The Bengaluru Angels

Accounts and Finance

Numbers Do not

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Contents

1. WHAT ARE ACCOUNTS?

In accounting, an account is a record in the general ledger that is used to sort and store transactions. For example, companies will have a Cash account in which to record every transaction that increases or decreases the company's cash. Another account, Sales, will collect all of the amounts from the sale of merchandise. Most accounting systems require that every transaction will affect two or more accounts. For example, a cash sale will increase the Cash account and will increase the Sales account.

The term account is also used in transactions where suppliers sell goods to customers and grant credit terms such as net 10 days. In those situations, a supplier is selling goods on account and the customer has purchased goods on account. The supplier has also increased the balance in its current asset account entitled Accounts Receivable and the customer will increase the balance in its current liability account entitled Accounts Payable.

2. WHAT IS FINANCE ?

Finance is a broad term that describes activities associated with banking, leverage or debt, credit, capital markets, money, and investments. Basically, finance represents money management and the process of acquiring needed funds. Finance also encompasses the oversight, creation, and study of money, banking, credit, investments, assets, and liabilities that make up financial systems.

3. DIFFERENCE BETWEEN FINANCE AND ACCOUNT

3.1 Finance refers to the ways in which a person or organization generates and uses capital—in other words, how a given party manages their money. **Accounting**, on the other hand, refers to the process of reporting and communicating financial information about an individual, business, or organization.

3.2 Finance and accounting operate on different levels of the asset management spectrum. Whereas accounting provides a snapshot of an organization's financial situation using past and present transactional data, finance is inherently forward-looking; all value comes from the future.

3.3 This difference in scope underscores a contrast between the underlying principles of accounting and finance. The accrual method of accounting, which is followed by most organizations, records transactions as they are agreed upon, as opposed to when they are completed. It allows for transactions to be made with credit or deferred payments, and operates under the idea that revenues and costs will smooth out over time to more accurately depict economic reality. This makes it possible to compare year-on-year growth of a company's revenues, costs, and profits without factoring in one-off events, as well as seasonal and cyclical changes. Finance rejects that idea, instead believing that the best way to measure economic returns from a company is to calculate the cash it's able to produce and leverage, which is dependent on when that cash is exchanged—rather than just agreed upon.

4. TRIAL BALANCE

A trial balance is a list and total of all the debit and credit accounts for an entity for a given period – usually a month. The format of the trial balance is a two-column schedule with all the debit balances listed in one column and all the credit balances listed in the other. The trial balance is prepared after all the transactions for the period have been journalized and posted to the General Ledger.

5. PROFIT AND LOSS ACCOUNT

The profit and loss (P&L) statement is a financial statement that summarizes the revenues, costs, and expenses incurred during a specified period, usually a fiscal quarter or year. The P&L statement is synonymous with the income statement.

6. BALANCE SHEET

A balance sheet is a financial statement that reports a company's assets, liabilities and shareholders' equity. The balance sheet is one of the three (income statement and statement of cash flows being the other two) core financial statements used to evaluate a business.

7. RATIO ANALYSIS

Ratio analysis is the comparison of line items in the financial statements of a business. Ratio analysis is used to evaluate a number of issues with an entity, such as its liquidity, efficiency of operations, and profitability. This type of analysis is particularly useful to analysts outside of a business, since their primary source of information about an organization is its financial statements

8. SHORT TERM FINANCE

Short term finance refers to financing needs for a small period normally less than a year. In businesses, it is also known as working capital financing. This type of financing is normally needed because of uneven flow of cash into the business, the seasonal pattern of business, etc.

9. MEDIUM TERM FINANCE

Medium Term finance are sources of finance available for the mid-term of between 3 – 5 years typically used to finance an expansion of a business or to purchase large fixed assets. It is usually the larger amounts of borrowing or the use of the funds that differentiates medium sources of finance from short term, although a number of the short term options are available for the mid-term.

10. LONG TERM FINANCE

The funds which are not paid back within a period of less than a year are referred to as long term finance. Certain long term finance options directly form a part of the permanent capital of the firm. In such cases, the repayment obligation does not even arise. A 20 year mortgage or 10 year treasury bills are examples of long term finance.

11. EQUITY CAPITAL AND DEBT CAPITAL

Equity capital is funds paid into a business by investors in exchange for common or preferred stock. This represents the core funding of a business, to which debt funding may be added. Once invested, these funds are at risk, since investors will not be repaid in the event of a corporate liquidation until the claims of all other creditors have first been settled

Debt capital is the capital that a business raises by taking out a loan. It is a loan made to a company, typically as growth capital, and is normally repaid at some future date. Debt capital differs from equity or share capital because subscribers to debt capital do not become part owners of the business, but are merely creditors, and the suppliers of debt capital usually receive a contractually fixed annual percentage return on their loan, and this is known as the coupon rate. However, sometimes the loan is paid back based on a percentage of the company's monthly revenue instead of a fixed interest rate, such as the case with revenue-based financing.

12. WEIGHTED AVERAGE COST OF CAPITAL (WACC)

The weighted average cost of capital (WACC) is a calculation of a firm's cost of capital in which each category of capital is proportionately weighted. All sources of capital, including common stock, preferred stock, bonds, and any other long-term debt, are included in a WACC calculation.

13. BREAK EVEN POINT

The break-even point in economics, business—and specifically cost accounting—is the point at which total cost and total revenue are equal, i.e. "even". There is no net loss or gain, and one has "broken even", though opportunity costs have been paid and capital has received the risk-adjusted, expected return.

14. MAKE OR BUY DECISION

- The make or buy decision involves whether to manufacture a product in-house or to purchase it from a third party. The outcome of this analysis should be a decision that maximizes the long-term financial outcome for a company. There are a number of factors to consider when making this decision, including the following:
- Cost. Which alternative presents the lowest total out-of-pocket cost? Businesses tend to include fixed costs when adding up their internal costs, which is incorrect. Only direct costs should be included in the compilation of the internal cost to manufacture a product in-house. This amount should be compared to the quoted price of a supplier.
- Capacity. Will the company have sufficient capacity to produce the product in-house? Alternatively, is the supplier reliable enough to be able to produce the goods in sufficient quantities and in a timely manner?
- Expertise. Does the company have sufficient expertise to make the goods in-house? In some cases, a business has experienced such a high rate of product failure that it has no choice but to outsource the work to a supplier.
- Invested funds. Does the company have enough cash to purchase the equipment needed for in-house production? If the equipment is already on site, could outsourcing the work allow the equipment to be sold, so that the cash can be used elsewhere? This is a major concern for startup companies, which have little excess cash available to invest in facilities.

- Bottleneck. Will shifting production to a supplier ease the burden on the company's bottleneck operation? If so, this can be an excellent reason to buy the goods.
- Drop shipping option. A supplier may offer to store the goods at its facility and then ship them directly to the company's customers as they place orders. This approach shifts the burden of investing in inventory to the supplier, which can represent a substantial reduction in working capital.
- Strategic importance. How important is the product to the corporate strategy? If it is very important, then it could make more sense to manufacture the product, in order to maintain complete control over it. This option is most likely to be taken if the company has proprietary production technology that it does not want to share with a supplier. Conversely, something having little importance can more easily be shifted to a supplier.

15. VARIABLE COST AND FIXED COST

Variable costs are costs that vary with output. Generally variable costs increase at a constant rate relative to labor and capital. Variable costs may include wages, utilities, materials used in production, etc.

Fixed costs are costs that are independent of output. These remain constant throughout the relevant range and are usually considered sunk for the relevant range (not relevant to output decisions). Fixed costs often include rent, buildings, machinery, etc.

16. STRATEGIES FOR PROFITABLE GROWTH

a) Remove profitable product and services
b) Find new customers
c) Increase your convention rates
d) Reduce inventory
e) Reduce overall direct costs
f) Reduce overheads
g) Review current pricing structure

17. CASH FLOW STATEMENT

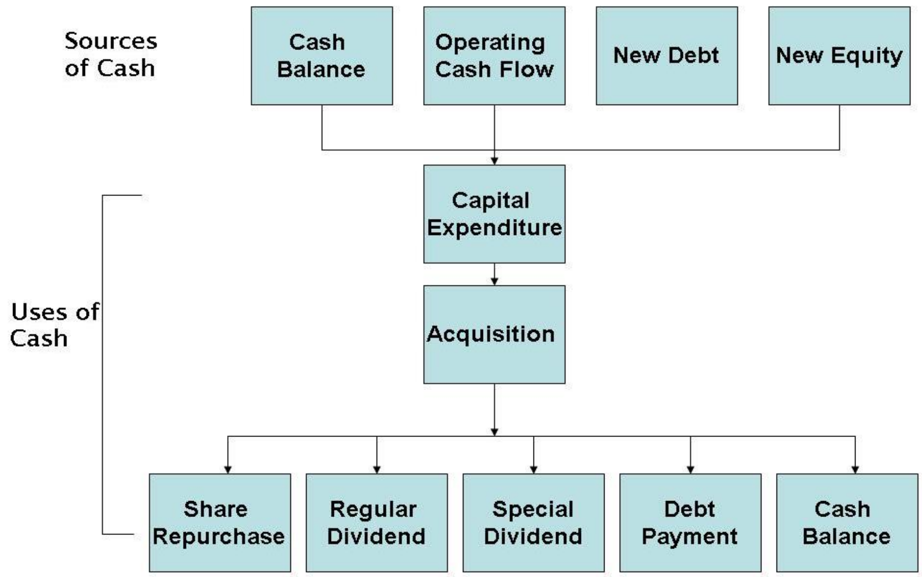
A cash flow statement is a financial statement that summarizes the amount of cash and cash equivalents entering and leaving a company. The cash flow statement measures how well a company manages its cash position, meaning how well the company generates cash to pay its debt obligations and fund its operating expenses.

The cash flow statement complements the balance sheet and income statement and is a mandatory part of a company's financial reports since 1987.

18. WORKING CAPITAL

Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable.

19. FRAMEWORK FOR FINANCIAL STRATEGY



20. PROJECT FINANCE

Project finance is the funding (financing) of long-term infrastructure, industrial projects, and public services using a non-recourse or limited recourse financial structure. The debt and equity used to finance the project are paid back from the cash flow generated by the project.

21. RETURN ON INVESTMENT (ROI)

Return on investment is a ratio between net profit and cost of investment. A high ROI means the investment's gains compare favourably to its cost. As a performance measure, ROI is used to evaluate the efficiency of an investment or to compare the efficiencies of several different investments.

22. NET PRESENT VALUE (NPV)

Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.

23. INTERNAL RATE OF RETURN (IRR)

IRR is the annual rate of growth an investment is expected to generate. IRR is calculated using the same concept as NPV, except it sets the NPV equal to zero.

IRR is ideal for analyzing capital budgeting projects to understand and compare potential rates of annual return over time.

24. COMPANY VALUATION

This means calculating the present value of the future cash flows of the company.

Various approaches for valuation-

- Market-based approach

Under this approach you:

1. identify a comparable firm (same industry, similar business and markets)

2. identify the suitable multiple to be used (detailed below)

3. choose the correct variable and multiply

- Asset based approach

The Net Asset Value (NAV) is the easiest to understand. It is calculated simply as fair value of the assets of the business less the external liabilities owed. The key here is determining fair value, especially of assets since fair value may differ significantly from acquisition value (for non-depreciating assets) and recorded value (for depreciating assets).

- Income based approach

This primarily involves calculating the value of the company using Discounted Cash Flow (DCF). In short and very simply, this means calculating the present value of the future cash flows of the company. The discounting to present value is done using the cost of capital of the company.

25. INITIAL PUBLIC OFFERING (IPO)

Initial public offering or stock market launch is a type of public offering in which shares of a company are sold to institutional investors and usually also retail investors. An IPO is underwritten by one or more investment banks, who also arrange for the shares to be listed on one or more stock exchanges.

26. SHARE MARKET

A stock market, equity market or share market is the aggregation of buyers and sellers of stocks (also called shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange, as well as stock that is only traded privately, such as shares of private companies which are sold to investors through equity crowdfunding platforms.

Investment in the stock market is most often done via stock brokerages and electronic trading platforms. Investment is usually made with an investment strategy in mind.

27. LEGAL COMPLIANCES FOR PRIVATE LIMITED COMPANIES

1. Company Name Board

Every Company shall paint or affix the name and address of registered office and keep the same painted/affixed, outside every office or place in which its business is carried on, in legible letters.

2. Letterhead of Company

Every Company shall get its name, address of registered office, CIN, telephone and email printed on all business letters, billheads, letter papers.

Notices and other official publications.

3. First Board Meeting

First Meeting of Board of Directors is required to be held within 30 days of Incorporation of Company. Notice of BM must be send to every director at least 7 days before the meeting.

4. Subsequent Board Meetings

Minimum 4 Board Meetings to be held every year with not more than 120 days gap between two meetings. In case of small company, it is sufficient to conduct only two Board Meetings.

5. Issuing of Share Certificate

The Company is required to issue Share Certificates to the subscribers of memorandum within 60 days of Incorporation of Company.

6. Filing of Disclosure of interest by Directors

Every director at:

- First meeting in which he participates as director; or

- First meeting of Board in every FY; or

- Whenever there is change in disclosures

shall disclose in Form MBP-1 (along with list of relatives and concern of relatives in the Company as per RPT definition), his concern or interest in any company, body corporate, firm or other association of individuals (including shareholding interest).

Form MBP-1 shall be kept in the records of the company.

7. Resident Director

Every Company is required to appoint at least one Director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

8. Alteration in MOA and AOA

Every alteration of Articles and Memorandum shall be filed with Registrar together with copy of altered Articles, notice of meeting and SR within 30 days of passing Special Resolution. Every alteration made in MOA and AOA shall be noted in every copy thereof.

9. Registers

Every Company shall keep and maintain following Registers in the specified format:

- Register of Members MGT-1

- Register of other Security Holders residing outside India MGT-3

– Register of Transfer and Transmission of Shares SH-6

– Register of Charge CHS-7

- Index of the Registers

10. Other Registers

Every Company shall keep at its Registered Office, a Register of Directors and KMP in the prescribed format containing prescribed particulars.

11. Resolution

- Copy of every resolution (with explanatory statement, if any) or Agreement for the specified matters to be filed with ROC in Form MGT-14 within 30 days.

- Articles of Company shall have copy of resolution effecting amendment in AOA and Agreements referred in Section 117(3) of the Act

12. Minutes of Meeting

- Minutes of every general meeting, Creditors, Board and Committee shall be prepared and kept within 30 days of conclusion of every meeting concerned.

- All appointments in the meeting shall be included in the minutes.

– Minutes of each meeting shall be entered into Minutes Book along with date of such entry.

13. Appointment of Director

Every person to be appointed as Director shall provide his consent in Form DIR-2 and such consent shall be filed by the Company with ROC in Form DIR-12, within 30 Days of appointment.

14. Provisions related to DIN

Every individual intending to be appointed as director shall make an electronic application in Form DIR-3 to Central Government for allotment of DIN.

15. Qualification of Director

- Qualification for appointment of director

- Declaration from Director at the time of appointment or reappointment in Form DIR-8

- Annual disclosure from Director to be taken

16. Number of Directorship

- No person shall be a director in more than 20 companies

- Maximum number of public companies can be 10 (Director in Section-8 Co. and Dormant Director not to be included)

17. Resignation by Director

- Director shall intimate his resignation to the Company, which the Company shall file with ROC in Form DIR-12 in 30 days

- Company shall put resignation details on its website and in its Directors' Report.

18. Return of Director and KMP

Return of Directors and KMP to be filed with ROC in Form DIR 12, within 30 days of appointment or change.

19. Meeting, at shorter notice

- Meeting can be convened on a shorter notice for urgent matters

- Consent from not less than 95% of members entitled to vote thereat

20. Quorum

- Quorum shall be one-third or two directors, whichever is higher

- Directors participating through Video Conferencing shall be counted for the purpose of quorum

21. First Auditor

First Auditor of the company shall be appointed by the BOD within 30 days of Incorporation who shall hold the office till the conclusion of 1st AGM. In case of First Auditor, filing of ADT-1 is not mandatory.

22. Subsequent Auditor

The BOD shall appoint the auditor in first AGM of company who shall hold the office till the conclusion of 6th AGM and shall inform the same to ROC by filing ADT-1. The responsibility to file Form ADT 1 is that of the company and not of the auditor within 15 days from the date of appointment.

23. Ratification of Auditor

Shareholders will ratify the appointment of Auditor in every AGM but there is no need to file ADT-1 for ratification.

24. Casual Vacancy of Auditor

If Casual Vacancy is arising due to the resignation of auditor, it shall be filled within 30 days of BOD meeting, subject to approval in General Meeting (AGM or EGM). Any auditor appointed in a Casual Vacancy shall hold office until the conclusion of the next Annual General Meeting.

25. ADT-3

The auditor shall file with the company a resignation letter stating the reason for resigning and file Form ADT-3 with the registrar within 30 days from the date of resignation. Filing form ADT-3 is the responsibility of the auditor and can only be filed if ADT-1 of the relevant auditor was filed.

26. Annual General Meeting

Every Company is required to hold an Annual General Meeting on or before 30th September every year during business hours (9 am to 6pm), on a day that is not a public holiday and either at the registered office of the Company or within the city, town or village where the registered office is situated. A 21 clear days' notice is required to be given for the same.

27. Filing of Financial Statements

Every Company is required to file its Financial Statements within 30 days of its Annual General Meeting with Registrar of Company in E-Form AOC-4. The same shall be digitally signed by one director and certified by CA/CS/Cost Accountant in Practice.

28. Filing of Annual Return

Every company is required to file its Annual Return with Registrar of Companies within 60 days of Annual General Meeting in E-Form MGT-7. A company having turnover of INR 50 Crore or more shall be certified by a Practicing CS in Form MGT-8.

29. Regularisation of Additional Director

If company wants to appoint additional director as director, then it shall regularize the person as director in General Meeting by passing Shareholder Resolution. File form DIR-12 for Change in Designation of Director along with ordinary resolution within 30 days of AGM.

30. Directors' Report

Directors' Report is to be filed covering all the information required for Small Company under Section 134 within 30 days of AGM along with Form AOC-4. It should be signed by the "Chairperson" authorized by the Board, where he is not so authorized by at least 2 Directors.

31. Filing of Financial Statements of a Foreign Co.

Every Foreign Company is required to file Annual accounts (consolidated financial statements/ global accounts) along with the list of all principal places of business in India within 6 months of close of the Financial Year.

32. Filing of Annual Return of a Foreign Co.

Every foreign company shall prepare and file annual return of the company in e-Form FC-4 within 60 days from the close of financial year.

28. RESERVE BANK OF INDIA (RBI)

Reserve Bank of India (RBI) is the central bank of the country. RBI is a statutory body. It is responsible for the printing of currency notes and managing the supply of money in the Indian economy.

Functions of RBI

1. Issue of Notes —The Reserve Bank has a monopoly for printing the currency notes in the country. It has the sole right to issue currency notes of various denominations except one rupee note (which is issued by the Ministry of Finance).

The Reserve Bank has adopted the Minimum Reserve System for issuing/printing the currency notes. Since 1957, it maintains gold and foreign exchange reserves of Rs. 200 Cr. of which at least Rs. 115 cr. should be in gold and remaining in the foreign currencies.

2. Banker to the Government–The second important function of the Reserve Bank is to act as the Banker, Agent and Adviser to the Government of India and states. It performs all the banking functions of the State and Central Government and it also tenders useful advice to the government on matters related to economic and monetary policy. It also manages the public debt of the government.

3. Banker's Bank:- The Reserve Bank performs the same functions for the other commercial banks as the other banks ordinarily perform for their customers. RBI lends money to all the commercial banks of the country.

Structure of Banking Sector in India

4. Controller of the Credit:- The RBI undertakes the responsibility of controlling credit created by commercial banks. RBI uses two methods to control the extra flow of money in the economy. These methods are quantitative and qualitative techniques to control and regulate the credit flow in the country. When RBI observes that the economy has sufficient money supply and it may cause an inflationary situation in the country then it squeezes the money supply through its tight monetary policy and vice versa.

Where do Printing of Security Papers, Notes and Minting take Place in India?

5. Custodian of Foreign Reserves:-For the purpose of keeping the foreign exchange rates stable, the Reserve Bank buys and sells foreign currencies and also protects the country's foreign exchange funds. RBI sells the foreign currency in the foreign exchange market when its supply decreases in the economy and vice-versa. Currently, India has a Foreign Exchange Reserve of around US$ 487 bn.

6. Other Functions:-The Reserve Bank performs a number of other developmental works. These works include the function of clearinghouse arranging credit for agriculture (which has been

transferred to NABARD) collecting and publishing the economic data, buying and selling of Government securities (gilt edge, treasury bills etc)and trade bills, giving loans to the Government buying and selling of valuable commodities etc. It also acts as the representative of the Government in the International Monetary Fund (I.M.F.) and represents the membership of India.

29. ROLE OF SEBI

1. Issuer of securities. These are the companies listed in the stock exchange which raise funds through the issue of shares. SEBI ensures that the issue of IPOs and FPOs can take place in a transparent and healthy way.

2. Players in the capital market i.e. the traders and investor. The capital markets are functioning only because the traders exist. SEBI is responsible for ensuring that the investors don't become victims of any stock market manipulation or fraud.

3. Financial Intermediaries. They act as mediators in the securities market and ensure that the stock market transactions take place in a smooth and secure manner. SEBI monitors the activities of the stock market intermediaries like brokers and sub-brokers.

30. ROLES OF REGISTRAR OF THE COMPANY (ROC)

1. The ROC takes care of registration of a company (also referred to as incorporation of the company) in the country.

2. It completes regulation and reporting of companies and their shareholders and directors and also administers government reporting of several matters which includes the annual filing of numerous documents.

3. The Registrar of Companies plays an essential role in fostering and facilitating business culture.

4. Every company in the country requires the approval of the ROC to come into existence. The ROC provides incorporation certificate which is the conclusive evidence of the existence of any company. A company, once incorporated, cannot cease unless the name of the company is struck-off from the register of companies.

5. Among other functions, it is worthy to note that the Registrar of Companies could also ask for supplementary information from any company. It could search its premises and seize the books of accounts with the prior approval of the court.

6. Most importantly, the Registrar of Companies could also file a petition for winding up of a company.

31. COMPANIES ACT AND ITS COMPLIANCES

The Companies Act 2013 is an Act of the Parliament of India on Indian company law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company.

Compliances under the act -

1. Once the incorporation certificate is obtained, a separate legal entity for the company is established.

2. As soon as the company gets its incorporation certificate, within 30 (THIRTY DAYS) days one of the directors must issue the notice for the first board meeting of the company, at least seven days prior to the latter being scheduled for.

3. In the first board meeting, the Company is required to appoint its first auditor within 30 days of incorporation by its board of directors and every Director of the company shall disclose his or her concern or interest of the other Companies in the Form MBP-1.

Further, in case of any change in the interest of Director he should disclose the change in the next forthcoming Board meeting also he shall disclose in the annual disclosure to be made in the first board meeting of the financial year.

4. The Company shall, on and from the 15 (fifteenth) day of its incorporation and at all times thereafter, have a Registered office which is capable of receiving and acknowledging all official communications and notices as may be addressed to it. Verification of the registered office is to be filed in Form INC-22 within 30 days of incorporation.

5. It is necessary for the company to have its name board outside its registered office, along with its name, Company's Identification Number, registered office address, phone number and e-mail id, fax number and website address, if any, stated in it.

All the above-mentioned details in point 3 are also required to be printed on the company's billheads, business letters and on all documents (official) and publications going through the company.

6. It is very important for the company to have a PAN (Permanent Account Number) and TAN (Tax Deduction and Collection Account Number) right after its incorporation. Even to open a Bank Account in India these are the basic credentials are required.

7. Issuance of share certificates to the shareholders is also an important requirement, and all details of such issuance of share certificate are required to be maintained and mentioned in the register of allotment.

8. Maintaining and filing of profit and loss account, balance sheet, and annual return every financial year together with an auditor's report before the due date with the Registrar of Companies is a very vital requirement of the company act which a company has to endeavor.

9. Every company is required to maintain certain Statutory Registers under Section 85, Section 88 etc of the Companies Act, 2013 and required to keep and maintain at its registered office in the prescribed form. In case of any failure in maintaining the statutory register, the company, as well as directors, may be fined and prosecuted.

10. The company is also required to conduct minimum 4 board meetings during the calendar year at stipulated intervals and also ensure that all the minutes of the board meeting are safely retained until the company exists.

The minutes of the meeting required to be prepared within fifteen days of the meeting and can be finalized within thirty days of the meeting.

11. Other than the above-mentioned non-negotiable conditions, there are few more instances where a company is required to intimate the registrar of companies. It includes appointments of directors, removal of Director and certain other changes in the prescribed manner.

12. The Companies Act has also inserted the CSR (Corporate Social Responsibility) provisions in the Companies Act, 2013. Now, under provisions contained under the Corporate Social Responsibility, companies are obligated to make the contribution in certain philanthropic activities. Companies must adhere to the CSR criteria and undertake CSR activities in the financial year.

13. The aforesaid compliance requirements only apply to the Companies Act, 2013. In addition to this, further registration is required, depending on business type and turnover, such as Professional Tax, GSTN etc.

32. CONCLUSION

Finance is the science of planning the distribution of a business' assets. **Accounting** is the art of the recording and reporting Financial transaction

Finance is one of the most **important** aspects of a **business**. With huge funds, daily cash flow and continuous transaction, managing and monitoring all of the above turn necessary.

Accounting plays a vital role in running a **business**because it helps you track income and expenditures, ensure statutory compliance, and provide investors, management, and government with quantitative **financial** information which can be used in making **business** decisions.

33. ANNEXURE

ANNEXURE - 1

ABC Ltd Trial Balance as at		
Account Title	**Debit**	**Credit**
Share Capital		xxxx
Cash	xxx	
Sales		xxxx
Buildings	xxxx	
Furniture & Fixture	xxx	
Cost of Sales	xxx	
General Administration Expenses	xxx	
Creditors		xxx
Debtors	xxx	
Total	**xxxx**	**xxxx**

ANNEXURE - 2

Trading Profit and Loss Account F

Net sales		100,000
Net purchases	46,000	
Beginning inventory	8,000	
Ending inventory	- 9,000	
Cost of goods sold		**45,000**
Gross profit		**55,000**
Expenses		48,000
Other income		5,000
Net profit		**12,000**

ANNEXURE - 3

Balance sheet for XYZ business on the 31st of December 2010		
	$	$
ASSETS		
Non-current assets		2,150,000
Land and buildings	2,000,000	
Furniture	12,000	
Machinery	18,000	
Investments	120,000	
Current assets		10,000
Inventory	1,000	
Debtors / receivables	3,200	
Bank and cash	5,800	
TOTAL ASSETS		2,160,000
EQUITY AND LIABILITIES		
Owner's equity		1,700,000
Capital	1,700,000	
Non-current liabilities		440,000
10% Loan	440,000	
Current liabilities		20,000
Creditors / payables	20,000	
TOTAL EQUITY AND LIABILITIES		2,160,000

ANNEXURE - 4

Current Assets:	
Cash	$ 20,000.00
Accounts Receivable	15,000.00
Inventories	45,000.00
	80,000.00
Current Liabilities	
Accounts Payable	$ 25,000.00
Short-term Borrowings	5,000.00
Acccrued Liabilities	10,000.00
	40,000.00
Working Capital	**$ 40,000.00**

ANNEXURE - 5

The Bengaluru Angels

Cash Flow Statement

[Company Name]

For the Year Ending	12/31/2019
Cash at Beginning of Year	15,700

Operations

Cash receipts from	
Customers	693,200
Other Operations	
Cash paid for	
Inventory purchases	(264,000)
General operating and administrative expenses	(112,000)
Wage expenses	(123,000)
Interest	(13,500)
Income taxes	(32,800)
Net Cash Flow from Operations	**147,900**

Investing Activities

Cash receipts from	
Sale of property and equipment	33,600
Collection of principal on loans	
Sale of investment securities	
Cash paid for	
Purchase of property and equipment	(75,000)
Making loans to other entities	
Purchase of investment securities	
Net Cash Flow from Investing Activities	**(41,400)**