drawings by partners | -5,00,000 | Sales | 16845660 P |
| 6 Cars, vechiles | 42,00,000 | | P&L | 1,70,08,160 | | |
| | | | NET WORTH | 2,85,08,160 | | |
| 9 Long term Investments | | | Long term liabilities | | | |
| 10 Bond 6% | 50,00,000 | M. Loan | | 95,00,000 | | |
| 11 Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | | 2,00,00,000 | | |
| 12 | | Loan | | 45,00,000 | | |
| 13 | | Liab for vec | | 38,00,000 | | |
| 14 | | | | | | |
| 15 Current Assets | | | Current Liabilities | | | |
| 16 bank account | 1,52,17,980 | creditors for spcl raw mat | | - | | |
| 17 cash | 6,00,000 | creditors | | 16,90,200 | | |
| 18 Spcl raw mat | 30,00,000 | Maintenance O/s | | 2,70,000 | | |
| 19 Purchases | 1,29,58,200 | | | | | |
| 20 Debtors | 29,29,680 | | | | | |



That is what, suppose you make this small change in the statement if you want you can a noted that way and then we can convert it that way. Instead of say 60 percent payable at the end of the year, 60 percent was due at the end of the year instead of payable just make it as due so that you are understanding is slightly better. 60 percent was due at the end of year instead of payable cut that payable and write it as was due.

Now, what happens? 4.5 lakhs as an expenditure remains as an expenditure because it has accrued in that particular year. What is the amount of cash that has gone out?

Student: 40 percent.

40 percent of the cash as gone out.

Student: Yes right.

So, cash gets reduced only by 40 percent, Prateek do it accordingly. 60 percent is due at the end of the year. So, what happened? 60 percent is a liability right, made that change fine now clear, let us move on. Audit fees 3 lakhs fully paid simple, cash or bank whatever.

(Refer Slide Time: 06:15)

| at the end of transaction | | Profit and loss for the period 1st January to 31st December | | | |
|------------------------------|--------------------|---|-----------|------------------------|-----------|
| Liabilities & Equity | | Income | | Expense | |
| Shareholder's funds | | Disc received | 300000 | Advt exp | 16,87,500 |
| 12,00,000 equity share@10 | 1,20,00,000 | consulting fee | 2600000 | Prelim exp ammortized | 4,50,000 |
| Drawings by partners | -5,00,000 | Sales | 16845660 | Postage | 1,50,000 |
| P&L | 1,58,38,160 | Reimbursement | | 200000 reg maintenance | 4,50,000 |
| NET WORTH | 2,73,38,160 | Dividend | 10,50,000 | Audit fees | 3,00,000 |
| | | | | UTILITY | 2,20,000 |
| | | | | Fuel | 3,50,000 |
| Long term liabilities | | | | Carriage inwards | 2,00,000 |
| M. Loan | 95,00,000 | | | Dist (Carriage out) | 4,00,000 |
| 8% debentures (200,000) | 2,00,00,000 | | | Pack charges | 7,00,000 |
| Loan | 45,00,000 | | | Int Exp | 2,50,000 |
| Liab for vec | 38,00,000 | | | | |
| | | | | | |
| Current Liabilities | | | | | |
| Creditors for spcl raw mat | | | | | |
| creditors | 16,90,200 | | | | |

Normally it is all bank, bank account reduces by 3 lakhs and your expenditure increases by 3 lakhs out there. Utility bills 2.2 lakhs fully paid the same thing.

Fuel and lighting 3.5 lakhs 50 percent payable at the end of the year. Again it is the same thing like exactly same thing it is at the end of the year we are normally paid off completely. So, your fuel and lighting would be 3.5 lakhs is the expenditure, the entire 3.5 lakhs get reduced from your bank account assuming that it is paid off completely at the end of the year.

Carriage inwards 2 lakhs fully paid simple. What is the difference between carriage inwards and carriage outwards? Normally carriage inwards is for receipt of the material whatever you pay, carriage outwards is basically for when the material leaves your factory that is finished goods leave your factory. So, when we normally calculate what is the cost of the material; the cost of the material will include the cost of the material with plus the carriage charges which you basically pay for receiving that goods that is where we call it as carriage inwards that is where there is a difference between carriage inwards and carriage outwards.

I repeat sir. carriage is a very simple term that is for shipment whatever it is moment. There is carriage inwards carriage outwards. Inwards is paid for receiving the goods receiving the raw materials out there, outwards is paid for when you are selling the goods out there. The cost of carriage outwards if it is born by you will become part of your sell-

ing and distribution expenditure there is head called as selling and distribution expenditure whereas, carriage inwards the money that you pay for receiving the goods will get added to the final cost of the material because what I say material means we talk about always land and cost of material.

Am I with you on this? So, let us keep that independent as of now (Refer Time: 08:24).

Student: Logistic (Refer Time: 08:25).

Logistic is a beautiful broad word, I mean in accounting parlance it is called carriage you can what is called as this (Refer Time: 08:36) this carriage logistics to many components out there. Logistics could include your warehouse charges also possible right. Logistics is little more broader terms sir. Move down from there, we talked about next is carriage outwards 4 lakhs 50 percent payable by the purchaser completely recovered and fully paid.

So, what is the component now? If you look at there are two parts of the transaction. first part 4 lakhs you incurred your paid, carriage whatever that selling distribution carriage outwards and selling distribution expenditure 4 lakhs out here, and your cash also cash or bank account also goes down by 4 lakhs very simple.

Student: (Refer Time: 09:20).

Second part of the transaction; 50 percent to be paid by the purchaser, purchaser has to pay you 50 percent. So, and that is also recovered it says. So, what happens? Your cash balance increases 2 lakhs and on the income side that is revenue side you will say carriage charges received from the purchaser rupees 2 lakhs.

(Refer Slide Time: 09:43)

| Assets | Liabilities & Equity | Income |
|------------------------------------|--------------------------------------|----------------------|
| Fixed Assets | Shareholder's funds | Disc received 3000 |
| building 95,00,000 | 12,00,000 equity share@10 | consulting fee 26000 |
| Plant 45,00,000 | Drawings by partners -5,00,000 | Sales 168450 |
| Cars, vehicles 42,00,000 | P&L 1,55,38,160 | |
| | NET WORTH 2,70,38,160 | |
| Long term Investments | Long term liabilities | |
| Bond 6% 50,00,000 | M. Loan 95,00,000 | |
| Equity inv in subsidiary 35,00,000 | 8% debentures (200,000) 2,00,00,000 | |
| | Loan 45,00,000 | |
| | Liab for vec 38,00,000 | |
| Current Assets | Current Liabilities | |
| bank account 75000-200000 | Creditors for spcl raw mat - | |
| cash 6,00,000 | creditors 16,90,200 | |
| Spcl raw mat 30,00,000 | Maintenance O/s 2,70,000 | |



Sir how is that an income he is only reimbursing? As of now please note that is a revenue that money has coming that is what you are recording. Now your tax liability will basically be only on the profit not on the income unlike in a individual case right, please understand that. Immediately that is not a revenue why should I pay tax on it? No you do not pay tax on it.

Because 4 lakhs you are shown as expenditure, 2 lakhs you have shown as income. So, what is your net expenditure? What is your actual net expenditure logically thinking, only 2 lakhs that is what you will arrive at. I am with you on this?

Student: Yes.

Ma'am not followed because that is good that is because looking at your face I could make out that you are confused.

Student: Yeah. So, when you are paying tax (Refer Time: 10:28) tax on equity share.

Yes ma'am.

Student: When 2 lakhs is our income.

2,00,000 is your not income revenue that has come in to you that has come to you, somebody has paid as of know you have incurred 4 lakhs to mean it right move on to your one let me finish. Today what is it? Today is 20th of Jan, my carried goods are going out, I

incur an expenditure, I pay 4 lakhs, over? Then I raise an invoice to the purchaser to pay 50 percent of it to me, money comes in on 25th of January and 20th of January what is your expenditure?

Student: 2 lakhs.

On 20th of January what is the expenditure?

Student: 4 lakhs.

4 lakhs. So, what I am recording?

Student: 4 lakhs.

4 lakhs. 25th of January what is happening?

Student: 2 lakhs

2 lakhs is so, can I go back and trace the transaction and taken eraser rub it no I do not do it what do I do? I just.

Student: Record.

Record the receipt part of it.

Student: Yeah.

That is it that is what I am doing.

Student: (Refer Time: 11:25).

Once second 1 second let me I will come to you guys 1 second. I am just recording in the receipt one of it.

Student: This part (Refer Time: 11:32).

That is all what there is nothing else in this transaction.

Student: (Refer Time: 11:36) profit that maximum profit includes tax (Refer Time: 11:40).

See normally what happens is there is a problem yesterday's class after that, this 2 lakhs is a reimbursement what we are receiving, why should I pay tax on it? Why is it an income it is not in income for me that is the argument what people give me. We are looking at an income at all, income finally, what happens is pull the door tightly ma'am pull the door tightly.

Normally, we will what we call it as an income peruse is what is the resultant. All your revenues minus all your expenditure that is what you basically gain that is the gain out there on that is where your tax and whatever else is calculated. So, do not worry about it. These all receipt if I have a put it use the term instead of income, I will use the term receipt out there.

Student: Sir.

Yes sir.

Student: So, we are we should have adding this 2 lakhs at the end of (Refer Time: 12:28).

I have added immediately have you added? Just goes just keep your curser on the guide yes he has added. Anybody else sir? Just keep a watch of what is doing also right, so that you are also in tuned with the same thing. See you should not miss out. Well I am looking facing this side. So, I am not facing the board. So, next packaging charges 7 lakhs 30 percent payable at the end of the year same thing they we are at the end of year 7 lakhs is your packaging charges out there expenditure.

Student: Minus.

Minus your basic total cash out there. This payable at the end of the year sometimes can also be used slightly differently.

(Refer Slide Time: 13:19)

| | C | D | E | F | G | H |
|----|------------------------------|-------------|------------------------------|--------------------|---------------|------|
| 6 | Cars, vehicles | 42,00,000 | P&L | 1,50,38,160 | Reimbursement | 2000 |
| 7 | | | NET WORTH | 2,65,38,160 | | |
| 9 | Long term Investments | | Long term liabilities | | | |
| 10 | Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | |
| 11 | Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | |
| 12 | | | Loan | 45,00,000 | | |
| 13 | | | Liab for vec | 38,00,000 | | |
| 15 | Current Assets | | Current Liabilities | | | |
| 16 | bank account | 1,36,32,980 | Creditors for spcl raw mat | - | | |
| 17 | cash | 6,00,000 | creditors | 16,90,200 | | |
| 18 | Spcl raw mat | 30,00,000 | Maintenance O/s | 2,70,000 | | |
| 19 | Purchases | 1,29,58,200 | Fuel bill O/s | 1,75,000 | | |
| 20 | Debtors | 29,29,680 | Pack charges O/s | 2,10,000 | | |
| 21 | Misc Exp | | | | | |

They would say its payable at the end of the year payable at the end of the year means we are assuming that it is paid on 31st that is payable. They could use it like I would sort of indicated in the earlier statement, due at the end of the year it is due of the end of year due at the end of the year means it is due at the end of the year it is still due.

So, then what happens? It becomes a liability part of it for you. 30 percent dividend was declared on the equity investments by the subsidiary now what is that?

Student: (Refer Time: 13:51).

Funds you have invested as equity in another company is subsidiary somewhere go to the right go to the investment part of it. Equity investment in subsidiary they have declared what is called as a 30 percent as what is called as your dividends out there. So, what is it its income for you now it is declared there is a slight difference out here dividend declared dividend received now what is happening? Dividend is declared income has accrued for you yes or no? So, income you add in income 30 percent of that amount is dividend out there assuming that you invested at part and everything.

(Refer Slide Time: 14:27)

| | B | C | D | E | F | G | H |
|----|------------------------------|-------------|------------------------------|--------------------|-------------|----------------|-------------|
| 4 | building | 95,00,000 | 12,00,000 | equity share@10 | 1,20,00,000 | consulting fee | 2600000 P |
| 5 | Plant | 45,00,000 | Drawings by partners | -5,00,000 | | Sales | 16845660 P |
| 6 | Cars, vechiles | 42,00,000 | P&L | 1,60,88,160 | | Reimbursement | 200000 ri |
| 7 | | | NET WORTH | 2,75,88,160 | | Dividend | 10,50,000 A |
| 8 | | | | | | | U |
| 9 | Long term Investments | | Long term liabilities | | | | F |
| 10 | Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | | C |
| 11 | Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | | D |
| 12 | | | Loan | 45,00,000 | | | P |
| 13 | | | Liab for vec | 38,00,000 | | | |
| 14 | | | | | | | |
| 15 | Current Assets | | Current Liabilities | | | | |
| 16 | bank account | 1,36,32,980 | Creditors for spcl raw mat | - | | | |
| 17 | cash | 6,00,000 | creditors | 16,90,200 | | | |
| 18 | Spcl raw mat | 30,00,000 | Maintenance O/s | 2,70,000 | | | |
| 19 | Purchases | 1,29,58,200 | Fuel bill O/s | 1,75,000 | | | |
| 20 | Debtors | 29,29,680 | Pack charges O/s | 2,10,000 | | | |

Now, how is dividend calculated any of you?

Student: (Refer Time: 14:33).

Infosys gives you 100 percent dividend 100 percent of what? I know you sir once second I am trying to.

Student: Face value.

Sure about it right all of you how many of you say market value? Nobody is that is clear right fantastic well normally what happens? You might buy the stocks in the market at whatever price the company declares 100 percent dividend 100 percent is not on the price that with your brought price of at which it is denominated. So, even if you buy a 1 rupee share at say 50000 rupees and a company declares 100 percent dividend all you get is one rupee that is it nothing beyond that.

So, in this case we are assuming that you have body everything at the face value right let us keep that assumption out there. So, 30 percent of it is going to be as a dividend spelling dividend. Now that is basically what happens in this particular case 30 percent is here that is an income which as accrued for you have you received it? Where is it never says received its says only declared you declared the dividend in a in a AGM or after the meeting.

But the payment actually happens much later. So, as of today you have declared. So, what is that? What is the corresponding entry for this?

Student: (Refer Time: 15:49) receivable.

Receivable in the which side asset or liability?

Student: Asset.

Sure? Clear beautiful. Now on the asset part of it dividend receivable with you on this sir whatever is the amount out there you have entered write straight.

Student: At this as the packaging charges is 100 and 30 percent of (Refer Time: 16:22).

Go back go to the packaging charge why are you keeping on the outstanding?

Student: (Refer Time: 16:25).

Are I know it is a payable of the end of the year end of the year paid. So, do not keep it as the outstanding paid. Why are you keeping fuel bills everything as outstanding I say.

Student: Those bills payable at the.

Payable at the end they we are preparing in these are the end of the year right nothing is outstanding that is what we have said. If it is outstanding I would said due of the end of the year right payable at the end of the year end of the year is payable paid. So, take care of that is nothing outstanding pursue packaging charges fuel bill also fuel bill maintenance alone.

Because we made that statement fuel bill also reduce it from the cash part of it.

(Refer Slide Time: 17:09)

| | B | C | D | E | F | G | H |
|----|--------------------------|--------------------|----------------------------|--------------------|---------------------|--------------------|----------|
| 10 | Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | | C |
| 11 | Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | | D |
| 12 | | | Loan | 45,00,000 | | | P |
| 13 | | | Liab for vec | 38,00,000 | | | |
| 14 | | | | | | | |
| 15 | Current Assets | | Current Liabilities | | | | |
| 16 | bank account | 1,34,22,980 | creditors for spcl raw mat | - | | | |
| 17 | cash | 6,00,000 | creditors | 16,90,200 | | | |
| 18 | Spcl raw mat | 30,00,000 | Maintenance O/s | 2,70,000 | | | |
| 19 | Purchases | 1,29,58,200 | Fuel bill O/s | | | | |
| 20 | Debtors | 29,29,680 | Pack charges O/s | | | | |
| 21 | Div Rec | 10,50,000 | | | | | |
| 22 | Misc Exp | | | | | | |
| 23 | Unamortized advt exp | 28,12,500 | | | | | |
| 24 | Prelim exp Unamortize | 40,50,000 | | | | | |
| 25 | Total Assets | 6,75,23,360 | Total Liabilities | 6,73,48,360 | Total income | 20,99,56,60 | T |
| 26 | | | | 1,75,000 | | | |



Ok he will take care of it let us move on to the next statement out there. Interest expenditure on borrowings amounted to 2.5 lakhs during the year and were fully paid. Interest expenditure on the borrowings you have a borrowing what is borrowing? There is what is called as your what is called as your mortgage loan there is a other loan and etcetera it amounted to about what is the amount that is given about 2.5 lakhs or whatever is the amount I have given out there it is fully paid.

So, what is entry out there? Expenditure, interest expenditure plus what is called as your.

Student: Cash.

Cash or bank balance goes down by 2.5 lakhs out there where is a liability? Where is where is where have I written in the liability?

Student: We are talking of (Refer Time: 17:58).

No even long term liability if you repay a loan if you repay a loan then what happens?

Student: (Refer Time: 18:03).

Then liability goes down and bank goes down there is no expenditure. If when you repaying a loan is an expenditure then when you take a loan it is an income is it?

Student: No (Refer Time: 18:16).

Yeah, here you are only paying interest ma'am, when you pay the principal yes liability goes down. When you pay something which is already due on the liabilities side yes it goes down right. This just give you an overview of it. Now interest expenditure 2.5 lakhs reduce this 0.00 here, I mean make a otherwise it looks very clumsy. Reduce the design no decimals out there, I that is why I ensured that there will be no decimal anywhere. Depreciate plant and machinery by 5 percent vehicles by 20 percent and buildings by 10 percent for the year 2018.

Now, when we said this is at the end of the year let us say just go to the balance sheet on top of it, at the end of every transaction change it as a 31st balance sheet as of 31st of December balance sheet as of 31st of December whatever xxx . Fine 31st December what have you done what have you done what have you done? Prateek you had a good sleep yesterday right no.

(Refer Slide Time: 19:15)

| Balance sheet as at on 31 Dec | | | | Profit and loss for the | |
|-------------------------------|-------------|------------------------------|--------------------|-------------------------|---------|
| Assets | | Liabilities & Equity | | Income | |
| Fixed Assets | | Shareholder's funds | | Disc received | 3000 |
| building | 95,00,000 | 12,00,000 equity share@10 | 1,20,00,000 | consulting fee | 26000 |
| Plant | 45,00,000 | Drawings by partners | -5,00,000 | Sales | 168450 |
| Cars, vechiles | 42,00,000 | P&L | 1,58,38,160 | Reimbursement | 2000 |
| | | NET WORTH | 2,73,38,160 | Dividend | 10,50,0 |
| Long term Investments | | Long term liabilities | | | |
| Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | |
| Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | |
| | | Loan | 45,00,000 | | |
| | | Liab for vec | 38,00,000 | | |
| Current Assets | | Current Liabilities | | | |
| bank account | 1,29,97,980 | Creditors for spcl raw mat | - | | |
| cash | 6,00,000 | creditors | 16,90,200 | | |



Student: Yes sir.

Then yesterday watched a movie or something no right? Saturday no party on the class days before the class you are not partying? Please understand ensured that now move I will do otherwise. Type Dec December that is it Dec over stop it now fine. So, let this is the balance sheet as of that. Now there is depreciation; depreciation means what? Reduction in the value of the asset due to usage and passage of time, that is what I said the first class itself.

Now, building value of the building at the end of the year because you have use through the year has reduced by some amount. What is the amount they what is the value it has reduced by? 5 percent. So, what happens? Now just insert a column out here insert a row out here in this.

Student: (Refer Time: 20:15).

One second one by one will go let us start with building; building is on top out there. So, building is 10 percent out there. So, let us start with building no do not do not insert the entire row move.

Student: (Refer Time: 20:26).

You that is why I said you have to carefully plan it and then just move this no less depreciation move it that side and sit there less depreciation.

(Refer Slide Time: 20:47)

| Balance sheet as at on 31 Dec | | | | Profit and loss for the | |
|-------------------------------|-------------|------------------------------|--------------------|-------------------------|-----------|
| Assets | | Liabilities & Equity | | Income | |
| Fixed Assets | | Shareholder's funds | | Disc received | 3000 |
| building | 95,00,000 | 12,00,000 equity share@10 | 1,20,00,000 | consulting fee | 26000 |
| Less: Dep | -9,50,000 | Drawings by partners | -5,00,000 | Sales | 168450 |
| Plant | 45,00,000 | P&L | 1,58,38,160 | Reimbursement | 2000 |
| less: dep | -2,25,000 | NET WORTH | 2,73,38,160 | Dividend | 10,50,000 |
| Cars, vech | 42,00,000 | | | | |
| less:dep | -8,40,000 | | | | |
| Long term Investments | | Long term liabilities | | | |
| Bond 6% | 50,00,000 | M. Loan | 95,00,000 | | |
| Equity inv in subsidiary | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | | |
| | | Loan | 45,00,000 | | |
| | | Liab for vec | 38,00,000 | | |
| Current Assets | | Current Liabilities | | | |
| bank account | 1,29,97,980 | Creditors for spcl raw mat | - | | |

What is happening depreciation means? Value of the asset is reducing. So, what you own in the balance sheet has reduced by? 10 percent as of now less depreciation 10 percent of that right.

Now, in add one more row and then get the total out there. No problem just go there. 5 percent is basically what do you call it as in your plant admission is by 5 percent, building is 10 percent and then vehicle is by 20 percent out there. Insert a row no problem in-

sert, insert move down further and vehicle spelling is wrong go ahead make a correction there.

Student: Sir what is the depreciation?

Vehicle is 20 percent correct here correct this spelling out here or else you do one thing keep the keyboard here and sit here, right there turn it around sit there.

Sorry, I have to now keep looking at the board and then doing it. This part of it is fine let him take care of the what I call it as the adjustment out there. The company declared 50 percent of the profits earned as dividends.

Student: Sir.

Yeah.

Student: Everything has two entries.

Student: (Refer Time: 22:46).

Now that also has to get added in the expenditure obviously expedite is it is the value has reduced as of this particular year whether it is plant and machinery or building or vehicle; that means, it is utilized for in this particular year where it is utilized in this particular year it is part of the expenditure which has accrued for that year, it is a non cash expenditure please note depreciation is the non cash expenditure. So, what happens? When you say go to the expenditure write out here depreciation, combine all that depreciation of vehicle, plant and what is called as your building out there all three put together just add it there.

Student: In general in their counting practice it will be different or (Refer Time: 23:39).

It will be you will show it separately I can show it depreciation on plant. So, much depreciation on machinery you can add three more columns out there. I can just write three rows you it will always be independently shown out there with you on this? So, now, your balance sheet total is not tallying I know that we will sort of look at that in a minute, because it will be adding the other columns also can you just do one thing for a minute.

Student: (Refer Time: 23:56) sir.

One second sir, I will just do that.

I still not finished it ok. The ones that are indicated in the bold just go up go up to the assets out there I am sorry some confusion out here today, I am sorry extremely sorry for this. The ones that are indicated the bold is basically the net value of the particular asset as of December 31st.

Normally we show at what is called as we write it as gross value of building please write as gross value of building out here gross value less depreciation on what we write as a net value of the of the asset out there net value that is how it is written out there net value of the asset out there with you on this so, far sorry about the small confusion that net value of whatever is the value of the plant.

Student: So, we normally no other liability for the for the first year writing down the transaction only (Refer Time: 26:21) we are writing down the transaction the depreciation transaction.

Which one?

Student: The depreciation.

Because I am just see all I do is I can just erase that part of it and write what is the value of the asset as of today. Just to show the working part of it so, that you do not miss out I am writing it this way.

Student: Standard.

Normal standard practice is yes gross value original value is shown less accumulated depreciation, depreciation is also basically show out there take care of the adjust a total I think slowly ok. Now let us move to the next statement out here. When we move to the next statement out here, the last statement says the company declared 50 percent of the profits as dividend we do not the profits yet let us wait.

Student: (Refer Time: 27:01).

Will have to match I think yes adjust the total because we had put a some of sum of all the rows. So, is taking care of it no problem do not worry about it.

Student: Net value is the book value.

(Refer Slide Time: 27:17)

| Balance sheet as at on 31 Dec | | | | | | |
|-------------------------------|-----------|-----------|------------------------------|-----------------|--------------------|-------|
| Assets | | | Liabilities & Equity | | | Inco |
| Fixed Assets | | | Shareholder's funds | | | Disc |
| Gross Value building | | 95,00,000 | 12,00,000 | equity share@10 | 1,20,00,000 | cont |
| Less: Dep | | -9,50,000 | Drawings by partners | | -5,00,000 | Sale |
| Net Value of building | 85,50,000 | | | | | |
| Plant | | 45,00,000 | P&L | | 1,38,23,160 | Rein |
| less: dep | | -2,25,000 | NET WORTH | | 2,53,23,160 | Divic |
| Net value of plant | 42,75,000 | | | | | |
| Cars, vech | | 42,00,000 | | | | |
| less:dep | | -8,40,000 | | | | |
| Net value of Vech | 33,60,000 | | | | | |
| Long term Investments | | | Long term liabilities | | | |
| Bond 6% | | 50,00,000 | M. Loan | | 95,00,000 | |
| Equity inv in subsidiary | | 35,00,000 | 8% debentures (200,000) | | 2,00,00,000 | |
| | | | Loan | | 45,00,000 | |
| | | | Liab for vec | | 38,00,000 | |

Net value is the book value as of today yes net value is a book value agreed. Book value normally we do not use for an asset we use it more for the equity part of it alone. Now before we calculate the profit, profit it says calculate the profit as a I mean dividend as a percentage of the profit accepted do we know what is the profit yes because profit is calculated, but have you cleared all the transactions? No there are lot of things we are left out let us go back to transaction number 2.

Let us go to transaction number 2. Transaction number 2 says the partners were appointed as what is called as a as managers at a salary of 1 lakhs each towards the what is called through the year. Since it is does not say it is still due we presume that the salary has been taken. So, salary is an expenditure partner salary expenditure 2 lakhs then what happens? Your basically cash or bank balance comes down by 2 lakhs out there can you do that Pratee k? You have done that?

Student: No sir.

(Refer Slide Time: 28:27)

| | F | G | H | I | J | K |
|---------------------------------|--------------------|---------------|---|------------------------|---|-----------|
| 7 P&L | 1,20,23,160 | Reimbursement | | 200000 reg maintenance | | 4,50,000 |
| 8 NET WORTH | 2,35,23,160 | Dividend | | 10,50,000 Audit fees | | 3,00,000 |
| | | | | UTILITY | | 2,20,000 |
| 13 Long term liabilities | | | | Fuel | | 3,50,000 |
| 14 M. Loan | 95,00,000 | | | Carriage inwards | | 2,00,000 |
| 15 8% debentures (200,000) | 2,00,00,000 | | | Dist (Carriage out) | | 4,00,000 |
| 16 Loan | 45,00,000 | | | Pack charges | | 7,00,000 |
| 17 Liab for vec | 38,00,000 | | | Int Exp | | 2,50,000 |
| 18 | | | | dep | | 20,15,000 |
| 19 Current Liabilities | | | | Partner sal | | 2,00,000 |
| 20 Creditors for spcl raw mat | | | | Deb int | | 16,00,000 |
| 21 creditors | 16,90,200 | | | | | |
| 22 Maintenance O/s | 2,70,000 | | | | | |

Partner salary 2 lakhs; 2 lakhs have you reduced it from the cash because it is not due still do it.

(Refer Slide Time: 28:47)

| | C | D | E | F | G |
|---------------------------------|-----------|-------------|------------------------------|--------------------|-------|
| 6 Net Value of building | 85,50,000 | | | | |
| 7 Plant | | 45,00,000 | P&L | 1,36,23,160 | Rein |
| 8 less: dep | | -2,25,000 | NET WORTH | 2,51,23,160 | Divid |
| 9 Net value of plant | 42,75,000 | | | | |
| 10 Cars, vech | | 42,00,000 | | | |
| 11 less:dep | | -8,40,000 | | | |
| 12 Net value of Vech | 33,60,000 | | | | |
| 13 Long term Investments | | | Long term liabilities | | |
| 14 Bond 6% | | 50,00,000 | M. Loan | 95,00,000 | |
| 15 Equity inv in subsidiary | | 35,00,000 | 8% debentures (200,000) | 2,00,00,000 | |
| 16 | | | Loan | 45,00,000 | |
| 17 | | | Liab for vec | 38,00,000 | |
| 18 | | | | | |
| 19 Current Assets | | | Current Liabilities | | |
| 20 bank account | | 1,27,97,980 | Creditors for spcl raw mat | | |
| 21 cash | | 6,00,000 | creditors | 16,90,200 | |
| 22 Spcl raw mat | | 30,00,000 | Maintenance O/s | 2,70,000 | |

Over this part of it is done Prateek? Now we move to point number before that somebody said.

Student: (Refer Time: 29:00).

5; its says that the company issued the company issued 8 percent to 23rd 2 lakhs debentures of 100 each as of first of January. No where have we said debenture interest we have paid. We have said that interest of 2.5 lakhs has paid that could be the that time in to other loan etcetera because specifically the word debenture is not mentioned interest on debenture. So, interest on debenture is payable and no where it has said that it has been paid.

So, what is it as of now? It has accrued. So, as an expenditure interest on debenture 8 percent of the 2 lakhs we will write as an expenditure out there following.

Student: It should be payable half yearly sir.

Payable?

Student: Half yearly.

So, payable half yearly fine. I did not read that part of it now it is payable half yearly we have not indicated anywhere that it is paid. You can either assume first half of it has been paid and reduce it from the cash and the second half maybe not paid then it becomes the liability if it is paid it is reducing getting reduced from their cash part of it. As of now the entire amount is a expenditure that you agree am I right Mallika right?

Student: Yeah right.

Entire part of it what is debenture interest? Write it as debenture interest (Refer Time: 30:18) debenture interest.

Student: (Refer Time: 30:26).

Yeah as of today let to.

Student: Sir its a 2 crore sir.

2 crores or 2 lakhs.

Student: 2 crore (Refer Time: 30:34).

2 lakhs into 100. So, what is called as 200 your you have to do this just click this column and point into point 8 point number 8.

Student: Do we calculating only half year not calculating for full year?

Obliviously full here right 8 percent is what we have calculated for the full year fully year its payable, you must have either paid half yearly in that case they should have taken it on 30th part of it 30th of June and etcetera I am assuming it let us look at it at the end of the year, it is still due because no where I have indicated that I have paid. My company is a new company; I have defaulted on payment of interest because nowhere in the statement declared that interest is paid. So, it is still payable, it is a liability as of 31st of December the entire interest though payable half yearly.

Student: Penalty.

Penalty will come later that will worry about it later sir, somebody has to go to the court file and by the time he wins the company itself will be folded out.

Student: (Refer Time: 31:31).

No if you are paid reduce in the bank nowhere it says it has paid. So, what is it? It is still due. So, it is a liability. Salary is if you do not pay every month difficult to retain employee sir. Normally this things salary will always be assumed unless until otherwise specified as due it is assumed to be paid. Same one can say debenture interest also I could assume guess if you do it that way you are not wrong.

Student: So, we can put a assumption.

You do not have to put even if you assume it you are not wrong.

Student: This assumption is a (Refer Time: 32:08).

No assumption is only in the statements out here in real life there is no assumption you know what is happening right because assumptions without assumption then have to be almost mode 4-5 hours preparing this right.

Student: (Refer Time: 32:22).

And I also like to keep assumptions because that is when I can get different aspects and explain in the class also that is one of the reasons I also keep some assumption out there yes sir.

Student: During those half yearly base we pay that is to different transactions as expense (Refer Time: 32:34).

If it is half yearly paid the day on which the transaction happens you enter it, that is has of 30th of June if you have not paid, 4000 rupees accrues as a whatever that 4 percent of the 2 lakhs in 200 accrues as an expenditure in the expenditure column accrues as a liability. 31st of December still you have not played that another 4 percent of it accrue's as an expenditure of that and then it gets added to the liability. The day transactions happen you basically enter with you on this? Now next anything else?

Student: Sir 8th.

Eighth one was we were looking at 8th one salary sorry.

Interest was not entered only debenture value was enter. What we go back go to the liability it says that 8 percent debentures out there value of eight percent debentures that is all what I have entered out here you can see that is sir. You adjusted the total on the asset side not yet.

Student: (Refer Time: 33:30).

That is been taking care of he is taking care of that fine. Now 8th transaction machine operators salary etcetera that is through the year you would have paid from Feb 1st to 31st of December let us assume. Assume that you have paid off on 31st of December 11 month salary for machine operators about 10000 per month and manager 25. So, 4 into 10000 40000 into 11 months out there.

So, 40000 to 11 months machine operator salary complete salary out that through the year when it is paid what happens? It is an expenditure plus your bank balance comes down. Manager next manager salary 25000 per month 25 into 11 expenditure as well as your bank balance comes down.

Student: Sir here we have the answer.

Yeah sure mam.

Student: Assuming that we have paid.

Salary is normally it is if its salary is if it is due it will be mentioned otherwise its assume normally to be paid off.

Student: The dividend.

Even the dividend if you had assumed retained even the dividend if you have assumed the first part of it was paid of only second part of it was not paid perfectly fine or if you assume both are paid off that is we would sort of otherwise normally it will be little explicit for the sake of simplicity I have put it as.

Student: Sir salary (Refer Time: 34:49).

Employee salary where is employee salary where have you put it out there? Yeah this part of it I clubbed everything otherwise every time every month you pay the salary you make an entry. Every month you make a salary I will say salary for the month of February reducing from the cash, salary for the month of march reduce from the cash here I have clubbed everything together.

Student: So, in very large organization where there are 1000 employees or 2000 (Refer Time: 35:11).

Yes.

Student: Even their salaries will be varying right (Refer Time: 35:14).

Of courses yes.

Student: How do they get the complete pay there?

Whatever you pay whatever they pay you that record is there right that is the record I accumulate in write that is where we will say whatever to be deducted or added from the salary they normally say that you inform us before 20th of the month. So, that it takes 10 days for has to process because will in the 10 days we will process it. If you inform after 20th it will come get added only in the subsequent month salary right in your organization you would have faced it.

Student: Yeah.

Now 8th part of it is over now we go next one to what next aspect is what?.

Student: 18th.

Student: 18th.

18th part of it now go to the 18th you have invested in a 6 percent bond on what date have we invested? September you have invested when is the interest payable?? By annually by annually means September is interest is payable only in the month of September October November December 4 5 6 that is February it is right at the end of February is when it is paid.

So, as of today it is sorry it is received. So, as of today what is the status?

Student: (Refer Time: 36:31) accrued.

It is accrued the interest has accrued. So, interest on the bond has accrued for 4 months. So, it is a revenue which has accrued income which has accrued out there in the incomes side interest accrued on bond, but not due not due when is it due, due only in February. So, interest accrued, but not due please note on the receipt side, then corresponding part of it where do we enter?

Student: Asset.

Asset how many of you say asset how many of you say cash?

Student: It should be asset.

Asset sure anybody having any doubt on that? Mam you are following mam sure fine now what happens? On the asset part of it there is a interest which has accrued, but it is not due, but you are liable to get it next day. So, interest accrued, but not due whatever is the amount.

Student: (Refer Time: 37:33).

Where which one?

Student: (Refer Time: 37:40) right.

Student: Really.

Where is it is not see it is an interest which you have earned you are liable to get it there miscellaneous expenditure is a sunk cost I have invested its gone. Here I am liable to get it miscellaneous expenditure is I will incurred money on that, all I have is two actives of Katrina Kaif when I am going to use it I do not know whereas, here I is not that I have a bond which they have to pay if they do not pay I can go to the court and get the money. It is not miscellaneous it is not an expenditure at all its an investment return on your investment.

Student: But your not (Refer Time: 38:18).

No there is see as of as an accountant I am eligible to get the money maybe today if not today there are legal processes. So, we will at some stage when I decide to write of that is when I will write off as of today I will not return of that is what your banks always keep it as.

Student: (Refer Time: 38:39).

Huge amount why because they have not written off the day the right off that is why there was a directive from the RBI if you know that last 2 years to clear of all that. So, many banks are declared a huge loss why they are declaring huge loss because there were writing of all the NPA's in the expenditure out there for that year.

So, then what happens? In that particular year you declare a huge loss out there anybody from the banking industry? So, you would know I mean I think you can explain it better than me after the class possible am I with you? So, now, its a now its clear? Almost we are completed all the transactions now let us see what is the profit out there let us got the profit go down.

Now, there is a profit that you have arrived at. Now in this particular case I have indicated any tax for say. Now let me say 20 percent of the profit there is you can add a 27th statement if you want to and I have write it has tax on profit is charged at 20 percent and fully paid during the year. Tax on profit charged 20 percent 20 percent is quite low, but that is ok. Because that is was stop that we are expecting this budget. So, let me be positive.

20 percent right. On the tax as of today and completely paid normally corporate taxes or personnel income taxes are always paid normally corporate taxes paid always in advance when you pay in advance you anticipate a profit and then you pay.

(Refer Slide Time: 40:35)

| | E | F | G | H | I | J | K |
|----------------------|---|-------------|--------------|----------|-------------------|---|-------------|
| 22 Maintenance O/s | | 2,70,000 | | | | | |
| 23 Fuel bill O/s | | | | | | | |
| 24 Pack charges O/s | | | | | | | |
| 25 | | | | | | | |
| 26 Deb int O/s | | 16,00,000 | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | | | | | | | |
| 31 Total Liabilities | | 6,65,49,992 | Total income | 21095660 | Total expense | | 96,87,500 |
| 32 | | -22,81,632 | | | | | |
| 33 | | | | | Profit Before tax | | 1,14,08,160 |
| 34 | | | | | Tax | | -22,81,632 |
| 35 | | | | | Profit after tax | | 1,36,89,792 |
| 36 | | | | | Dividend | | |
| 37 | | | | | Retained Earnings | | 1,36,89,792 |
| 38 | | | | | | | |

So, in this particular case maybe during some you based on some calculation, you anticipated a profit you have basically paid off this particular taxes out there. So, whatever is the profit out here take away 20 percent of it 20 percent of the profit as tax.

Student: (Refer Time: 40:39).

26th 26 part of it we will come to that. Of courses yes the day I pay advance tax paid I will write it as an advance tax paid in my asset side. But it basically what cash out that cash that is gone now. The day it has accrued it goes out of the asset side becomes an expenditure.

Now I go to the 26th statement now I got the 26th statement out there, 26th which I wrote on the board out there. We have said we have sold material right we have got what is called as raw material, we have converted to finished goods we have sold the finished goods. Now do we still own go to the stock part of it on the asset sides sir? Go to the stock part just go to the stock part of it on the asset side purchases.

The value of the purchase the just highlight that column as of now. The value of the purchase is shown as 300000 plus whatever is amount out there. Now what does asset

mean? You own that. Now as of 31st do you own so, much you may not own so, much why you not because you utilized for production and it would have gone out there. So, what is the amount that you own as of 31st of December that is very clearly given out there; that means, rest of it what happened to the rest of it?

Students: Decreased.

It has gone it has it been utilized when it is been utilized.

Where will appears? It will appear on the expenditure side out there. So, normally in this particular case what happens go up ok.

(Refer Slide Time: 42:15)

| | E | F | G | H | I | J | K |
|-------------------------------|---|-------------|---|---|---|-----------------------|-----------|
| 13 Long term liabilities | | | | | | Fuel | 3,50,000 |
| 14 M. Loan | | 95,00,000 | | | | Carriage inwards | 2,00,000 |
| 15 8% debentures (200,000) | | 2,00,00,000 | | | | Dist (Carriage out) | 4,00,000 |
| 16 Loan | | 45,00,000 | | | | Pack charges | 7,00,000 |
| 17 Liab for vec | | 38,00,000 | | | | Int Exp | 2,50,000 |
| 18 | | | | | | dep | 20,15,000 |
| 19 Current Liabilities | | | | | | Partner sal | 2,00,000 |
| 20 Creditors for spcl raw mat | | - | | | | Deb int | 16,00,000 |
| 21 creditors | | 16,90,200 | | | | employee benefits | 7,15,000 |
| 22 Maintenance O/s | | 2,70,000 | | | | Stock of Spcl rm used | 30,00,000 |
| 23 Fuel bill O/s | | | | | | | |
| 24 Pack charges O/s | | | | | | | |
| 25 | | | | | | | |
| 26 | | | | | | | |
| 27 Deb int O/s | | 16,00,000 | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |



Stock of material utilized stock of material utilized. Special material special raw material which is used 3 lakhs because it says special raw material has been completely utilized. Now stock of the regular raw material what is utilized?

Student: (Refer Time: 42:33) original.

Original value minus whatever is remaining what is remaining is only 25 lakhs. So, the original value minus what is remaining is what you need to enter out here.

Student: When you all (Refer Time: 42:50) so, we will be (Refer Time: 42:52).

You what the value you retained there? What is the value you retain there? You retain the value that is there with you what is an asset? Asset is what is there with you what is there with you as of now material only 25 lakhs worth of material is there that is all will there, the rest of it as what does happened? Maybe utilized maybe damaged whatever it is it is gone it is an expenditure for you that is what I am writing with you on this we will come to the building part in a minutes sir will it finished otherwise I will get (Refer Time: 43:29) a little bit.