

Method of Preparing Balance Sheet

1. List share capital (as per schedule 5), reserves and surplus (as per schedule 6) and borrowings (as per schedule 7) under the head "*Sources of Funds*".
2. Under the head "*Application Funds*" list investments (as per schedule 8), loans (as per schedule 9) and fixed assets (as per schedule 10).
3. Under "*Current Assets*" list cash and bank balance (as per schedule 11) and advances and other assets (as per schedule 12) and total it as sub-total (A).
4. List current liabilities (as per schedule 13) and provisions (as per schedule 14) and total it as sub-total (B).
5. Find out net current assets C by deducting sub-total (B) from sub-total (A).
6. List miscellaneous expenditure (as per schedule 15).
7. Total application of funds.

Illustration 4: Following are the ledger balances of Popular Life Insurance Co. Ltd as on 31-3-2020.

	(₹ '000)
Share capital	8,000
Life assurance fund on 1-4-2019	9,200
Furniture	800
Cash	200
Cash with banks	180
Surplus in revenue account	342
Contingency reserve	28
Stationery in stock	20
Investment in govt. securities	840
Investment in shares	5,324
Loans on policies	3,252
Loan on mortgage	6,848
Agents' balance	212
Sundry debtors	116
Sundry creditors	45
Provision for taxation	185
Proposed dividend	12
Advance payment of tax	20

Prepare Balance Sheet as on 31-3-2020.

Solution**Balance Sheet as on 31-3-2020**

Particulars	Schedule No.	Amount (₹ '000)
Source of funds		
Share capital	5	8,000
Reserves and surplus	6	9,570
Borrowings	7	—
Total		17,570
Application of funds		
Investments	8	6,164
Loans	9	10,100
Fixed assets	10	800
Current assets		
Cash and bank balance	11	380
Advances and other assets	12	368
Sub-total (A)		748
Current liabilities		
Provisions	13	45
	14	197
Sub-total (B)		242
Net current assets C (A - B)		506
Miscellaneous expenditure	15	—
Total		17,570

Schedules**Schedule 5 - Share Capital**

	(₹ '000)
Share capital	8,000
	8,000

Schedule 6 - Reserves and Surplus

Contingency reserve		28
Life assurance fund	9,200	
Add: Surplus in reserve a/c	342	9,542
		9,570

Schedule 7 - Borrowings

	Nil
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Schedule 8 - Investments

Investment in govt. securities	840
Investment in shares	5,324
	6,164

Schedule 9 - Loans

Loans on policies	(₹ '000)
Mortgage loan	3,252
	6,848
	10,100

Schedule 10 - Fixed Assets

Furniture	800
	800

Schedule 11 - Cash and Bank Balance

Cash in hand	200
Cash with banks	180
	380

Schedule 12 - Advances and Other Assets

Advance payment of tax	20
Agents' balance	212
Sundry debtors	116
Stock of stationery	20
	368

Schedule 13 - Current Liabilities

Sundry creditors	45
	45

Schedule 14 - Provisions

Provision for taxation	185
Proposed dividend	12
	197

Schedule 15 - Miscellaneous Expenditure

	Nil
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Illustration 5: Following are the ledger balances of Oriental Life Insurance Co. Ltd as on 31-3-2020.

Debit balance	₹	Credit balance	₹
Buildings	82,00,000	Life Assurance Fund (1.4.2019)	1,14,00,000
Furniture	26,80,000	Share capital (6,00,000 shares of ₹ 10)	60,00,000
House property	6,00,000	Contingency reserve	40,00,000
Premium outstanding	1,30,000	Surplus in revenue a/c	23,60,000
Cash in hand	3,30,000	Borrowings from banks	79,00,000

Balance with banks	6,70,000	Sundry creditors	8,70,000
Investments:		Outstanding expenses	3,50,000
in govt. securities	18,00,000		
in shares	14,00,000		
Loans on policies	85,00,000		
Mortgage loan	70,70,000		
Agents' balance	1,20,000		
Sundry debtors	12,80,000		
Discount on issue of shares	1,00,000		
	3,28,80,000		3,28,80,000

Additional information

1. Proposed dividend on shares ₹ 2,60,000
2. Provide for taxation ₹ 3,00,000

Prepare Balance Sheet as on 31.3.2020.

Solution

Balance Sheet as on 31-3-2020

Particulars	Schedule No.	Amount (₹ '000)
Source of funds		
Share capital	5	60,00,000
Reserves and surplus	6	1,72,00,000
Borrowings	7	79,00,000
Total		3,11,00,000
Application of funds		
Investments	8	32,00,000
Loans	9	1,55,70,000
Fixed assets	10	1,14,80,000
Current assets		
Cash and bank balance	11	10,00,000
Advances and other assets	12	15,30,000
Sub-total (A)		25,30,000
Current liabilities		
Provisions	13	12,20,000
Sub-total (B)	14	5,60,000
Net current assets C (A - B)		17,80,000
Miscellaneous expenditure	15	7,50,000
Total		1,00,000
		3,11,00,000

Schedule 5 - Share Capital

6,00,000 shares of ₹ 10 each	(₹ '000)
	60,00,000
	60,00,000

Schedule 6 - Reserves and Surplus

Contingency reserve				
Life Assurance Fund (1-4-2019)				40,00,000
Add: Transfer:			1,14,00,000	
Surplus on revenue a/c				
Less: Proposed dividend	23,60,000			
Provision for taxation	2,60,000			
	3,00,000	5,60,000	18,00,000	1,32,00,000
				1,72,00,000

Schedule 7 - Borrowings

Bank loan	79,00,000
	79,00,000

Schedule 8 - Investments

Investment in govt. securities	18,00,000
Investment in shares	14,00,000
	32,00,000

Schedule 9 - Loans

Loans on policies	85,00,000
Mortgage loan	70,70,000
	1,55,70,000

Schedule 10 - Fixed Assets

House property	6,00,000
Buildings	82,00,000
Furniture	26,80,000
	1,14,80,000

Schedule 11 - Cash and Bank Balance

Cash in hand	3,30,000
Balance with banks	6,70,000
	10,00,000

Schedule 12 – Advances and Other Assets

(₹ '000)

Agents' balance	1,20,000
Premium outstanding	1,30,000
Sundry debtors	12,80,000
	15,30,000

Schedule 13 – Current Liabilities

Sundry creditors	8,70,000
Outstanding expenses	3,50,000
	12,20,000

Schedule 14 – Provisions

Provision for income tax	3,00,000
Proposed dividend	2,60,000
	5,60,000

Schedule 15 – Miscellaneous Expenditure

Discount on issue of shares	1,00,000
	1,00,000

Illustration 6: Following is the Trial Balance of Best Life Insurance Company as on 31-3-2020.

Debit balance	(₹ '000)	Credit balance	(₹ '000)
Loans on company policies	1,74,600	Premium	3,65,900
Loans on govt. securities	7,00,000	Profit on sale of investments	10,800
Mortgages	8,86,800	Claims outstanding	58,400
Agents' balance	6,800	Trade creditors	7,700
Investments	9,60,300	Life Assurance Fund (1.4.2019)	8,00,000
Cash at bank	12,700	Consideration for annuities	12,200
Cash in hand	1,750	Interest, dividend, rent, etc.	1,20,500
Furniture	1,500	Share capital	20,00,000
House property	59,800		
Loans on life policies	4,200		
Expenses of management	18,200		
Stock of stamps	150		
Deposits with RBI	2,00,000		
Commission	9,800		
Bonus in cash	4,200		
Surrenders	21,100		
Claims by maturity	1,04,700		
Claims by death	1,72,600		