

**Answer 1:**

Assumptions:

Roll no.	B16178
Date of Birth	02/05/1994

Journal Entries:

Date	Transaction		Reference	Debit	Credit
	Dr.	Cr.			
1-Jun	Cash A/c			357000	
		Capital A/c			357000
	(Being Capital invested by proprietor Ram)				
1-Jun	Cash A/c			2000	
		Loan A/c			2000
	(Borrowed from Ms. Champa)				
2-Jun	Prepaid Rent A/c			17900	
		Cash A/c			17900
	(Rent paid for 100 days, 71 days remain at the end of the month)				
2-Jun	Inventory A/c			10740	
		Cash A/c			10740
	(Purchase of Red Chillies at 'Z+1' per kilogram)				
5-Jun	Inventory A/c			21480	
		Trade Payable A/C			21480
	(Purchase of Green Chillies at 'Y+1' per kilogram)				
6-Jun	Sales Expense A/c			1000	
		Cash A/c			1000
	(Sales Promotion Expenses)				
13-Jun	Research Expense A/c			182	
		Inventory A/c			182
	(1 kg of Red and 1 kg of Green Chillies given to Ram's Mother-in-Law for research purposes)				
24-Jun	Cash A/c			651600	
		Sales A/c			651600
	(Sale of Red Chillies and Green Chillies)				
25-Jun	Dividends A/c			182	
		Inventory A/c			182
	(1 kg of Red and 1 kg of Green Chillies gifted to Ram's wife)				
30-Jun	Interest Expense A/c			20	
		Cash A/c			20
	(Interest paid to Ms. Champa)				
30-Jun	Salary Expense A/C			1000	
		Salary Payable A/c			1000
	(Salary to be paid to his employee)				
30-Jun	Furniture A/c			300	
		Trade Payable A/C			300
	(Purchase of furniture at credit)				
<b>Adjustment Transactions</b>					

24-Jun	Inventory Consumed A/c			27924	
		Inventory A/c			27924
	(Cost of goods sold used)				
30-Jun	Tax Expense A/c			0	
		Tax Payable A/C			0
	(Income tax to be paid at 35% p.a)				
30-Jun	Rent Expense A/c			5191	
		Prepaid Rent A/c			5191
	(Consumption of rent for the stay during the month)				

**Ledger Entries:**

Cash A/C					
Date	Particular	Amount	Date	Particular	Amount
1-Jun	Capital A/C	₹ 357,000.00	2-Jun	Prepaid Rent A/C	₹ 17,900.00
1-Jun	Loan A/C	₹ 2,000.00	2-Jun	Inventory A/C	₹ 10,740.00
24-Jun	Sales A/C	₹ 651,600.00	6-Jun	Sales Expenses A/C	₹ 1,000.00
			30-Jun	Interest Expenses A/C	₹ 20.00
	<b>Balance</b>	<b>₹ 980,940.00</b>			

Capital A/C					
Date	Particular	Amount	Date	Particular	Amount
			1-Jun	Cash A/C	₹ 357,000.00
				<b>Balance</b>	<b>₹ 357,000.00</b>

Loan A/C					
Date	Particular	Amount	Date	Particular	Amount
			1-Jun	Cash A/C	₹ 2,000.00
				<b>Balance</b>	<b>₹ 2,000.00</b>

Prepaid Rent A/C					
Date	Particular	Amount	Date	Particular	Amount
2-Jun	Cash A/C	₹ 17,900.00	30-Jun	Rent Expense A/c	₹ 5,191.00
	<b>Balance</b>	<b>₹ 12,709.00</b>			

Inventory A/C					
Date	Particular	Amount	Date	Particular	Amount
2-Jun	Cash A/C	₹ 10,740.00	13-Jun	Research Expense A/c	₹ 182.00
5-Jun	Trade Payable A/C	₹ 21,480.00	25-Jun	Dividend A/c	₹ 182.00
	<b>Balance</b>	<b>₹ 31,856.00</b>			

Trade Payable A/C					
Date	Particular	Amount	Date	Particular	Amount
			5-Jun	Inventory A/C	₹ 21,480.00
			30-Jun	Furniture A/C	₹ 300.00
				<b>Balance</b>	<b>₹ 21,780.00</b>

**Sales Expenses A/C**

Date	Particular	Amount	Date	Particular	Amount
6-Jun	Cash A/C	₹ 1,000.00			
	<b>Balance</b>	<b>₹ 1,000.00</b>			

**Sales A/C**

Date	Particular	Amount	Date	Particular	Amount
			24-Jun	Cash A/C	₹ 651,600.00
				<b>Balance</b>	<b>₹ 651,600.00</b>

**Interest Expenses A/C**

Date	Particular	Amount	Date	Particular	Amount
30-Jun	Cash A/C	₹ 20.00			
	<b>Balance</b>	<b>₹ 20.00</b>			

**Salary Expenses A/C**

Date	Particular	Amount	Date	Particular	Amount
30-Jun	Salaries Payable A/C	₹ 1,000.00			
	<b>Balance</b>	<b>₹ 1,000.00</b>			

**Salaries Payable A/C**

Date	Particular	Amount	Date	Particular	Amount
			30-Jun	Salary Expenses A/C	₹ 1,000.00
				<b>Balance</b>	<b>₹ 1,000.00</b>

**Furniture A/C**

Date	Particular	Amount	Date	Particular	Amount
30-Jun	Trade Payable A/C	₹ 300.00			
	<b>Balance</b>	<b>₹ 300.00</b>			

**Dividend A/C**

Date	Particular	Amount	Date	Particular	Amount
1-Jun	Inventory A/C	₹ 182.00			
	<b>Balance</b>	<b>₹ 182.00</b>			

**Rent Expense A/C**

Date	Particular	Amount	Date	Particular	Amount
1-Jun	Prepaid Rent A/c	₹ 5,191.00			
	<b>Balance</b>	<b>₹ 5,191.00</b>			

**Research Expense A/c**

Date	Particular	Amount	Date	Particular	Amount
1-Jun	Inventory A/c	₹ 182.00			
	<b>Balance</b>	<b>₹ 182.00</b>			

Tax Payable A/C					
Date	Particular	Amount	Date	Particular	Amount
			1-Jun	Tax Expense A/C	₹ 0.00
				Balance	₹ 0.00

Tax Expense A/c					
Date	Particular	Amount	Date	Particular	Amount
1-Jun	Tax Payable A/c	₹ 0.00			
	Balance	₹ 0.00			

**Worksheet Entries:**

Items/Transactions	Trial Balance		Adjustments		Adjusted Trial Balance	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash A/C	980940				980940	
Capital A/C		357000				357000
Prepaid Rent A/C	17900			5191	17900	5191
Inventory A/C	31856			27924	31856	27924
Furniture A/C	300				300	
Trade Payable A/C		21780				21780
Salary Payable A/C		1000				1000
Tax Payable A/C						17975
Loan		2000				2000
Sales		651600				651600
Sales Expenses	1000				1000	
Salary Expense	1000				1000	
Research Expense	182				182	
Rent Expense			5191		5191	
Inventory Consumed			27924		27924	
Interest Expense	20				20	
Profit Before Tax					616283	
Tax Expense A/C					17975	
Profit After Tax (Retained Earnings)					598308	
Dividend	182				182	
Tax						

**Profit and Loss Statement:**

Cost of Goods Sold	27924	Sales Net	651600
Gross Profit	623676	Other Income	0
Depreciation Expenditure	0	Gross Profit	623676
Other Operating Expenses	7373		
Operating Profit	616303		
Interest Expense	20	Operating profit	616303

Profit Before Tax	616283		
Income tax Provision	17975	Profit Before Tax	616283
Net Profit After Tax at 35 %	598308		
Withdrawals (or Dividend)	182	Profit After Tax	598308
Retained Earnings	598126		

**Balance Sheet:**

Assets		Liabilities and owner's equity	
Cash	980940	Trade Payable	21780
Inventory	3932	Salary Payable	1000
Prepaid rent	12709	Total Payable	22780
Total current assets	997581	Loan	2000
		Tax Payable	17975
Fixed assets	300	<b>Total liabilities</b>	<b>42755</b>
Total fixed assets	300		
		Capital	357000
		Retained Earning	598126
		<b>Total owner's equity</b>	<b>955126</b>
<b>Total assets</b>	<b>997881</b>	<b>Total Liabilities and owner's equity</b>	<b>997881</b>

2a.

RCB

Date	Account	Debit	Credit
1-Jan-15	Assets	X	
	Less Amortisation	0.02X	
	Net Asset	0.98X	
1-Jan-16	Assets	X	
	Less amortisation	0.04X	
	Net Assets	0.96X	

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Date	Account	Debit	Credit

1-Jan-15	Assets	X	
	Less Amortisation	0.04X	
	Net Asset	0.96X	
1-Jan-16	Assets	X	
	Less amortisation	0.08X	
	Net Assets	0.92X	

CSK,RR,KXIP

Date	Account	Debit	Credit
01-Jan-15	Amortization Expense	0.1X	
	Accumulated Amortization		0.1X
01-Jan-16	Amortization Expense	0.1X	
	Accumulated Amortization		0.1X

Date	Account	Debit	Credit
01-Jan-15	Franchisee Fee	0.1X	
	Payables-BCCI		0.1X
01-Jan-16	Franchisee Fee	0.1X	
	Payables-BCCI		0.1X

**Assumption:**It is assumed that CSK considers the dues as unsecured loans

**2b.** The reasons for divergent accounting practices among IPL teams is that companies use different accounting practices for the same transaction. This in effect is defeating the comparability of financial statements. The main reasons for this could be presence of alternative accounting treatments in the accounting standards and Lack of accord among government and regulatory agencies.

As mentioned in the case significant variance in accounting practice can be observed in critical items of cost, revenue, fixed assets accounting and reporting. For instance, on amortisation of aggregate franchisee fee (IP rights), the period of write off by RCB is 50 years, DC 25 years while all other franchisees have rationally adopted 10 years. Also the sums due to BCCI have been reflected as unsecured loans by RR, long-term liability by DC, current liability by RCB and KXIP, and none by DD, MI, and KKR. This clearly shows the inconsistency in accounting practices and makes comparison difficult.

The user of this information will find it difficult to make relative evaluation of performance of companies which will hinder the valuation and decision making process. To overcome these problems, harmonization of accounting standards has to be carried out. Accounting harmonization aims to harmonize auditing principles and standard within the country for ease of comparability.

Uniformity and consistency in accounting practices is essential for interpretation, analysis, and fair valuation of IPL teams. Thus, considering EBIT, PBT, PAT, and EPS without taking into account the required adjustments to reported financials will cause incorrect interpretation of figures.

### 3a.

Observing the Income Statement, the following adjustments seem to have been made during the closing of accounts.

#### 1.) Raw Material and Inventory Consumed (Rs lacs)

Supplies Consumed A/C	Debit 37,128.00
Supplies A/C	Credit 37,128.00

The components consumed include a Colour Picture Tube, LCD / LED panels, and components and parts for Display Devices, Air Conditioners, Washing Machines and PCB's.

#### 2.) Depreciation (Rs lacs)

Depreciation Expense A/C	Debit 1,414.50
Accumulated Depreciation A/C	Credit 1,414.50

Depreciation of assets is recorded by crediting an Accumulated Depreciation A/C which is a Contra Asset Account.

#### 3.) Prepaid insurance (Rs lacs)

Expired Insurance Cost	Debit 130.02
Prepaid insurance	Credit 130.02

Other Expenses in the Income Statement include Insurance charges of 133.34. Insurance was probably a prepaid expense, covering a long period. The expired cost has been recorded at the time the accounts have been closed.

### 3b.

Sr. No	Provision	Value (Rs lacs)	Remarks
1	Long Term Provisions	160.49	Provision for gratuity for employees under Non-current liabilities
2	Short term provision	307.38	Short term provision for employee benefits in terms of provision for gratuity (42.3%) and leave benefits (57.7%)
3	Provisions for doubtful debts	1,152.03	Trade receivables of 12,542.21 was arrived at by making provisions for doubtful debts of 1,152.03
4	Advance income tax (Net of provisions)	164.01	Being provision for advance income tax under long term advances and loans as a constituent of Non-current assets

5	Provision for diminution in the value of investments	140.77	Being provision for diminution in value of investments in Kongar textiles and Onida Finance under non-current investments
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