Financial Statement of a Company

Meaning

Financial Statements are the organized summaries of detailed information of the financial performance of an enterprise for an accounting period financial position at the end of an accounting period.

"Financial Statements provide a summary of accounts of a business enterprise, the Balance Sheet reflecting the assets, liabilities and capital as on a certain date and income statement showing the results and operations during a certain period."

-John N. Myer

Financial Statements as per Section 2(40) of the Companies Act-2013 includes:-

1. **Balance Sheet:-** It is statement shows the financial position of a business. It is a statement of Assets, Liabilities and Equity of a company at a given date. It is also known as Position Statement.
2. **Statement of Profit and Loss:-** It is a statement showing the profit or loss of the company at the end of the accounting period. It shows the financial performance or result of business operations during an accounting period. It is also known as Income Statement.
3. **Notes to Accounts:-** Balance Sheet and Statement of Profit and Loss are supported by the notes giving details of items shown in the Balance Sheet and Statement of Profit and Loss.
4. **Cash Flow Statement:-** It is a statement prepared as per AS-3, to show inflow and outflow of Cash and Cash Equivalents.

Characteristics of Financial Statements

- Related to past period and thus are historical documents
- Expressed in monetary terms
- Shows financial position and financial performance through Balance Sheet and Statement of Profit and Loss

Characteristics of Balance Sheet

- Shows the financial position of a company
- Shows the balances of Assets, Liabilities and Equities as on that date
- The accounts may have an opening balance, transactions during the year and closing balance.
- It describes Assets= Liabilities + Owners Equity

Characteristics of Statement of Profit and Loss

- Shows financial performance of a company
- Prepared for a past period, thus, is a historical document
- It is for a specific accounting period

Financial Statements

Balance Sheet:- It is a statement of summaries of Assets, liabilities and equities. It shows the financial position of the company at a given date.

Balance Sheet of a company is prepared in the prescribed format, i.e., Schedule III, Part I of the Companies Act, 2013.

Format of Balance Sheet

Name of the Company
Balance Sheet as at ---------

Particulars	Note No.	Current year's Amount	Previous year's Amount
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital		------	------
(b) Reserve and Surplus		------	------
(c) Money Received against Share Warrants		------	------
2. Share Application Money Pending Allotment		------	------
3. Non-Current Liabilities			
(a) Long Term Borrowings		------	------
(b) Deferred Tax Liabilities		------	------
(c) Other Long Term Liabilities		------	------
(d) Long Term Provisions		------	------

Particulars	Note No.	Current year's Amount	Previous year's Amount
4. Current Liabilities			
(a) Short-term Borrowings		------	------
(b) Trade Payables		------	------
(c) Other Current Liabilities		------	------
(d) Short-term Provisions		------	------
Total		------	------
II. ASSETS		------	------
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets		------	------
(ii) Intangible Assets		------	------
(iii) Capital Work-in-Progress		------	------
(iv) Intangible Assets under Development		------	------
(b) Non-Current Investments		------	------
(c) Deferred Tax Assets (Net)		------	------
(d) Long-term Loan & Advance		------	------
(e) Other Non-current Assets		------	------

Particulars	Note No.	Current year's Amount	Previous year's Amount
2. Current Assets			
(a) Current Investments		------	------
(b) Inventories		------	------
(c) Trade Receivables		------	------
(d) Cash and Cash Equivalents		------	------
(e) Short-term Loan & Advance		------	------
(f) Other Current Assets		------	------
Total		------	------

Illustration 1

State the major heads under Equity and Liabilities of the company's Balance Sheet.

Solution:-

- Shareholders' Funds
- Share Application money pending Allotment
- Non Current Liabilities
- Current Liabilities

Illustration 2

State the major heads under Assets of the company's Balance Sheet.

Solution:-

- Non Current Assets
- Current Assets

Illustration 3

Name the head and sub-head of the followings:-

(i) Share Capital (ii) General Reserve (iii) Long Term Loans

Solution:-

	Items	Main Head	Sub Head
(i)	Share Capital	Shareholders' Funds	Share Capital
(ii)	General Reserve	Shareholders' Funds	Reserve & Surplus
(iii)	Long Term Loans	Non-Current Liabilities	Long Term Borrowings

Illustration 4

State the heads and sub-head of the following under the balance sheet as per Schedule III, Part I of the Companies Act,2013.

Mortgage Loan, Patents, Investments, Bills Receivable, 10% Debentures, Mining Rights.

Solution:-

Items	Heads	Sub-heads
Mortgage Loan	Non-Current Liability	Long Term Borrowings
Patents	Non-Current Assets	Fixed Assets (Intangible)
Investments	Non-Current Assets	Non-Current Investment
Bills Receivable	Current Assets	Trade Receivables
10% Debentures	Non-Current Liability	Long Term Borrowings
Mining Rights	Non-Current Assets	Fixed Assets (Intangible)

Illustration 5

Under what main heads and sub-heads are the following items classified or shown in the Balance Sheet of a Company as per Schedule III:-

Sundry Debtors, Prepaid Expenses, Cheques, Loose Tools, Raw Material, Unpaid Dividend

Solution:-

Items	Heads	Sub-heads
Sundry Debtors	Current Assets	Trade Receivables
Prepaid Expenses	Current Assets	Other Current Assets
Cheques	Current Assets	Cash & Cash Equivalent
Loose Tools	Current Assets	Inventories
Raw Material	Current Assets	Inventories
Unpaid Dividend	Current Liabilities	Other Current Liabilities

Illustration 6

Under what main heads and sub-heads are the following items classified or shown in the Balance Sheet of a Company as per Schedule III:-

Capital Reserve, Public Deposits, Forfeited Share Account, Calls in Arrears, Calls in Advance, Stores and Spares.

Solution:-

Items	Heads	Sub-heads
Capital Reserve	Shareholders' Funds	Reserve and Surplus
Public Deposits	Non-Current Liability	Long Term Borrowings
Forfeited Share A/c	Shareholders' Funds	Share Capital (added)
Calls in Arrear	Shareholders' Fund	Share Capital (deducted)
Calls in Advance	Current Liability	Other Current Liability
Stores and Spares	Current Assets	Inventories

Statement of Profit and Loss

It is a statement which shows the financial performance of a Company or we can say that it is a statement which shows the profit or loss of the company during the accounting period.

Statement of Profit and Loss of a company is prepared in the prescribed format, i.e., Schedule III, Part II of the Companies Act, 2013.

Format of Statement of Profit and Loss

Name of the Company
Statement of Profit and Loss as at ---------

Particulars	Note No.	Current year's Amount	Previous year's Amount
I. Revenue from Operations		------	------
II. Other Income		------	------
III. Total Revenue (I + II)		------	------
IV. Expenses			
• Cost of material consumed		------	------
• Purchase of Stock in Trade		------	------
• Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade		------	------
• Employee Benefit Expenses		------	------
• Financial Costs		------	------
• Depreciation and Amortisation Expenses		------	------

Particulars	Note No.	Current year's Amount	Previous year's Amount
• Other Expenses		------	------
Total Expenses		------	------
V. Profit before Tax (III – IV)		------	------
Less: Tax		------	------
VII. Profit or Loss for the period		------	------