

Hello!

In the light of the recent changed circumstances beyond our control, let us take this opportunity to the best of our advantage and work whole heartedly to the best of our interests.

As already discussed, there are 3 books of Accountancy to be covered for 80 marks paper.

After a thoughtful discussion we decided to have a little deviation from the planned schedule of completing the chapter on “not for profit organization”.

So, taking a break, we start with the third book --- “Analysis of financial statements” for these sessions

We are intentionally taking these chapters which need little explanation from our end and more efforts from your end to begin with.

With a very positive hope and a small prayer to the almighty that things normalize soon and we start with our normal class room teaching which would like always be full of fun and lots of home work done from your end!!!!

SO HAPPY LEARNING!!

## FINANCIAL STATEMENTS OF A COMPANY

Please follow the order as directed for the complete understanding of the contents of the chapter:

- 1) The meaning and set of financial statements as per Section 2(40) of the Companies Act,2013 which include:
  - Balance sheet
  - Profit and Loss Account
  - Notes to Accounts
- 2) Nature of financial statements
- 3) Format of the balance sheet as prescribed in part I of schedule III of the Companies Act,2013.
- 4) Format of Statement of profit and loss account as per the Companies Act,2013

**While reading the contents please focus on the following points:**

**Format of the balance sheet as prescribed in part I of schedule III of the Companies Act,2013.**

- 1) It is important to remember all the headings and sub headings of the balance sheet.
- 2) Start with the two sides of the balance sheet:
  - Equity and Liabilities
  - Assets
- 3) Note the 4 major heads on the Equity and Liabilities side
- 4) The subheads under all these 4 major heads to be learnt
- 5) Note the 2 major heads on the Assets side
- 6) The subheads under all these major 2 heads to be learnt

### **The major points to be taken care of while reading the balance sheet:**

- 1) Ignore the share capital part as we will cover that while doing company accounts.
- 2) Under the head of Reserve and surplus, the various sub-heads of reserves and surplus along with their meanings as explained should be well understood
- 3) Before moving to the next sub head of current liability, please read the meaning of operating cycle and the conditions to be followed for a liability to be considered as a current liability.
- 4) Read carefully the classification of current liabilities (short term borrowings, trade payables, Other current liabilities, short term provisions) with examples for each specific sub head.
- 5) The same exercise to be followed for non-current liability along with its 4 sub heads.
- 6) Don't forget to revise the difference between Reserve and provision
- 7) Understand the conditions for an asset to be classified as current asset with examples
- 8) sub heads of current assets to be learnt with their individual examples
- 9) sub heads of non-current assets to be learnt with their individual examples

**Remember the type of questions in the boards from this chapter generally are based on identifying the major heads and sub heads wherein the items as given in the question are to be presented as per the schedule III, part I of the companies act, 2013. So, read and solve accordingly.**

### FORMAT OF THE STATEMENT OF PROFIT AND LOSS:

- 1) Read very carefully the format of the statement of profit and loss (the particulars side)
- 2) The meaning of other income be read carefully with examples
- 3) The 7 heads of the expenses be understood with appropriate examples
- 4) Some typical cases like gratuity paid, Entertainment expenses, bank charges be read carefully

You can even consider the following links:

<http://ncert.nic.in/textbook/textbook.htm?leac2=3-6>

[http://corporatelawreporter.com/companies\\_act/schedule-3-of-companies-act-2013-general-instructions-for-preparation-of-balance-sheet-and-statement-of-profit-and-loss-of-a-company/](http://corporatelawreporter.com/companies_act/schedule-3-of-companies-act-2013-general-instructions-for-preparation-of-balance-sheet-and-statement-of-profit-and-loss-of-a-company/)

<https://www.slideshare.net/mobile/PiyaliParashari/schedule-iii-of-companies-act-2013-india>

### IMPORTANT:

- 1) We are all connected in the class WhatsApp group. After/During reading the contents of the chapter please feel free to ask your queries therein on the group/personal chat. After read and learnt the content solve Q7-Q30, Q35 - 42 from T.S Grewal's (Analysis of financial statements) in your registers.
- 2) One week would be more than sufficient to memorize the contents of the chapter.
- 3) The registers need to be maintained properly as per the directions given.

All the best!

