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EFFECT OF FINAL ACCOUNTS WITH ADJUSTMENTS AND ITS IMPACT ON THE MANNER OF BALANCE SHEET PREPARATION UNDER SCHEDULE VI

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Abstract—A company's financial health can only be accurately reflected in final accounts when all necessary modifications have been made. When these corrections are applied, a company's financial statements are brought into line with its true financial condition. The way in which balance sheets are prepared within Schedule VI is significantly affected by final accounts with revisions. A company's financial statements must meet the standards outlined in Schedule VI of Companies Act 1956. (as amended in 2011). A corporation's balance sheet and accompanying final accounts must be prepared in accordance with Schedule VI, and they must correctly reflect the company's financial health. The balance sheet is affected in several ways by the closing adjustments. Adjustments like as provisions for bad debts, depreciation, and deferred tax obligations influence the value of both the assets and the liabilities on the balance sheet from the outset. Second, retained profits upon that balance sheet reflect the impact of these adjustments to the income statement. Hence, the preparation of a balance sheet under accordance therewith Schedule VI is only somewhat impacted by the closing accounts, inclusive of modifications. Accurate financial statements provides investors, creditors, and others in a company's orbit the data they need to make well-informed decisions.

Keywords—Finance, Transaction, Schedule VI, Company, Account

I. INTRODUCTION

The format for a company's Balance Sheet, Statement of Income and Expenses, and the notes thereto is laid forth in Schedule VI of the Companies Act, 1956 ('the Act'). Previous Schedule VI of the Act needed to be revised to bring it in line with the stated Accounting Standards wherever applicable ('AS'/'Accounting Standard(s)') in light of current economic and regulatory changes affecting companies. As a result of this evidence, the Ministry of Corporate Affairs (MCA) updated Schedule VI on February 28, 2011. The required announcement, together with the updated Schedule VI to the Act. Financial Statements for the 2011 fiscal year must contain the Schedule, as stated in the announcements. In the current fiscal year, which started on April 1,. Exempt from the requirements of Revised Schedule VI are companies engaged in the insurance or banking industries, those engaged in the production or distribution of electricity, along with any additional companies for which a specific aspect of Balance Balance Sheet or profit or loss account has only recently been specified through or according to an additional Act governing some rather companies. To be clear, the Electricity Act of 2003 and the regulations adopted thereunder have no special provisions for the presentation of Financial Statements by an electric utility that generates or distributes power. According to section 616(c) of the Companies Act, the provisions of that law shall apply to electrical firms to the extent that they are not conflicting with the Electricity Act. With this in mind, unless a different format is mandated by the applicable legislation, such organizations may continue to use Revised Schedule VI. (Basipodia, 2019)

II. OBJECTIVE

The research aimed to fulfill the following objectives:

- To study the meaning and need of adjustment entries
- The study adjustments in final accounts
- Sheet of balances

III. METHODOLOGY

At the conclusion of a given organization's fiscal year, a process known as "final accounts" involves calculating the organization's current financial situation and providing them with accounts. The final accounts are generated by recording and compiling information in a diary on a regular basis, which is then moved to a ledger. There are four main parts to the final account, and they are the trade account, company manufacturing account, the account for profits and losses, and indeed the balance sheet. Both the company's management and its financial health may be more easily tracked in this way. Final accounts are an essential aspect of a corporation's economic reporting and must be completed by every corporation at the end of the each accounting year. To put it more simply, it refers to the comprehensive and conclusive accounting operation that is executed at the conclusion of an accounting year, which ultimately results in the creation of appropriate accounts. It does this by deriving reference from the final trial balance, which is itself a reference to the closing balance in each and every ledger account. Due to the fact that the 31st of March marks the conclusion of a company's financial year, all businesses are required to prepare their final accounts on or before this day.

IV. THE MEANING AND NEED OF ADJUSTMENT ENTRIES

It is likely that certain business activities may be discovered to have been either completely or partly missed recording or entered improperly after the trial balance has been prepared but before the final accounts have been prepared. This can be seen as a result of the fact that the preparation of the trial balance. In addition to this, there are certain incomes or costs that are relevant to the next year even though they were received or reimbursed during the present year. (Giles, 1994) These incomes or expenses were received or paid as during current year. Adjustment entries have to be made in the trade and profit and loss accounts before those accounts can be used to prepare financial statements.

All transactions associated with the present year that have not been recorded in the records are required to do so. In the event that a transaction is completed that is not entirely or partially connected towards the current year, that component of either revenue or expenditure must be deducted. This procedure is carried out by making entries inside the books of accounts to reflect adjustmentsIf we don't make the necessary corrections, the balance sheet won't fairly represent the company's real financial health, and the income statement and loss statement won't fairly reflect the actual profit or loss. Because of this circumstance, the aim of final accounting cannot be fulfilled. (Hoyle & Whitehead, 1979) Thus, the importance of adjustment entries in providing an accurate picture of accounts cannot be overstated.

Alterations Made to the Final Accounts

When the books are kept in accordance with the accrual foundation of accounting, it is necessary for both the revenue and the costs to be recorded using the accrual method. This suggests that any income earned in the current fiscal year needs to be accounted for in the current fiscal year, regardless of whether or not it has been received, and any expenses incurred for the current fiscal year need to be accounted for in the current fiscal year, regardless of whether or not they have been paid. (He et al., 2010) Because of this, modifications need to be made to the final accounts. Adjustments are always shown in a separate section of the trial balance.

Some typical adjustments:

- Closing Stock Outstanding Costs
- Costs that have been pre-paid or still have time remaining on them
- Accrued or Outstanding Income Revenue Received in Advance or Unearned Income Depreciation Accrued or Outstanding Income Accrued or Outstanding Income
- Bad Debts
- Allowance for Questionable Financial Obligations
- Making a Provision for Discounts on Debtors Manager's Commission Interest on Capital Items Divided among Staff Members for the Purpose of Staff Welfare
- Losses caused by the unauthorized use of goods for personal gain Abnormal or accidental losses.

V. ADJUSTMENTS IN FINAL ACCOUNTS

Reports typically include complete financial statements for the whole reporting period. It is crucial to remember to incorporate all of the expenditures and revenues that occurred during the accounting period when creating the final set of accountsBefore determining the company's operational result as well as financial health, it is necessary to establish who is responsible for covering any expenses that were incurred but not paid within the relevant time period. Financial transactions, whether or not they were indeed incurred or received, must be documented in the books for the commercial system of accounting to produce a complete set of accounts for the period. To achieve this goal, businesses must produce year-end journal entries that reflect the corresponding adjustments to income and expenses. (Garcia-Osman, Pope, & Garcia-Osman, 2011) The term "adjusting entries" is used to describe this category of transactions.
In accounting, "final accounts" refers to the combined "trading," "profit and loss," and "balance sheet" terminology.

Each item in the balance sheet is only tallied once in the closing accounts, and that may be on either the debit or the credit side, depending on the circumstances. An adjustment entry requires two postings, one to the debit side along with one to the credit side for the exact same amount. The posting of transactions (both debits and credits) in the relevant student accounts should take place concurrently, since this is an important feature. It is important to make sure that the entire amount of the debit and credit both add up to the same sum. The following is a rundown of the significant alterations that are, in most cases, carried out at the close of each accounting period. (Seafaring, 2013)

Closing Stock

At the conclusion of each month, every enterprise compiles a list of its unsold inventory and assigns a value to that inventory. It is important to keep in mind that the value of an equity investment is determined by the lower of its cost or its market price.
As an adjustment entry, closing stock is included in the section that follows the Trial Balance: Typically, the final stock balance is reported in the problem as that of an adjustment item at the end of the trial balance.
For illustration, if the stock's closing value is Rs. 30,000 and is shown in the balance sheet, the following adjustment entry would be made:
When the stock trading account is closed, there should be $30,000 in it

Dr. **Trading Account for the year ending...** Cr.

Particulars	Amt.	Particulars	Amt.
		By closing stock	30,000

BALANCE SHEET as on ....

Liabilities	Amt.	Assets	Amt.
		Closing stock	30,000

The following are the dual outcomes that will result from this entry:
Stock is going to turn negative after this. There will be an entry related to it on the assets side

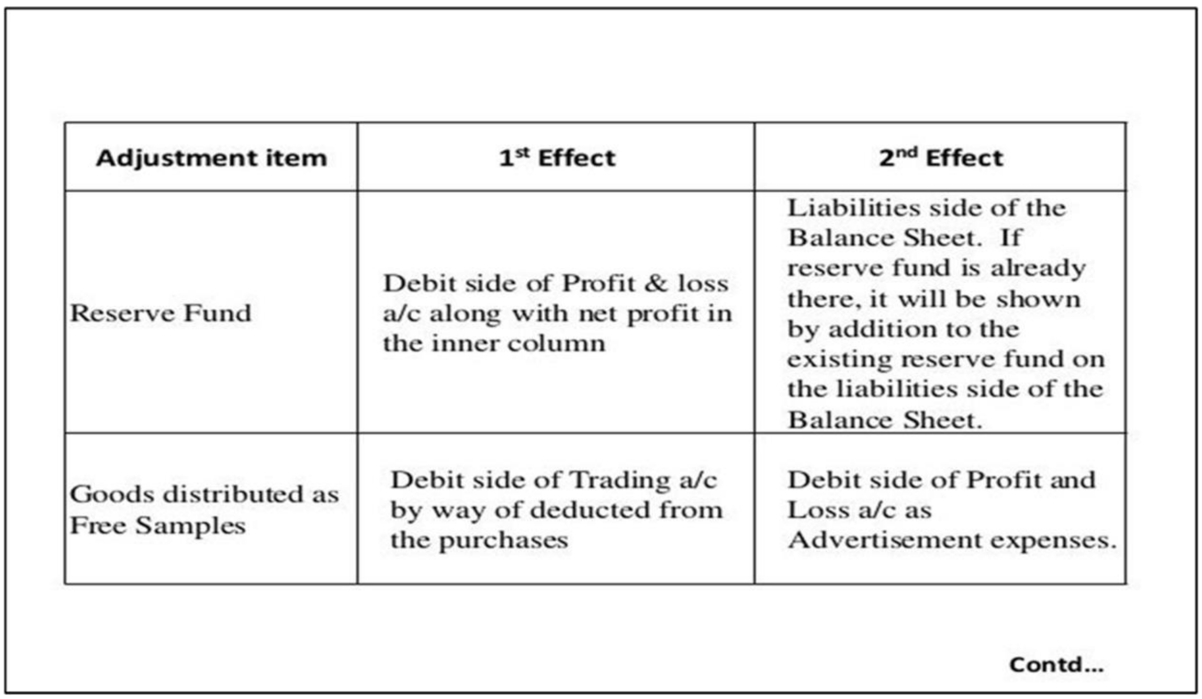
of the Balance Sheet since it is a real thing.
The closing stock balance will be credited to the trading account. On the closing stock trial balance, you'll find the following:
When there is a discrepancy between the opening and closing stock, it is occasionally possible to make up for it via purchases. The trial balance shows a deficit for the closing stock in this case. If this is the case, closing stock will not be reflected on the Trading Account's debit side but rather just on the Assets side of the Balance Sheet. (Grains of ages past, 1989) Since the Trading Account credit has nothing to do with selling shares, it is not relevant to this transaction. Keep in mind that there is only one instance of each transaction recorded in the Trial Balance, and that depending on the nature of the transaction, the entry might be located either on the debit or credit side of the ledger. Since it is a legitimate record, the stock held at closure can be seen as an asset on the "position" side of the balance sheet.

Disclosure about partnership businesses in which the company has invested, as well as other relevant information (included in the Balance Statement under Current and Non-current Investments).

A company may enter into partnerships in its role as a separate legal entity. If your company is a partner in another business, you must comply with the Revised Schedule VI's disclosure requirements.
The Partnership Investments and Capital Contributions sections of the Balance Statement detail the capital contributions and investments made by the company in each partnership firm. Also, inside the Notes to Accounts, there should be separate disclosure of the names of the companies, names of all partners, total capital, and shares held by each partner. According to research (Bright, 2001),
There in paragraphs that follow, we'll talk some more about these concerns. There may be complications that arise from include the value of an investment with in capital of a partnership business in the Balance Sheet as of the Balance Sheet date.
In the next paragraphs, we'll go further into these topics.
a) In the instance of an alteration in the firm's structure during the year, the identities of the additional partners will be disclosed by referring to their roles as of the date the company's Balance Statement was prepared.
b) The entire amount of the company's capital that is required to be reported should be calculated using the amount of the company's capital as of the date that the Balance Sheet was created. Adjustments need to be made for the effects of significant transactions or other events that take place between those dates and the date of the parent company's financial statements if it is not possible to prepare the Financial Statements of the partnership up until such date and, instead, they are prepared to different reporting dates. This is done by drawing analogy from AS-21 and AS-27. In any event, the gap between the dates on which reports are submitted should not be greater than six months. In situations like this, the variation in reporting dates need to be made public.
c) If you want to disclose the "share of each partner," it is recommended that you disclose

the "share of each partner in the profits of the firm" rather than the "share of each partner in the capital" because, in most cases, "share of each partner" is understood to mean "share in the profits of the firm." In addition, disclosure of the overall capital of the business as well as the company's portion in that capital is already required by law. (He et al., 2010) It is necessary to declare, as of the date of the company's Balance Statement, the percentage of ownership held by each partner

d) The business is obligated to report, among other things, the total capital of the partnership firm in which it participates as a partner on the Statement of investments that is appended to the Balance Sheet. Disclosure is required only with regard to the total of the capital accounts when such a partnership firm has separate accounts for partner's capital, drawings or current, loans to or from partners, etc. This is because the capital of the partnership firm is comprised of the total of what is considered to be the firm's capital. When, however, such accounts have not been segregated, or When the partnership deed stipulates that each partner's capital is to be computed by reference to the net amount which remains to his credit after merging all of the accounts, disclosures about partnership capital are required to be provided on the basis of the aggregate impact of such accounts. This is the case when each partner's capital is to be determined. If the partnership agreement states that each partner's capital is to be determined by reference more toward the net amount that either constitutes his credit within a week of merging every one of the partners' individual accounts, then separate disclosure for each partnership firm whereby the corporation participates as such a partner is required (Nicholson, 1989). These details, which include the total capital from each company, the identities of all partners within every organisation, and the amount of shares held by each partner, must be supplied with the names of the individual businesses.



Adjustment item	1st Effect	2nd Effect
Reserve Fund	Debit side of Profit & loss a/c along with net profit in the inner column	Liabilities side of the Balance Sheet. If reserve fund is already there, it will be shown by addition to the existing reserve fund on the liabilities side of the Balance Sheet.
Goods distributed as Free Samples	Debit side of Trading a/c by way of deducted from the purchases	Debit side of Profit and Loss a/c as Advertisement expenses.

Contd...

FIGURE 1. FINAL ACCOUNTING

VI. SHEET OF BALANCES

A company's financial status is summarised in a balance sheet, which is a precise tabular depiction of the company's assets (fixed assets plus current assets) as well as liabilities (long term obligation + current liability). A balance sheet is a financial statement that looks like this.

The words "to" and "by" are omitted since this is an informational sheet rather than a financial statement. In the balance sheet, all of a company's assets, liabilities, including shareholders' equity are recorded as of the conclusion of the fiscal year. (Navigation 2013)

Liabilities take up the whole left side of either a balance sheet. When you look at a balance sheet, all you see on the right side is assets. An accurate balance sheet requires an equal amount of assets and liabilities.

This is an example of the balance sheet for a made-up company, which you can get here.

Liabilities	Amount	Assets	Amount
Capital (Less drawings- 85000-10000)	75000	Land and building	1,00,000
Reserves and surplus	25000	Plant and machinery	10000
Outstanding expenses	5000	Furniture	3000
Loans	25000	Stock	10000
Trade creditors	10000	Sundry debtors	6000
Bills payable	10000	Bills receivable	9000
		Misc. investments	2000
		Cash in hand	10000
Total sum	1,50,000	Total sum	1,50,000

The most significant financial instrument for every business is called the balance sheet, and its purpose is to evaluate an organization's current financial standing in order to better plan and carry out their future operations. (Basipodia, 2019)

The balance sheet is also helpful in identifying parts of the organization that are experiencing challenges and obstacles. After that, the management may make appropriate plans. You should now be able to better understand the complexities of accounting thanks to the last examples that were provided.

If you want to avoid being in this predicament, you should adhere to the following advice: Entries that appear in the trial balance can only go in one of two places: the debit or the credit column.

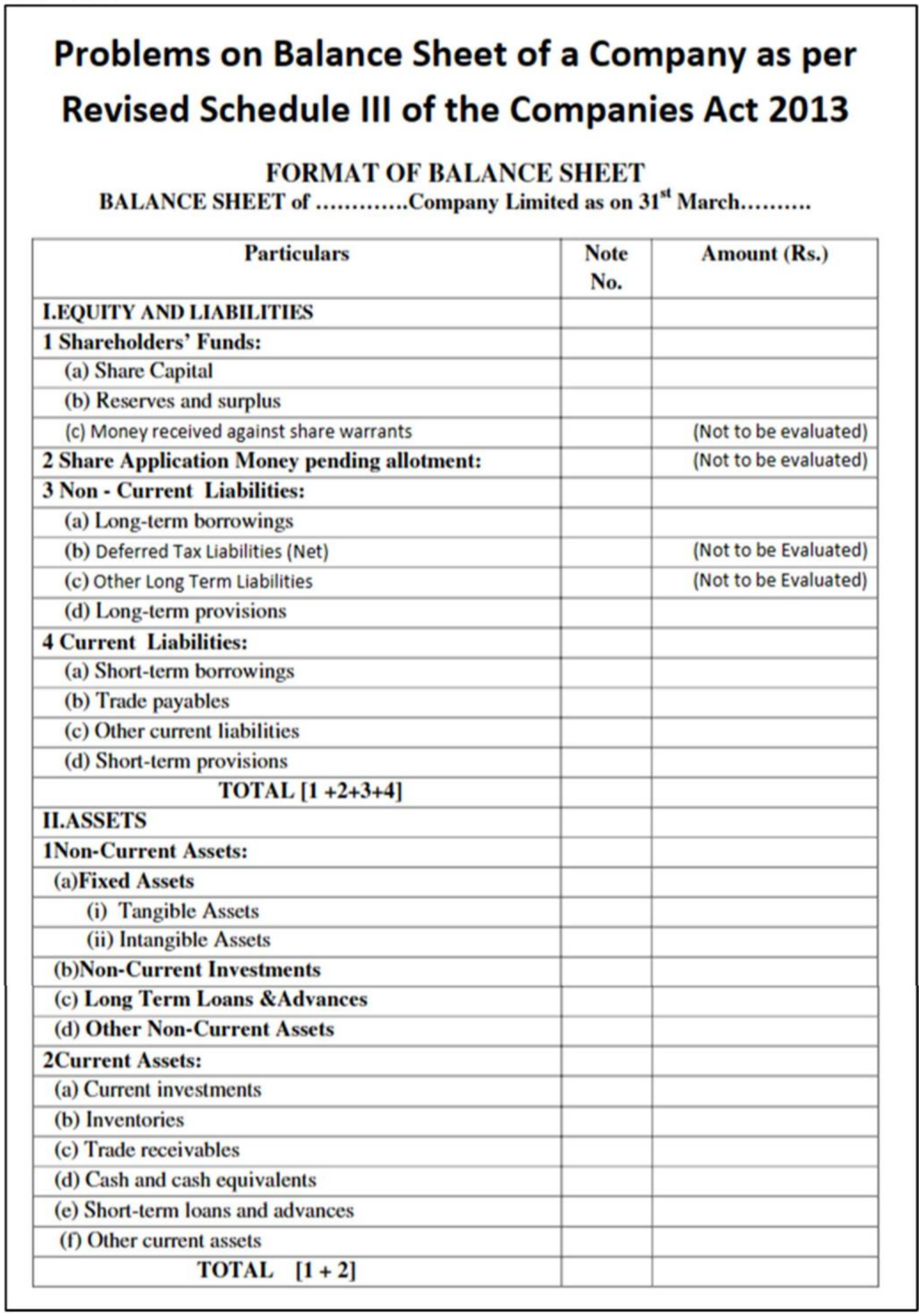
In reading the trial balance, provide a particular identifier (making reference to the adjustment number in the problem) for each entry that has to be adjusted. This should be done in conjunction with the trial balance. Since the sign serves as a constant reminder, you won't be able to let yourself forget to make the modification. This is sometimes referred to as "Time Management."

Each and every adjustment entry has to be completed in two different areas for the same total. Pupils have the misconception that they may submit submissions whenever it is most convenient for them. This is the incorrect way to go about it. After you've finished making a debit, immediately create a credit for the identical amount. Students are aware of the adjustment entry, but they do not simultaneously make both adjustments (changes) to the same thing. (Garcia Osman & Pope, 2011)

When you have made the adjustment, check once again to make sure that the adjustment has been made at both the spots for the same amount before moving on to the next entry.

Make sure you verify that the amount on your debit card and the amount on your credit card are the same.

If you follow the instructions to the letter, your balance sheet will always be accurate.



Problems on Balance Sheet of a Company as per Revised Schedule III of the Companies Act 2013

FORMAT OF BALANCE SHEET

BALANCE SHEET of …………Company Limited as on 31st March……….

Particulars	Note No.	Amount (Rs.)
I.EQUITY AND LIABILITIES		
1 Shareholders' Funds:		
(a) Share Capital		
(b) Reserves and surplus		
(c) Money received against share warrants		(Not to be evaluated)
2 Share Application Money pending allotment:		(Not to be evaluated)
3 Non - Current Liabilities:		
(a) Long-term borrowings		
(b) Deferred Tax Liabilities (Net)		(Not to be Evaluated)
(c) Other Long Term Liabilities		(Not to be Evaluated)
(d) Long-term provisions		
4 Current Liabilities:		
(a) Short-term borrowings		
(b) Trade payables		
(c) Other current liabilities		
(d) Short-term provisions		
TOTAL [1 +2+3+4]		
II.ASSETS		
1Non-Current Assets:		
(a)**Fixed Assets**		
(i) Tangible Assets		
(ii) Intangible Assets		
(b)**Non-Current Investments**		
(c) **Long Term Loans &Advances**		
(d) **Other Non-Current Assets**		
2Current Assets:		
(a) Current investments		
(b) Inventories		
(c) Trade receivables		
(d) Cash and cash equivalents		
(e) Short-term loans and advances		
(f) Other current assets		
TOTAL [1 + 2]		

FIGURE 2: - PROBLEMS ON BALANCE SHEET

CONCLUSION

The Trade Account, P&L Statement, and Balance Sheet are together known as the "Final Accounts." The term "final accounts" is used to refer to the final set of financial statements prepared for a particular fiscal year. Both the final profit and the final financial status of the firm may be accurately gleaned from the final accounts. Every business owner wants to know how their company is doing, both financially and operationally. Both the Trading Account and the earnings and losses account record the total amount earned or lost, but the Trading Account also records the gross profit. The P&L shows the company's true financial results, irrespective of whether they're profitable or not. Adjustment Entries are entries that must be made while compiling financial accounts like the Trade, Profit and Loss Account, and Balance Sheet. The initials AE indicate that the entry is an adjustment. A set of financial statements can't be made without first creating a trial balance. Yet certain accounting adjustments are left out of the trial balance because they aren't necessary for the analysis. All expenses and income for the year must be tallied before any work can begin on the financial statements. Certain expenses or revenue may have already been spent or received in advance, or there may be funds that have accrued but have not been accounted for. All of these adjustments should be reflected in updated financial statements. The P&L will finally reflect the genuine operational outcomes, and the balance sheet will finally reflect the financial condition, only then.

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