

(b) Following are the Financial Statements of Abraham Ltd.:

Balance Sheet

Particulars	Note No.	As at 31 March, 2020 (₹ in lakh)
EQUITY AND LIABILITIES:		
Shareholders' funds		
Share capital (shares of ₹ 10 each)		1,000
Reserves and surplus	1	2,400
Non-current liabilities		
Long term borrowings	2	5,700
Deferred tax liabilities	3	400
Current liabilities		
Trade payables		300
Short-term provisions		300
Other current liabilities	4	<u>200</u>
Total		<u>10,300</u>
ASSETS		
Non-current assets		
Property, plant and equipment		5,000
Deferred tax assets	3	700
Current assets		
Inventories		1,500
Trade receivables	5	1,100
Cash and bank balances		<u>2,000</u>
Total		<u>10,300</u>

Statement of Profit & Loss

Particulars	Note No.	Year ended 31 March 2020 (₹ in lakh)
Revenue from operations		<u>6,000</u>
Expenses:		
Employee benefit expense		1,200
Operating costs		3,199
Depreciation		<u>450</u>
Total expenses		<u>4,849</u>
Profit before tax		1,151
Tax expense		<u>201</u>
Profit after tax		<u>950</u>

Notes to Accounts:

Note 1: Reserves and surplus

(₹ in lakh)

Notes to Accounts:**Note 1: Reserves and surplus** (₹ in lakh)

Capital reserve		500
Surplus from P & L		
Opening balance	550	
Additions	<u>950</u>	1,500
Reserve for foreseeable loss		<u>400</u>
Total		<u>2,400</u>

Note 2: Long-term borrowings

Term loan from bank		<u>5,700</u>
Total		<u>5,700</u>

Note 3: Deferred tax

Deferred tax asset		700
Deferred tax liability		<u>400</u>
Total		<u>300</u>

Note 4: Other current liabilities

Unclaimed dividends		10
Billing in advance		150
Other current liabilities		<u>40</u>
Total		<u>200</u>

Note 5: Trade Receivables

Considered good (outstanding within 6 months)		1,065
Considered doubtful (due from past 1 year)		40
Provision for doubtful debts		<u>(5)</u>
Total		<u>1,100</u>

Additional information:

- Share capital comprises of 100 lakh shares of ₹ 10 each.
- Term Loan from bank for ₹ 5,700 lakh also includes interest accrued and due of ₹ 700 lakh as on the reporting date.
- Reserve for foreseeable loss is created against a service contract due within 6 months.
- Inventory should be valued at cost ₹ 1,500 lakh, NRV as on date is ₹ 1,200 lakh.
- A dividend of 10% was declared by the Board of directors of the company.
- Accrued Interest income of ₹ 300 lakh is not booked in the books of the company.
- Deferred taxes related to taxes on income are levied by the same governing tax laws.

Identify and report the errors and misstatements in the above extracts and prepare corrected Balance Sheet and Statement of Profit & Loss and where required the relevant notes to the accounts with explanations thereof. (14 Marks)