



# INTERMEDIATE

# ADVANCED ACCOUNTING

**Volume 1**




- ▶ ICAI Study Material Questions Covered
- ▶ RTP/MTP Questions Covered
- ▶ Past Year Exam Questions Covered

**Book recommended by AIR 1**

**CA Nitin Goel**

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## WEIGHTAGE IN PAST YEAR EXAMS (From May 18 to Nov 23)

	MAY 18	NOV 18	MAY 19	NOV 19	NOV 20	JAN 21	JULY 21	DEC 21	MAY 22	NOV 22	MAY 23	NOV 23
Financial Statement of Companies	-	-	-	10	-	-	20	-	-	20	10	20
Cash Flow Statement (AS 3)	5	-	10	5	10	12	5	5	5	5	10	-
Buy Back of Securities	10	-	10	15	-	5	15	10	10	5	10+5	5
Internal Reconstruction	-	10	-	15	-	-	5	-	-	20	5	20
Amalgamation (Incl. AS 14)	20	5	10+5	-	15	20+5	10	15+5	20	5	20	5
Branch Accounting	10	-	8	-	10	5	10	10	10	10	5	10
AS 13: A/cing for Investments	10	10	5+1	10	10+5	10+5	20	10+5	5	10+5	10	10
AS 21: Consolidation	20	10	10	10+5	15	20	15+5	15	15	15	15+15	15
Framework	5	5	5	-	5+5	5	5	5+5	-	5	5	-
Basics	-	5	-	-	-	5	-	-	-	5	-	5
AS-1	-	5	-	-	-	-	-	5	5	-	5	5
AS-2	-	-	5+1	5	-	5	5	-	5	5	-	5
AS-4	-	5	5+1	-	-	-	5	5	-	5	-	-
AS-5	5	-	1	-	-	5	-	-	5	5	-	5
AS-7	5	-	5	-	5	-	5	-	5	-	5	-
AS-9	-	-	5	5	-	-	-	5	-	5	5	-
AS-10	-	5	-	-	5	-	5	-	5	-	5	-
AS-11	5	5+5	-	5	-	5	-	5	-	5	5	5
AS-12	5	-	1	-	5	5	5	-	5	-	5	5
AS-16	-	-	5	-	5	-	-	-	5	-	5	5
AS-17	5	-	-	5	5	5	-	-	5	-	5	5
AS-18	-	5	5	-	-	-	5	-	-	-	5	-
AS-19	5	-	5	5	-	5	-	5	5	-	-	-
AS-20	5	5	-	5	-	-	-	5	5	5	-	5
AS-22	5	-	5	5	5	5	5	-	-	5	-	5
AS-24	-	5	-	-	-	-	5	-	-	-	-	5
AS-26	5	-	-	5	5+5	5	-	5	-	-	-	5
AS-29	-	-	-	5	5	-	5	-	5	5	-	-

***FINANCIAL STATEMENTS OF COMPANIES***

*"Stop being afraid of what could go wrong and focus on what could go right"*

**MAINTENANCE OF BOOKS OF ACCOUNTS (Sec 128 of Companies Act, 2013)**

Every company shall prepare and keep at its **registered office** books of account and other relevant books and papers and financial statement for every financial year which give a **true and fair view** of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on **accrual basis** and according to the **double entry system** of accounting.

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

**PREPARATION OF FINANCIAL STATEMENTS**

Under Section 129 of the Companies Act, 2013, the financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies, as prescribed in Schedule III.

(As per section 133 of the Companies Act, it is mandatory to comply with accounting standards notified by the Central Government from time to time)

The Board of Directors of the company shall lay **financial statements** at every annual general meeting of a company which include:

- a) **Balance Sheet** as at the end of the period, and
- b) **Profit and Loss Account** for that period.

[Note: For a Company not carrying on business for profit, an Income and Expenditure Account shall be laid at that AGM, instead of the P & L Account.]

- c) **Cash flow statement** for the financial year
- d) **Statement of changes in equity**, if applicable; and
- e) **Any explanatory note** annexed to, or forming part of, any document referred above

Provided that the financial statement, with respect to One Person Company, small company, dormant company and private company (if it's a start up), may not include the cash flow statement.

**Requisites of Financial Statements** It shall give a true and fair view of the state of affairs of the company as at the end of the financial year.

**Provisions Applicable**

- (1) Specific Act is Applicable

For instance any

- a) Insurance company
- b) Banking company or
- c) Any company engaged in generation or supply of electricity or
- d) Any other class of company for which a Form of balance sheet or Profit and loss account has been prescribed under the Act governing such class of company

## DIVIDEND (Sec 123 of Companies Act, 2013)

<b>Dividend</b>	<p>Dividend to be declared / paid out of</p> <ol style="list-style-type: none"> <li>Profits of the company for that year or previous years but after providing depreciation as per Schedule II or</li> <li>Money provided by Central Govt. or State Govt. in pursuance of guarantee given by Govt.</li> </ol>
<b>General Provisions</b>	<ul style="list-style-type: none"> <li>➤ Dividend cannot be declared except out of profits.</li> <li>➤ Dividend to be declared/paid out of free reserves.</li> <li>➤ Capital cannot be returned to the shareholders by way of dividend.</li> <li>➤ Dividend is paid to Shareholders; Preference shareholders being paid first.</li> <li>➤ It is generally calculated on paid up capital i.e., Called up Capital <u>Less</u> Calls in Arrears</li> <li>➤ No dividend on Calls in Advance</li> <li>➤ Company cannot declare dividend unless previous year losses &amp; depreciation not provided are set off against profits of current year.</li> </ul>
<b>Interim Dividend</b>	<p>The Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the AGM out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend:</p> <p>Provided that in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.</p>
<b>Declaration of Dividend out of Reserves</b>	<p style="text-align: center; color: red;"><u>Withdrawal from Reserves : Conditions</u></p> <ol style="list-style-type: none"> <li>1) Dividend Rate cannot exceed average of previous 3 years</li> <li>2) Maximum Amount that can be withdrawn from reserves  <math>\leq 10\% \text{ of (Paid up capital + Free Reserves)}</math></li> <li>3) Minimum Amount left in reserves after withdrawal  <math>\geq 15\% \text{ of (Paid up capital)}</math></li> </ol> <p>The amount so drawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.</p>

Schedule III of the Companies Act, 2013**PART I – BALANCE SHEET**

Name of the Company.....

Balance Sheet as at .....

	PARTICULARS	Note No.	Figures as at the end of current Reporting period	Figures as at the end of previous reporting period
<b>A.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1.</b>	<b>Shareholder's funds</b>			
a	Share capital			
b	Reserves and surplus			
c	Money received against share warrants			
<b>2.</b>	<b>Share application money pending allotment</b>			
<b>3.</b>	<b>Non-Current Liabilities</b>			
a	Long-term borrowings			
b	Deferred tax liabilities (Net)			
c	Other long term liabilities			
d	Long-term provisions			
<b>4.</b>	<b>Current Liabilities</b>			
a	Short-term borrowings			
b	Trade payables			
c	Other current liabilities			
d	Short-term provisions			
	<b>TOTAL</b>			
<b>B.</b>	<b>ASSETS</b>			
<b>1.</b>	<b>Non-Current Assets</b>			
a	Property, Plant & Equipment & Intangible Assets			
i.	Property, Plant & Equipment			
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 loans and advances			
e	Other non-current assets			
<b>2.</b>	<b>Current Assets</b>			
a	Current investments			
b	Inventories			
c	Trade receivables			
d	Cash and cash equivalents			
e	Short-term loans and advances			
f	Other current assets			
	<b>TOTAL</b>			



**Accounts**

**1) Share Capital:** For each class of share capital (different classes of preference shares to be treated separately):

- a) the number and amount of shares authorised;
- b) the number of shares issued, subscribed & fully paid, and subscribed but not fully paid;
- c) par value per share;
- d) a reconciliation of the number of shares o/s at the beginning & at the end of the period;
- e) for the period of **5 years**:
  - Aggregate number & class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
  - Aggregate number & class of shares allotted as fully paidup by way of bonus shares
  - Aggregate number and class of shares bought back.
- f) List of Shareholders holding more than 5% shares
- g) Shareholding of Promoter's

Shares held by Promoter at the end of the year				% change during the year
S. No.	Promoter Name	No. of Shares	% of total Shares	
<b>Total</b>				

**2) Reserves and Surplus:**

- a) Capital Reserve
- b) Capital Redemption Reserve
- c) Securities Premium
- d) Debenture Redemption Reserve
- e) Revaluation Reserve
- f) Share Option Outstanding Account
- g) General (Revenue) Reserve
- h) Other Reserves (specify nature, purpose & amount)
- i) Surplus/ P&L A/c (Can be negative)

Balance of "Reserves & Surplus", after adjusting negative balance of surplus, if any, shall be shown under the head "Reserves and Surplus" even if the resulting figure is in the negative.

**3) Long Term Borrowings:**

- a) Debentures/Bonds, Term Loans, Deposits, Loans & Advances from related parties, Long term maturities of finance lease obligations, etc.
- b) Show secured & unsecured and specify nature of security.
- c) Terms of repayment of loans

**4) Deferred Tax Liabilities:** Calculated as per AS 22

**5) Other Long Term Liabilities:** Trade Payables & Others (E.g. Creditors for Machinery)

**6) Long Term Provisions:** Provision for Employee benefits (E.g. Gratuity) & Others

**7) Short Term Borrowings:**

- a) Loans repayable on demand, Deposits, Loans & Advances from related parties, Bank overdraft, Others, etc.
- b) Show secured & unsecured and specify nature of security.
- c) Current maturities of Long term borrowings shall be disclosed separately under Short term borrowings & not under Other Current Liabilities



**8) Trade Payables: (Ageing Schedule)**

Particulars	O/s for following periods from due date of payment				Total
	< 1 year	1-2 years	2-3 years	> 3 years	
MSME					
Others					
Disputed dues-MSME					
Disputed dues-Others					

**9) Other Current Liabilities:**

- a) Accrued Interest
- b) Income received in Advance
- c) Unclaimed dividend, Dividend Payable
- d) Application money pending refund
- e) Unpaid matured debentures/deposits
- f) Outstanding Expenses

**10) Short Term Provisions:** E.g. Provision for tax, Provision for Claims etc.**11) PPE & Intangible Assets:** A reconciliation of the gross & net carrying amounts of each class of assets at beginning & end of reporting period showing additions, disposals, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of PPE/ Intangible Assets) & other adjustments & related depreciation & impairment losses/reversals shall be disclosed separately.]

**PPE:** Classified as Land, Building, Plant & Equipment, Furniture & Fixtures, Vehicles, etc.

**Intangible Assets:** Classified as Goodwill, Brands, Software, Copyrights, Licenses, etc.

**12) Non Current Investments:**

- a) Investment Property, Investment in Equity, Preference Shares, Govt. securities, Debentures, Mutual Funds, Partnership firms, Others, etc.
- b) Aggregate Amount of Quoted & Unquoted investments and Provision for decline
- c) Valuation basis if carried at other than cost

**13) Long Term Loans & Advances:**

- a) Capital Advances, Loans & Advances to related parties, Others, etc.
- b) Details of secured, unsecured, doubtful, etc.

**14) Other Non Current Assets:**

- a) Long term trade receivables, Security deposits, Others, etc.
- b) Details of secured, unsecured, doubtful, etc.

**15) Current Investments:**

- a) Investment in Equity, Preference Shares, Govt. securities, Debentures, Mutual Funds, Partnership firms, Others, etc.
- b) Aggregate amount of Quoted & unquoted investments and Provision for decline
- c) Valuation basis

**16) Inventories:**

- a) Raw Materials, Work in Progress, Finished Goods, Stock in Trade, Stores & Spares, Loose Tools, etc.
- b) Valuation basis

**17) Trade Receivables:**

a) Ageing Schedule

Particulars	O/s for following periods from due date of payment					Total
	Less than 6 months	6 months – 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed -considered good						
Undisputed -considered doubtful						
Disputed - considered good						
Disputed - considered doubtful						

b) Secured, Unsecured, Doubtful

c) Provision for Doubtful debts to be reduced

**18) Cash & Cash Equivalents:**

a) Cash, Balance with Banks, Cheque in hand, etc.

b) Show balance with Scheduled bank &amp; Non Scheduled bank separately.

**19) Short Term Loans & Advances:**

a) Loans &amp; advances to related parties, others (e.g. staff advances), etc.

b) Sub classified as Secured, Unsecured, Doubtful

**20) Other Current Assets:** Balance items like Accrued interest on Investment, etc.**Additional Disclosures**

- (1) Title deeds of Immovable Property not held in name of the Company.
- (2) Capital WIP/ Intangible Assets under development Ageing schedule.
- (3) **Details as willful defaulter** (where company declared willful defaulter by bank or financial institution, details to be given like: date, amount & nature of defaults)
- (4) Relationship with struck off companies
- (5) Following ratios to be disclosed: (Change >25% as compared to previous year to be explained)
  - (a) Current Ratio, (b) Debt-Equity Ratio, (c) Debt Service Coverage Ratio, (d) Return on Equity Ratio, (e) Inventory turnover ratio, (f) Trade Receivables turnover ratio, (g) Trade payables turnover ratio, (h) Net capital T/o ratio, (i) Net profit ratio, (j) Return on Capital employed, (k) Return on investment

**CONTINGENT LIABILITIES and COMMITMENTS (to the extent not provided for)**

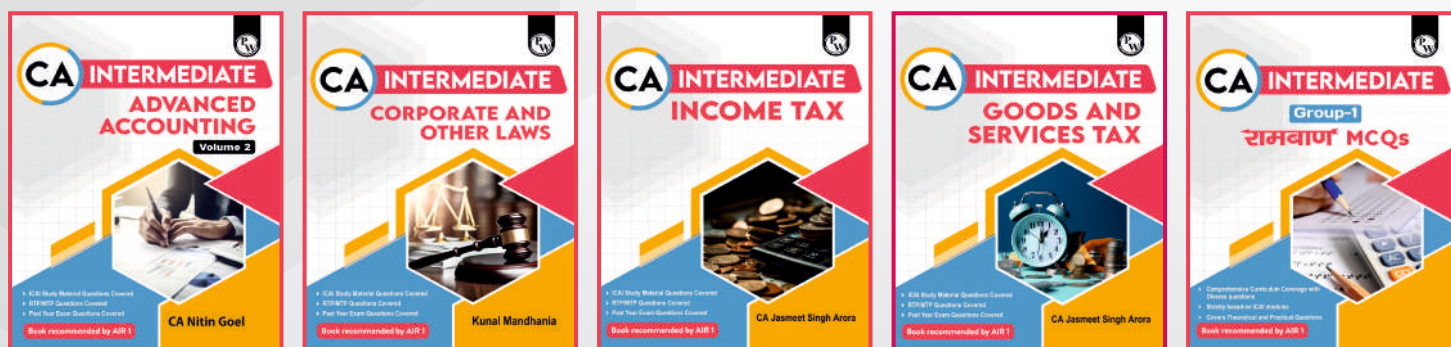
- a. Claims against the company not acknowledged as debt
- b. Guarantees
- c. Arrears of fixed cumulative dividends on preference shares
- d. Estimated amount of contracts remaining to be executed on capital account & not provided
- e. Uncalled liability on shares and other investments partly paid
- f. Bills discounted not yet matured
- g. Other money for which the company is contingently liable & other commitments.

## About The Author

**CA Nitin Goel** is an All India Rank holder at all CA levels (AIR 9 in CPT, AIR 7 in Intermediate, AIR 9 in Final) and a Gold Medalist in B.Com. With 10+ years of teaching experience, he is a renowned Accounts, Advanced Accounts, and Financial Reporting faculty at PW. A former ITC professional, he blends industry insights with teaching. His students consistently score 90+ marks and have secured All India Ranks, including AIR 1, making him a trusted name in CA education.

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