Corporate Accounting

Unit-2

Final Accounts of Company

(1) What do you mean by Current Assets and Non –Current Assets?

Answers: An asset shall be classified as current when it satisfies any of the following criteria:

- **(a) It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle.**
- **(b) It is held primarily for the purpose of being traded.**
- **(c) It is expected to be realized within 12 months after the reporting date.**
  All other assets shall be classified as non- current assets.

(2) What do you mean by current liabilities and non- current liabilities?

Answer: A liability shall be classified as current when it satisfies any of the following criteria:

- **(a) It is expected to be settled in the company's normal operating cycle.**
- **(b) It is held primarily for the purpose of being traded.**
- **(c) It is due to be settled within 12 months after the reporting date.**
  All other liabilities shall be classified as non- current liabilities.

(3) What do you mean by Deferred Taxes and Deferred Tax Liabilities?

Answer: The difference between tax on accounting income and taxable income is called deferred tax.

A deferred tax liability comes into existence when the accounting income is more than taxable income.

(4) What do you mean by Deferred Tax Asset?

Answer: A deferred tax asset comes into existence when accounting income is less than taxable income. The common example is provision for doubtful debts.

(5) What do you mean by Commitments?

Answer: Commitment is defined as an agreement to perform a particular activity at a certain time in the future under certain circumstances.

(6) What do you mean by Stock Exchange Listing Fee and Filling Fee with the Registrar (ROC)?

Answer: Stock Exchange Listing Fee or share listing fee is the fee which a company is required to pay to get their shares listed in a stock exchange.

Filling Fee paid to the Registrar (ROC) means the amount paid to the ROC at the time of filing of various returns.

(7) What do you mean by Transfer Fee?

Answer: Transfer fee means the fee received by a company from the shareholders in connection with the transfer of securities. Such fee is treated as revenue income.

(8) What do you mean by Interim Dividend?

Answer: Interim dividend represents the amount of dividend declared and paid by the company during the year before the preparation of final accounts. Interim dividend is declared and paid by the Board of Directors and there is no necessity of calling a meeting of the shareholders to sanction the payment of such dividend.

(9) What do you mean by Corporate Dividend Tax?

Answer: Corporate Dividend Tax is a provision for taxation on dividend on companies. This tax is termed as ‘ Corporate Dividend Tax’. Any domestic company declaring, distributing or paying dividends is required to pay this tax at the rates applicable for the concerned year. This rate has been revised to 15% from 1. 4. 2007.

(10) What do you mean unpaid and unclaimed dividend?

Answer: Unpaid dividend means the dividend declared but not yet paid by the company. If there is any unpaid dividend, it will appear on the credit side of the trial balance.

Unclaimed dividend represents the amount of dividend which is declared and against which dividend warrants have been issued to the shareholders, but the same have not been collected by the shareholders.

(11) What do you mean by share warrant?

Answer: A share warrant is a bearer document of title to shares and can be issued only by public limited companies and that too has fully paid up.

(12) State the statutory provisions relating to preparation and presentation of final accounts.

Answer: The important provisions from the view point of preparation of financial statements are summarized below:

- **(a) Every company shall prepare and keep as its registered office books of account and other relevant books and papers and financial statement for every financial year.**
- **(b) Financial statements shall give a true and fair view of the state of the affairs of the company, including that of its branch office(s) , if any.**
- **(c) Such books shall be kept on accrual basis and according to the double entry system of accounting.**
- **(d) Company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.**
- **(e) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours , and in the case of financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed.**
- **(f) The books of account of every company relating to a period of not less than 8 financial years immediately preceding a financial year, or where the company had been in existence for a period less than 8 years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.**
- **(g) Financial Statements shall be prepared as per the instructions and in the form or forms as may be prescribed for different class or classes of companies in Schedule III**
- **(h) At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.**

(13) What do you mean by Intangible assets under development?

Answer: It refers to intangible assets which are being developed by the company itself.

(14) What do you mean by Tax Deducted at Source (TDS) ?

Answer: TDS means the amount of income tax deducted from the amount payable to the payee by the person making the payment. In case of a company, there may be 2 situations in respect of TDS:

- **(a) TDS on payment made by the company.**
- **(b) TDS on payments received by the company.**

(15) Write a note on accounting treatment of Proposed Dividend.

Answer: Earlier proposed dividend was treated as a liability and was shown under the sub head ' Short Term Provision' under the main head ' Current Liabilities' in the Balance Sheet. But now after the Notification of the Ministry of Corporate Affairs dated 6th Of April, 2019 , regarding amended Schedule III to Companies Act 2013, and after the amendment of AS4 'Events Occurring after the Balance Sheet Date' any amount of dividend proposed by the BOD after the balance sheet date cannot be treated as current liability. It shall be shown in the "Notes to Accounts" as Contingent Liability.

(16) What do you mean by Investors Education and Protection Fund?

Answer: If any claim against the unpaid dividend is made, the payment will be made out of Unpaid Dividend Account. But if any such money remains unpaid for a period of 7 years from the date of such transfer, shall be transferred to an account called 'Investor education and protection fund' established by the Central Govt. as per the provisions of section 125 of the Companies Act, 2013.

(17) What do you mean by calls unpaid?

Answer: Calls unpaid represent the amount not paid by the shareholders on the calls made on them by the company.