

COMPREHENSIVE PROJECT-2

1. Name of the Project : A study of the business of "Favourite Toys"
2. Objective of the Project
 - (i) To know whether 'Favourite Toys' is a success or a failure
 - (ii) To know whether the banks will agree to give Loan to the business.
3. Period of Study : Year ending 31st March 2015.
4. Analytical tools used : Accounting Ratios
5. Source Material : The Project Statement of 'Favourite Toys'

PROJECT NO. 2

PROJECT STATEMENT

M/s 'Favourite Toys'

Ram did his Economics (Hons.) from Delhi University and MBA from Indian School of Business (Hyderabad). He got job with a good salary. After 5 years of work experience, he started his business of assembling toy cars and named his business 'Favourite Toys'. On 1st April, 2014 he introduced a capital of ₹ 2 lakhs in cash and ₹ 33 lakhs by cheque. He also took a loan of ₹ 10 lakhs from the State Bank of India, borrowed ₹ 5 lakhs from his friend, Amit by cheque.

He took premises on rent at ₹ 10,000/- per month in Okhla Industrial Area, New Delhi for setting up of his new factory. On 1st April, 2014 he purchased machinery of ₹ 10 lakhs and furniture for his office worth ₹ 1,00,000 through a cheque. On the same date he withdrew ₹ 8,00,000 from bank account for meeting day to day business expenses. He hired an executive to help him in setting up the business at a salary ₹ 10,000 per month. He also took an insurance cover at a premium of ₹ 50,000 per annum on 1st April. Within one month, he was ready to assemble toy cars. On 1st May, he made purchases for ₹ 70 lakhs out of which ₹ 60 lakhs were still payable and hired 5 workers on monthly wages of ₹ 8,000. On the same date he purchased a telephone and installed it, which cost him ₹ 2,000. The payment of the telephone was made through a cheque. He also paid ₹ 20,000 by cheque to print catalogues for his products. Payment of all routine expenses was made at the end of the year.

By the end of the year, all wages were paid every month in cash. Machinery and Furniture were depreciated @ 10% per annum. Total sales amounted to ₹ 90 lakhs. He paid annual electricity charges of ₹ 1,00,000 and telephone expenses ₹ 15,000 by cash. He withdrew ₹ 1 lakhs from bank for personal use. On 31st March 2015 he purchased investments worth ₹ 10 lakhs through bank. He repaid ₹ 5,00,000 with ₹ 25,000 as an interest to Amit on account of the loan taken earlier. There was a fire in the factory that destroyed goods worth ₹ 2,00,000 out of which the insurance company admitted a claim of ₹ 1,00,000. He paid ₹ 50,000 as carriage by cash. Interest on bank loan was ₹ 50,000 due but not paid.

At the end of year closing stock was valued at ₹ 10 lakhs.

You are required to prepare the following:

- Journalize the above transactions, post them into ledger accounts and prepare trial balance for the year ended 31st March, 2015.
- Trading and Profit and Loss Account for the year ending 31st March, 2015 and Balance sheet as at 31st March, 2015.

If the business approaches a bank for a loan, will the bank oblige?

Journal Register

1 April, 2014 to 31 March, 2015

Date	Particulars	Folio	Debit ₹	Credit ₹
2014				
1-April	Cash A/c Dr. Bank A/c Dr. To Capital A/c (Being Capital invested in the Business)		2,00,000 33,00,000	35,00,000
1-April	Cash A/c Dr. To Bank A/c (Being cash withdrawn from bank for business expenses.)		8,00,000	8,00,000
1-April	Bank A/c Dr. To Loan-SBI A/c (Being Loan taken from State Bank of India)		10,00,000	10,00,000
1-April	Bank A/c Dr. To Loan A/c (Being loan received)		5,00,000	5,00,000
1-April	Machinery A/c Dr. Furniture A/c Dr. To Bank (Being Machinery and Furniture purchased)		10,00,000 1,00,000	11,00,000
1-April	Insurance Premium A/c Dr. To Bank A/c (Being Insurance Premium paid)		50,000	50,000
1-May	Purchases A/c Dr. To Bank A/c To Creditors A/c (Being purchases made in cash and on credit)		70,00,000	10,00,000 60,00,000

1-May	Telephone A/c To Bank A/c (Being Telephone purchased and installed)	Dr.		2,000	2,000
1-May	Printing Expenses A/c To Bank A/c (Being printing for catalogue expenses paid)	Dr.		20,000	20,000
31-May	Bank A/c To Sales A/c (Being sales proceeds from selling of toy cars.)	Dr.		90,00,000	90,00,000
31-Mar.	Loan A/c Interest on Loan A/c To Bank A/c (Being Loan and Interest paid)	Dr. Dr.		5,00,000 25,000	5,25,000
31-Mar.	Insurance Claim Receivable A/c Loss by Fire A/c To Purchase A/c (Being insurance claim receivable on account of fire occurred in the factory and loss provided in the books)	Dr. Dr.		1,00,000 1,00,000	2,00,000
31-Mar.	Carriage Inward A/c To Cash A/c (Being carriage paid in cash)	Dr.		50,000	50,000
31-Mar.	Rent factory A/c To Cash A/c (Being Rent paid in cash)	Dr.		1,20,000	1,20,000
31-Mar.	Salary A/c To Cash A/c (Being Salary paid to executive in cash)	Dr.		1,20,000	1,20,000

31-Mar.	Wages A/c Dr. To Cash A/c (Being Wages paid in cash for 11 months)		4,40,000	4,40,000
31-Mar.	Depreciation A/c Dr. To Machinery A/c To Furniture A/c (Being Depreciation provided on Machinery and furniture @ 10% per annum)		1,10,000	1,00,000 10,000
31-Mar.	Electricity Expenses A/c Dr. To Cash A/c (Being Electricity expenses paid in cash.)		1,00,000	1,00,000
31-Mar.	Telephone Expenses A/c Dr. To Cash A/c (Being Telephone charges paid in cash.)		15,000	15,000
31-Mar.	Drawings A/c Dr. To Bank A/c (Being cash withdrawn from business for personal use)		1,00,000	1,00,000
31-Mar.	Investment A/c Dr. To Bank A/c (Being Investment purchased during the year)		10,00,000	10,00,000
31-Mar.	Interest on Loan-SBI A/c Dr. To Loan-SBI A/c (Being Interest on SBI loan for the year ended provided)		50,000	50,000
31-Mar	Trading A/c Dr. To Purchases A/c To Wages A/c To Carriage Inward A/c To Factory Rent A/c (Closing entry for purchases, wages, carriage inward and factory rent)		74,10,000	68,00,000 4,40,000 50,000 1,20,000

31-Mar	Sales A/c Dr.	90,00,000	
	Closing Stock A/c Dr.	10,00,000	
	To Trading A/c		1,00,00,000
	(Closing entry for Sales and Closing Stock)		
31-Mar	Trading A/c Dr.	27,10,000	
	To Profit and Loss A/c		27,10,000
	(Gross profit earned during the year)		
31-Mar	Profit and Loss A/c Dr.	5,90,000	
	To Depreciation A/c		1,10,000
	To Electricity Expenses A/c		1,00,000
	To Salary A/c		1,20,000
	To Insurance Premium A/c		50,000
	To Interest Loan-SBI A/c		50,000
	To Interest on Loan A/c		25,000
	To Loss by Fire A/c		1,00,000
	To Printing Expenses A/c		20,000
	To Telephone Expenses A/c		15,000
	(Closing entry for indirect expenses)		
31-Mar	Profit and Loss A/c Dr.	20,00,000	
	To Ram's capital A/c		20,00,000
	(Net profit transferred to Ram's capital A/c)		
	Total	4,85,12,000	4,85,12,000

Dr.				Bank A/c				Cr.			
Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2014				2014							
Apr. 01	To Capital A/c		33,00,000	April, 01	By Cash A/c		8,00,000				
Apr. 01	To Loan-SBI		10,00,000	April, 01	By Machinery A/c		10,00,000				
Apr. 01	A/c		5,00,000	April, 01	By Furniture A/c		1,00,000				
2015	Loan A/c			April, 01	By Insurance Prem. A/c		50,000				
Mar. 31	To Sales A/c		90,00,000	May, 01	By Purchases A/c		10,00,000				
				May, 01	By Telephone A/c		2,000				
				May, 01	By Printing Exp. A/c		20,000				
				2015							
				Mar, 31	By Drawings A/c		1,00,000				
				Mar, 31	By Investment A/c		10,00,000				
				Mar, 31	By Loan A/c		5,00,000				
				Mar, 31	By Interest on Loan A/c		25,000				
				Mar, 31	By Balance c/d		92,03,000				
			1,38,00,000				1,38,00,000				
2015											
Apr,01	To Balance b/d		92,03,000								

Dr.				Cash A/c				Cr.			
Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2014				2015							
April, 01	To Capital A/c		2,00,000	Mar, 31	By Carriage Inward A/c		50,000				
April, 01	To Bank A/c		8,00,000	Mar, 31	By Rent factory A/c		1,20,000				
				Mar, 31	By Salary A/c		1,20,000				
				Mar, 31	By Wages A/c		4,40,000				
				Mar, 31	By Electricity Expenses A/c		1,00,000				
				Mar, 31	By Telephone Expenses A/c		15,000				
				Mar, 31	By Balance c/d		1,55,000				
			10,00,000				10,00,000				
2015											
April, 01	To Balance b/d		1,55,000								

Dr. Capital A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Drawings A/c		1,00,000	2014 Apr, 01	By Cash A/c		2,00,000
	To Balance c/d				By Bank A/c		33,00,000
			54,00,000		By P & L A/c		20,00,000
			<u>55,00,000</u>	2015 April, 01	By Balance b/d		<u>55,00,000</u>
							54,00,000

Dr. Creditors A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Balance c/d		60,00,000	2015 May, 01	By Purchase A/c		60,00,000
			<u>60,00,000</u>	2015 April, 01	By Balance b/d		<u>60,00,000</u>
							60,00,000

Dr. Carriage Inward A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		50,000	2015 May, 01	By Trading A/c		50,000
			<u>50,000</u>				<u>50,000</u>

Dr. Drawings A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Bank A/c		1,00,000	2015 May, 01	By Capital A/c		1,00,000
			<u>1,00,000</u>				<u>1,00,000</u>

Dr. Depreciation A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Machinery A/c		1,00,000	2015 Mar, 31	By Profit & Loss A/c		1,10,000
	To Furniture A/c		10,000				
			1,10,000				1,10,000

Dr. Electricity Expenses A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		1,00,000	2015 Mar, 31	By Profit & Loss A/c		1,00,000
			1,00,000				1,00,000

Dr. Salary A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		1,20,000	2015 Mar, 31	By Profit & Loss A/c		1,20,000
			1,20,000				1,20,000

Dr. Furniture A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2014 April, 01	To Bank A/c		1,00,000	2015 Mar, 31	By Depreciation A/c		10,000
				Mar, 31	By Balance c/d		90,000
			<u>1,00,000</u>				<u>1,00,000</u>
2015 April, 01	To Balance b/d		90,000				

Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Bank A/c		5,00,000	2014 April, 01	By Bank A/c		5,00,000
			5,00,000				5,00,000

Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Bank A/c		10,00,000	2015 Mar, 31	By Balance c/d		10,00,000
			<u>10,00,000</u>				<u>10,00,000</u>
2015 April, 01	To Balance b/d		10,00,000				

Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Loan-SBI A/c		50,000	2015 Mar, 31	By Profit & Loss A/c		50,000
			50,000				50,000

Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Bank A/c		25,000	2015 March, 31	By Profit & Loss A/c		25,000
			25,000				25,000

Dr. Insurance Claim Receivable A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Purchase A/c		1,00,000	2015 Mar, 31	By Balance c/d		1,00,000
			<u>1,00,000</u>				<u>1,00,000</u>
2015 April, 01	To Balance b/d		1,00,000				

Dr. Insurance Premium A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Bank A/c		50,000	2014 Mar, 31	By Profit & Loss A/c		50,000
			<u>50,000</u>				<u>50,000</u>

Dr. Loss By Fire A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Purchases A/c		1,00,000	2015 Mar, 31	By Profit & Loss A/c		1,00,000
			<u>1,00,000</u>				<u>1,00,000</u>

Dr. Loan-SBI A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Balance c/d		10,50,000	2014 April, 01	By Bank A/c		10,00,000
			<u>10,50,000</u>	2015 Mar, 31	By Interest on Loan A/c		50,000
				2015 April 01	To Balance b/d		<u>10,50,000</u>
							10,50,000

Dr. Printing Expenses A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2014 April, 01	To Bank A/c		10,00,000	2015 Mar, 31	By Depreciation A/c		1,00,000
				Mar, 31	By Balance c/d		9,00,000
2015 April, 01	To Balance b/d		<u>10,00,000</u> 9,00,000				<u>10,00,000</u>

Dr. Purchases A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 May, 01	To Bank A/c		10,00,000	2015 Mar,31	By Insurance Claim Receivable A/c		1,00,000
					By Loss by Fire A/c		1,00,000
					By Trading A/c		68,00,000
			<u>70,00,000</u>				<u>70,00,000</u>

Dr. Rent Factory A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		1,20,000	2015 Mar, 31	By Profit & Loss A/c		1,20,000
			<u>1,20,000</u>				<u>1,20,000</u>

Dr. Sales A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Trading A/c		90,00,000	2015 Mar, 31	By Cash A/c		90,00,000
			<u>90,00,000</u>				<u>90,00,000</u>

Dr. Telephone Expense A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		15,000	2015 Mar, 31	By Profit & Loss A/c		15,000
			15,000				15,000

Dr. Telephone A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2014 1-May	To Bank A/c		2,000	2015 Mar, 31	By Balance c/d		2,000
			<u>2,000</u>				<u>2,000</u>
April, 01	To Balance b/d		2,000				

Dr. Wages A/c Cr.

Date	Particulars	Folio	Amount ₹	Date	Particulars	Folio	Amount ₹
2015 Mar, 31	To Cash A/c		4,40,000	2015 Mar, 31	By Trading A/c		4,40,000
			4,40,000				4,40,000

TRIAL BALANCE OF RAM

01 April, 2014 to 31 March, 2015

S. No.	Particulars	Ledger Folio	Debit ₹	Credit ₹
1.	Bank A/c		92,03,000	
2.	Cash A/c		1,55,000	
3.	Capital A/c			34,00,000
4.	Creditors A/c			60,00,000
5.	Carriage Inward A/c		50,000	
6.	Depreciation A/c		1,10,000	
7.	Electricity Expenses A/c		1,00,000	
8.	Salary A/c		1,20,000	
9.	Furniture's A/c		90,000	
10.	Investment A/c		10,00,000	
11.	Interest on Loan-SBI A/c		50,000	
12.	Interest on Loan A/c		25,000	
13.	Insurance Claim Receivable A/c		1,00,000	
14.	Insurance Premium A/c		50,000	
15.	Loss By Fire A/c		1,00,000	
16.	Loan-SBI A/c			10,50,000
17.	Printing Expenses A/c		20,000	
18.	Machinery A/c		9,00,000	
19.	Purchases A/c		68,00,000	
20.	Rent Factory A/c		1,20,000	
21.	Sales A/c			90,00,000
22.	Telephone Expense A/c		15,000	
23.	Telephone A/c		2,000	
24.	Wages A/c		4,40,000	
	Total		1,94,50,000	1,94,50,000

Closing Stock of ₹ 10,00,000

TRADING AND PROFIT & LOSS ACCOUNT OF RAM

For the year ended 31 March, 2015

Particulars	Amount ₹	Particulars	Amount ₹
To Purchases A/c	68,00,000	By Sales A/c	90,00,000
To Wages A/c	4,40,000	By Closing Stock A/c	10,00,000
To Carriage Inward A/c	50,000		
To Factory Rent A/c	1,20,000		
To Gross Profit c/d	25,90,000		
	<u>1,00,00,000</u>		<u>1,00,00,000</u>
To Depreciation A/c	1,10,000	By Gross Profit b/d	25,90,000
To Electricity Expenses A/c	1,00,000		
To Salary A/c	1,20,000		
To Insurance Premium A/c	50,000		
To Interest on Loan-SBI A/c	50,000		
To Interest on Loan A/c	25,000		
To Loss by Fire A/c	1,00,000		
To Printing Expenses A/c	20,000		
To Telephone Expense A/c	15,000		
To Net Profit t/f to Capital A/c	20,00,000		
	<u>25,90,000</u>		<u>25,90,000</u>

RAM'S BALANCE SHEET

As at 31 March, 2015

Liabilities	Amount ₹	Assets	Amount ₹
CAPITAL ACCOUNT		FIXED ASSETS	
Capital introduced 35,00,000		Machinery 10,00,000	
Add : Net Profit <u>20,00,000</u>		Less : Depreciation <u>1,00,000</u>	9,00,000
55,00,000			
Less : Drawings <u>1,00,000</u>	54,00,000	Furniture 1,00,000	
LONG TERM LIABILITIES		Less : Depreciation <u>10,000</u>	90,000
Loan-SBI	10,50,000	Telephone	2,000
CURRENT LIABILITIES		NON-CURRENT ASSETS	
Creditors	60,00,000	Investment	10,00,000
		Insurance Claim Receivable	1,00,000
		CURRENT ASSETS	
		Cash in hand	1,55,000
		Cash at Bank	92,03,000
		Stock	10,00,000
	1,24,50,000		1,24,50,000

Calculation of Relevant Ratios

Profitability Ratio

- Gross Profit Ratios

$$\frac{\text{Gross Profit}}{\text{Sales}} \times 100 = 30.11\%$$
- Net Profit Ratios

$$\frac{\text{Net Profit}}{\text{Total Revenue}} \times 100 = 22.22\%$$

Turnover Ratio

- Working Capital Turnover Ratio

$$\frac{\text{Sales}}{\text{Working Capital}} = 2 \text{ times}$$

4. Fixed Assets Turnover Ratio (Sales/Net Fixed Assets)	9 times
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Liquidity Ratio	1.73:1
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5. Current Ratios (Current Assets/Current Liabilities)	
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6. Quick Ratio (Current Assets-Stock)/Current Liabilities	1.56 : 1
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Working Notes	(₹)
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Gross Profit	27,10,000
Net Profit	20,00,000
Total Revenue	90,00,000
Fixed Assets	9,92,000
Current Assets	1,03,58,000
Current Liabilities	60,00,000
Working Capital (CA-CL)	43,58,000
Quick Assets	93,58,000
Stock	10,00,000
Total Debt	10,50,000
Owner's Fund	54,00,000

Conclusion

The business of 'Favourite Toys' is a success. It is indicated by good profitability ratios specially when it is the first year of the firm. Turnover ratios also indicate the effective and efficient utilization of the fixed assets and working capital. Liquidity ratios are also more than one.

Any bank will agree to give them loan on the basis of above ratios.

Project Statement for Practice

Read the project statements carefully and prepare comprehensive projects on likes of the sample projects.

PROJECT-3

PROJECT STATEMENT

"Muskan Saloon"

Muskan commenced business of selling beauty products on 1st April, 2014 with a capital of ₹ 25 lakhs. She entered into an agreement with Cosmetics India to sell the beauty products, purchased from them on one month credit basis.

During the year Muskan acquired following assets for which the payments were made through bank.

Assets	Amount in ₹
Land	7,50,000
Building	12,50,000
Office Equipment	1,20,000
Furniture & Fixtures	1,30,000

The beauty products were to be sold for cash only and the cash proceeds were to be deposited in the bank on the same day. All expenses except petty expenses were to be paid by bank only.

The petty cashier was given ₹ 5,000 on 1st April, 2014 under 'Imprest System'. The petty cashier would be reimbursed the actual expenses of the month on the first day of the next month before depositing the sale proceeds of the day.

The following information is extracted from the books of Muskan for the year ended on March 31, 2015.

Particulars	Amount in ₹
Purchases	12,40,000
Sales	15,90,000
Payments through Bank accounts:	
Salaries	65,000
Advance Tax paid	5,400
Electricity expenses	7,600

Telephone expenses	5,900
Advertising expenses	6,000
Opening ceremony expenses	3,000
Petty expenses	16,900
Printing & Stationery	2,000

The following expenses were not yet paid but need to be provided for computing current year's income:

Salaries of ₹ 6,700, electricity expenses of ₹ 800 and telephone expenses of ₹ 300.

The cash with the petty cashier on 31st March, 2015 were ₹ 1,500. The purchases for the month of March, 2015 amounted to ₹ 1,00,000. The company paid for purchases as per terms agreed upon. Closing stock as at 31st March, 2015 was ₹ 500. Charge depreciation on building @ 2%. Provision for Tax liability required to be made of ₹ 6,000.

- A. Prepare Trial Balance, Income Statement for the year ended 31st March, 2015 and Balance Sheet as at 31st March, 2015.
- B. 1. Cosmetics India wants to know the short term financial position of Muskan Saloon before extending the agreement on credit policy for the next year.
2. Muskan is interested in knowing :
- The profitability and cost efficiency of the firm in terms of "operating expenses to sales" and
 - The efficiency with which the capital, fixed assets, working capital and the total assets of the company have been utilized.

PROJECT NO. 4

PROJECT STATEMENT

M/s Steel Products

Raghu was a 24 years old resident of Rampur village in Bihar. He did B.Com (Hons.) from Bihar University, Patna. He belongs to a middle class family and always wanted to be a successful businessman but unable to decide the business which would best suit him.

One day, while talking with his friend, he got convinced about starting the business and on 1st April, 2014 he started a Steel Pipes and Angles business at a backward area of Bihar. He introduced capital of ₹ 70,000 in cash and ₹ 20,000 through cheque. he took a loan of ₹ 8,00,000 from ICICI Bank at a rate of interest of 10% per annum by pledge of his property. He purchased iron rods from Ram & Co. worth ₹ 20,000 on credit, machinery ₹ 40,000, furniture ₹ 10,000 and small piece of land for ₹ 1,00,000 on the same date. He hired 10 workers on 1st April and agreed to pay them wages of ₹ 12,500 each p.a. On 12th April, he returned goods worth ₹ 2000 to Ram and Co. being defective goods. He withdrew goods worth ₹ 4,000 for domestic use on the same date.

On 30th May, he sold steel pipes to Gupta & Co. worth ₹ 35,000 on credit. On 30th June, he sold steel angle worth ₹ 50,000 to Kumar & Co. as per the payment terms, 50% in cash, 30% through cheque and drew a bill for balance. On 4th July, Gupta & Co. who drew some defects in the pipes, returned the same worth ₹ 10,000.

Raghu paid office and administrative expenses of ₹ 2,000 and selling and distribution expenses of ₹ 5,000 on 6th July and advertisement expenses of ₹ 10,000 on 3rd August. On 4th September, he purchased iron rods worth ₹ 25,000 from Khanna and Co. who drew a bill for 6 months on Raghu, which he duly accepted. On 9th October, goods worth ₹ 10,000 were lost due to theft, however an insurance company admitted a claim of ₹ 5,000. On 17th October, Raghu paid ₹ 6,000 to Ram & Co.

On 16th December, he received ₹ 10,000 from Gupta and Co. Wages paid in advance were ₹ 10,000 on 15th January. On 22nd January, Raghu contributed ₹ 8000 to the Prime Minister's Relief Fund. A part of the machinery broke down on 12th February, ₹ 2,000 was incurred for its repairing.

On 2nd March, Raghu sold steel rods worth ₹ 60,000 to Sharma and Co. and received ₹ 20,000 in cash and balance was payable after 3 months. He sold steel rods worth ₹ 65,000 to Rakesh and Co. for cash on 4th March. On 15th March Sharma became insolvent and 50 paise in a rupee were received from his estate. On 20th March, Raghu purchased iron rods worth ₹ 3,33,000 from Shyam and Co.

The following transactions took place on 31st March 2015

- ☆ Wages paid ₹ 1,15,000
- ☆ Electricity bills paid ₹ 7,000
- ☆ Heating and lighting expenses ₹ 5,500
- ☆ Telephone charges ₹ 3,000
- ☆ Carriage and freight ₹ 1,000
- ☆ Miscellaneous expenses ₹ 500

On 31st March 2015, closing stock was valued at ₹ 4,40,000; depreciation on furniture and machinery is to be provided @ 10% p.a.; interest on capital to be provided @ 5% p.a. and interest on drawings to be charged @ 2% p.a.

You are required to:

- a) Pass journal entries, post them into the ledger accounts and prepare a Trial Balance.
- b) Prepare, Trading and Profit & Loss A/c for the year ended 31st March, 2015 and Balance Sheet as at 31st March, 2015 and analyze the profitability and the financial position of the business.

Decide whether the business is a success or a failure.

SPECIFIC PROJECTS

Segment Reporting

Segments are (i) The products of a company like Alto, Dezire and Gypsy of Maruti. (ii) The area of operation of a company like Consumer Care Business, Food Business and Personal Care Business of Dabur and Passenger transport, Goods transport of a Transport Company. (iii) The Geographical areas served by a service company like Northern Railway, Eastern Railway and Western Railway, etc. of Indian Railways.

It is mandatory for companies to report the progress of each segment as per AS-17 issued by the Council of The Institute of Chartered Accountants of India since April 1, 2001. It ensures full disclosure about the revenue from each segment, the profit from each segment and the amount of capital allocated to each segment. These reports are on quarterly, half yearly and annual basis. Thus, every segment gets full attention of the management and the shareholders also come to know the financial position of each segment. It is, required for true and fair disclosure as well.

Two specific projects on Performance of Segments are presented here :

- i) On segments of Prakash Industries Ltd. and
- ii) On segments of Dabur India Ltd.

Segment reporting is only one area of business reports. The students should explore more such areas from the company reports for relevant specific projects. For the sake of practice and exercise the students should visit the company's websites and check the quarterly reports for segment performance. This will be the source material for the projects.