

## Comprehensive Assignment

Submitted By : 129

19 (Solved Assignment using this number)

### Ranjan Iron Works, Tupudana, Hatia, Ranchi

Ranjan iron works(RIW) is pig iron manufacturing concern using main raw materials Iron ore and coke and producing foundry grade pig iron. Rakesh Ranjan is proprietor of the organization. M/s RIW making iron from a Mini blast furnace of size 350 m<sup>3</sup>. Following grades of pig iron manufactured in the plant and its selling price is also given below. Production capacity of Blast furnace is 700 t/d, but it will run on 80% of capacity in first financial year, 90% in second financial year and 100% from third financial year.

Grade of pig iron	Selling price Rs./ton of pig iron		
	15 Aug 1980 to 31 march 1981	1 April 1981 to 31 march 1982	1 April 1982 to 31 march 1983
PI 102(foundry grade)	22000	23000	24500
PI 103 (High Silicon)	23000	24500	25700
PI104 (Low sulphur)	24000	25200	26500
PI400 (Off grade)**	15000	15700	16500

\*\* Off grade is low grade pig iron produced in the process of making specific grade of pig iron.

Raw material required for making pig iron, specific requirement and their purchasing costs are as follows.

Raw material	Specific consumption(Kg/THM)	Coast of raw material Rs./ton		
		15 Aug 1980 to 31 march 1981	1 April 1981 to 31 march 1982	1 April 1982 to 31 march 1983
Iron ore(1400)	1400	1200	1260	1300
Coke(700)	700	8000	8400	9000
Lime stone (200)	200	1000	1050	1100
Quartzite (50)	50	600	650	700

Straight line depreciation considered as follow :-

- Plant & machinery – 10 year total life with zero salvage value

- Office and other buildings - 10 year total life with zero salvage value
- Furniture & fixture - 10 year total life with zero salvage value
- Computer , printer - 5 year total life with zero salvage value

**Transaction for the period 15 Aug 1980 to 31 march 1981**

<b>Date</b>	<b>Transactions</b>																		
15-08-1980	Started “Ranjan Iron Works” with initial my own capital of Rs. 190 Crore																		
16-08-1980	Open a bank account at state bank of India and kept 150 Crore in current account.																		
16-08-1980	Long term loan of 200 Crore taken from SBI at the interest rate of 10 % taken																		
17-08-1980	Purchased 200 acre land at Rs 20 crore cash.																		
18-08-1980	Put a blast furnace of size 350 m3 with total investment as follow and payment done as a cash  Plant & machinery - 250 crore Office and other buildings – 40 crore Furniture & fixture- 1 crore Computer , printer- 20 lakh																		
19-08-1980	Raw material purchased  <table border="1"> <thead> <tr> <th>Raw material</th> <th>Quantity(Ton)</th> <th>Cost (Crore)</th> </tr> </thead> <tbody> <tr> <td>Iron ore</td> <td>2,00,000</td> <td>24</td> </tr> <tr> <td>Coke</td> <td>1,00,000</td> <td>80</td> </tr> <tr> <td>Lime stone</td> <td>30,000</td> <td>3</td> </tr> <tr> <td>Quartzite</td> <td>10,000</td> <td>0.6</td> </tr> <tr> <td></td> <td></td> <td>107.6</td> </tr> </tbody> </table> Out of 107.6 crore 25 crore is given as cash and rest is on credit.  Spare & Parts, refractories purchased for plant of total 20 crore for that 5 crore cash payment is done and rest will be done in next financial year.	Raw material	Quantity(Ton)	Cost (Crore)	Iron ore	2,00,000	24	Coke	1,00,000	80	Lime stone	30,000	3	Quartzite	10,000	0.6			107.6
Raw material	Quantity(Ton)	Cost (Crore)																	
Iron ore	2,00,000	24																	
Coke	1,00,000	80																	
Lime stone	30,000	3																	
Quartzite	10,000	0.6																	
		107.6																	
20-08-1980	Recruitment of 600 employees done, in requirtment process TA bill of candidates of total 10 lakh cash payment done, and informed to all employees that for this financial year one time salary payment will done on 31 march, 1981. From next financial year salary will done of half yearly basis.  Plant operation started.																		
01-10-1980	A marketing office opened at GEL church complex on rent, advance rent of five year paid with monthly rent of Rs. 50,000 per month.  Some extra furniture and computer from plant is sifted to this office.																		
20-10-1980	Following grade of pig iron sold to Jai Hanuman foundry.																		

	<table border="1"> <tr> <td></td> <td>Tonnage</td> <td>Total Price</td> <td></td> </tr> <tr> <td>PI 102(foundry grade)</td> <td>20000</td> <td>44 crore</td> <td></td> </tr> <tr> <td>PI 103 (High Silicon)</td> <td>5000</td> <td>11.5 Crore</td> <td></td> </tr> <tr> <td>PI104 (Low sulpher)</td> <td>6000</td> <td>14.4 Crore</td> <td></td> </tr> <tr> <td></td> <td>31000</td> <td>69.9 crore</td> <td></td> </tr> </table> <p>20 crore cash received rest will be on credit.</p>		Tonnage	Total Price		PI 102(foundry grade)	20000	44 crore		PI 103 (High Silicon)	5000	11.5 Crore		PI104 (Low sulpher)	6000	14.4 Crore			31000	69.9 crore																							
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01-31-1981	Surplus Rs. 50 crore cash invested in share market.																																										
25-02-1981	<p>Following grade of pig iron sold to Kolkata foundry</p> <table border="1"> <tr> <td></td> <td>Tonnage</td> <td>Total Price</td> <td></td> </tr> <tr> <td>PI 102(foundry grade)</td> <td>20000</td> <td>44 crore</td> <td></td> </tr> <tr> <td>PI 103 (High Silicon)</td> <td>10000</td> <td>23 crore</td> <td></td> </tr> <tr> <td>PI104 (Low sulpher)</td> <td>10000</td> <td>24 crore</td> <td></td> </tr> <tr> <td>PI400 (Off grade)</td> <td>10000</td> <td>15 crore</td> <td></td> </tr> <tr> <td></td> <td></td> <td>106 crore</td> <td></td> </tr> </table> <p>Out of 106 crore only 30 crore paid cash and rest is credit.</p>		Tonnage	Total Price		PI 102(foundry grade)	20000	44 crore		PI 103 (High Silicon)	10000	23 crore		PI104 (Low sulpher)	10000	24 crore		PI400 (Off grade)	10000	15 crore				106 crore																			
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31-03-1981	<p>Interest payable on long term loan 12.33 crore will be paid in next financial year</p> <p>Closing stock of Raw Material</p> <table border="1"> <tr> <td>Raw material</td> <td>Quantity(Ton)</td> <td>Cost (Crore)</td> </tr> <tr> <td>Iron ore</td> <td>32000</td> <td>3.84</td> </tr> <tr> <td>Coke</td> <td>16000</td> <td>12.8</td> </tr> <tr> <td>Lime stone</td> <td>6000</td> <td>0.6</td> </tr> <tr> <td>Quartzite</td> <td>4000</td> <td>0.24</td> </tr> <tr> <td></td> <td></td> <td>17.48</td> </tr> </table> <p>Finished product in inventory</p> <table border="1"> <tr> <td></td> <td>Total prod</td> <td>Sale</td> <td>In inventory</td> </tr> <tr> <td>PI 102(foundry grade)</td> <td>60000</td> <td>40000</td> <td>20000</td> </tr> <tr> <td>PI 103 (High Silicon)</td> <td>20000</td> <td>15000</td> <td>5000</td> </tr> <tr> <td>PI104 (Low sulpher)</td> <td>20000</td> <td>16000</td> <td>4000</td> </tr> <tr> <td>PI400 (Off grade)</td> <td>20000</td> <td>10000</td> <td>10000</td> </tr> <tr> <td></td> <td>120000</td> <td>81000</td> <td>39000</td> </tr> </table> <p>Production cost of all grade is same.</p> <p>Production cost per ton of Iron considering raw material = <math>1.4*1200+.7*8000+0.2*1000+.05*600 = \text{Rs } 7510/\text{THM}</math></p> <p>Finished product inventory = <math>39000 * \text{Rs } 7510 = \text{Rs. } 29.289 \text{ Crore}</math></p>	Raw material	Quantity(Ton)	Cost (Crore)	Iron ore	32000	3.84	Coke	16000	12.8	Lime stone	6000	0.6	Quartzite	4000	0.24			17.48		Total prod	Sale	In inventory	PI 102(foundry grade)	60000	40000	20000	PI 103 (High Silicon)	20000	15000	5000	PI104 (Low sulpher)	20000	16000	4000	PI400 (Off grade)	20000	10000	10000		120000	81000	39000
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	<p>Depreciation = <math>(250+40+1)/10 + 20/5 = 33.1</math> Crore*<math>220/365 = 20</math> Cr</p> <p>Closing Stock of Spare = Rs. 5 Crore</p> <p>Spare consumed = Rs. 15 Crore</p> <p>Salary paid = Rs. 30 Crore cash</p> <p>Power = <math>150 \text{ KWH/thm} * 120000 * \text{Rs } 3.5/\text{Kwh} = \text{Rs. } 6.3</math> Crore</p> <p>Deferred Taxes liability 10 crore as government will take one time tax after five year for new firm.</p> <p>0.1 crore withdrawal for my own expenses.</p>
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**Transaction for the period 01 April 1981 to 31 march 1982**

Date	Transaction																														
15-04-1981	76 crore previous year balance received from Kolkata foundry. 30 crore cash out of 49.9 crore previous balance received from Jai Hnuman foundry, rest he has committed to pay within three month.																														
17-04-1981	Raw material purchased <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Raw material</th> <th>Quantity(Ton)</th> <th>Cost (Crore)</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Iron ore</td> <td>300000</td> <td>37.8</td> <td></td> <td></td> </tr> <tr> <td>Coke</td> <td>150000</td> <td>126</td> <td></td> <td></td> </tr> <tr> <td>Lime stone</td> <td>40000</td> <td>4.2</td> <td></td> <td></td> </tr> <tr> <td>Quartzite</td> <td>8000</td> <td>0.52</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>168.52</td> <td></td> <td></td> </tr> </tbody> </table> <p>Raw material previous year balance 82.6 Crore paid.</p> <p>168.52 crore of this year is on credit.</p>	Raw material	Quantity(Ton)	Cost (Crore)			Iron ore	300000	37.8			Coke	150000	126			Lime stone	40000	4.2			Quartzite	8000	0.52					168.52		
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30-04-1981	Previous year balance of Spare & Parts, refractories credit 15 crore paid  This year Spare & Parts, refractories purchased for plant of total 25 crore for that 10 crore cash payment is done and rest will be done in next financial year.																														
02-10-1981	Following garde of pig iron sold to Pigment foundry, Jamshedpur.																														

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03-10-1981	Salary Paid for six month to employees 30 crore.																																		
11-10-1981	News came that jai hanuman foundry has closed his plant. I have contacted concerned person. He told me that he will pay my dues 19.9 crore in next financial year. But knowing his financial condition I had little faith that he will pay my dues so kept this dues as provision.																																		
28-02-1982	<p>Following garde of pig iron sold to Kolkata foundry</p> <table border="1"> <thead> <tr> <th></th> <th>Tonnage</th> <th>Total Price</th> <th></th> </tr> </thead> <tbody> <tr> <td>PI 102(foundry grade)</td> <td>60000</td> <td>138</td> <td></td> </tr> <tr> <td>PI 103 (High Silicon)</td> <td>25000</td> <td>61.25</td> <td></td> </tr> <tr> <td>PI104 (Low sulpher)</td> <td>20000</td> <td>50.4</td> <td></td> </tr> <tr> <td>PI400 (Off grade)</td> <td>10000</td> <td>15.7</td> <td></td> </tr> <tr> <td></td> <td>115000</td> <td>265.35</td> <td></td> </tr> </tbody> </table> <p>Only 100 crore received cash and rest is credit.</p>		Tonnage	Total Price		PI 102(foundry grade)	60000	138		PI 103 (High Silicon)	25000	61.25		PI104 (Low sulpher)	20000	50.4		PI400 (Off grade)	10000	15.7			115000	265.35											
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31-03-1982	<p>Interest payble on long term loan for current year 20 cr, total 30 crore interest paid rest is on credit.</p> <p>Raw Material Inventory</p> <table border="1"> <thead> <tr> <th>Raw material</th> <th>Opening Stock</th> <th>Raw material Purchased</th> <th>Closing stock</th> </tr> </thead> <tbody> <tr> <td>Iron ore</td> <td>32000</td> <td>300000</td> <td>24000</td> </tr> <tr> <td>Coke</td> <td>16000</td> <td>150000</td> <td>12000</td> </tr> <tr> <td>Lime stone</td> <td>6000</td> <td>40000</td> <td>2000</td> </tr> <tr> <td>Quartzite</td> <td>4000</td> <td>8000</td> <td>1000</td> </tr> <tr> <td>Total Value(Cr)</td> <td>17.48</td> <td>168.52</td> <td>13.379</td> </tr> </tbody> </table> <p>Based on FIFO consumed raw material value = <math>17.48 + 168.52 - 13.379 = 172.621\text{Cr}</math></p> <p>Finished product in inventory</p> <table border="1"> <thead> <tr> <th></th> <th>Opening Stock</th> <th>Production</th> <th>Sale</th> <th>Closing Stock</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Raw material	Opening Stock	Raw material Purchased	Closing stock	Iron ore	32000	300000	24000	Coke	16000	150000	12000	Lime stone	6000	40000	2000	Quartzite	4000	8000	1000	Total Value(Cr)	17.48	168.52	13.379		Opening Stock	Production	Sale	Closing Stock					
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PI 102(foundry grade)	20000	110000	125000	5000
PI 103 (High Silicon)	5000	50000	50000	5000
PI104 (Low sulpher)	4000	40000	40000	4000
PI400 (Off grade)	10000	20000	30000	0
	39000	220000	245000	14000

Production cost of all grades is same.

Production cost per ton of Iron =  $1.4*1260+.7*8400+0.2*1050+.05*650 = \text{Rs } 8180/\text{THM}$

Finished product inventory =  $14000 * \text{Rs } 8110 = \text{Rs. } 11.354 \text{ Crore}$ , So finished good inventory decreased by  $(29.289-11.354=17.935)$

Depreciation =  $(250+40+1)/10 + 20/5 = 33.1 \text{ Crore}$

Closing Stock of Spare = Rs 10 Crore

Spare consumed = Rs 20 Crore

Salary paid = Rs 30 Crore cash

Power =  $150 \text{ KWH/thm} * 220000 * \text{Rs } 3.5/\text{Kwh} = \text{Rs. } 11.5 \text{ Crore}$

Deferred Taxes liability 60 crore for this year as government will take one time tax after five year of installation for new firm.

0.25 crore withdrawal for my own expenses.

### Transaction for the period 01 April 1982 to 31 march 1983

Date	Transaction									
11-04-1982	192.55 crore previous year balance received from pigment foundry & 165.35 crore from Kolkata foundry.									
15-04-1992	Raw material purchased									
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Raw material	Quantity(Ton)	Cost (Crore)								
Iron ore	330000	42.9								
Coke	165000	148.5								

	Lime stone	50000	5.5	
	Quartzite	15000	1.05	
			197.95	
	Raw material previous year balance 168.52 Crore paid.			
	197.95 crore of this year is on credit.			
20-06-1992	25 Crore advance received from Apex foundry for a 20000 ton new ultra low sulphur grade pig iron. For this grade new desulphurisation unit required and it will take one year of installation, so this grade I can supply in next financial year. Customer agreed with my proposal. Order for installation of Desulphurisation station given to supplier on the condition of payment will be done after complete installation.			
15-07-1982	0.10 crore cash money utilized for advertise and sales promotion.			
30-07-1982	Government has given a prize of 10 Crore as an emerging new player in iron making area.			
10-08-1982	Previous year balance of Spare & Parts, refractories credit 15 crore paid			
	This year Spare & Parts, refractories purchased for plant of total 27 crore on credit.			
01-10-1982	Salary paid 35 crore to employees.			
11-11-1982	I have searched Jay Hnuman Foundry for their 19.9 crore dues, but I have not found him and removed from provision also.			
08-02-1983	Following grade of pig iron sold to Kolkata foundry			
		Tonnage	Total Price	
	PI 102(foundry grade)	150000	367.5	
	PI 103 (High Silicon)	20000	51.4	
	PI104 (Low sulphur)	20000	53	
	PI400 (Off grade)	15000	24.75	
		205000	496.65	
	Only 150 crore received cash and rest is credit.			
30-03-1982	Supplier of desulphurisation plant has installed the plant and raised invoice of 5 crore on me.			
31-03-1982	Interest payable on long term loan for current year 20 cr.			
	Raw Material Inventory			
	Raw material	Opening Stock	Raw material Purchased	Closing stock
	Iron ore	24000	330000	18000
	Coke	12000	165000	9000
	Lime stone	2000	50000	4000

Quartzite	1000	15000	4000
Total Value(Cr)	13.379	197.95	4.55

Based on FIFO consumed raw material value =  $13.379 + 197.95 - 4.5 = 206.779$  Cr

Finished product in inventory

	Opening Stock	Production	Sale	Closing Stock
PI 102(foundry grade)	5000	155000	150000	10000
PI 103 (High Silicon)	5000	25000	20000	10000
PI104 (Low sulpher)	4000	20000	20000	4000
PI400 (Off grade)	0	40000	15000	25000
	14000	240000	205000	49000

Production cost of all grade is same.

Production cost per ton of Iron =  $1.4 * 1300 + .7 * 9000 + 0.2 * 1100 + .05 * 700 = \text{Rs } 8375/\text{THM}$

Finished product inventory =  $49000 * \text{Rs } 8375 = \text{Rs. } 41.0375$  Crore, So finished good inventory increased by  $(41.0375 - 11.354 = 29.6835)$  crore)

Depreciation =  $(250 + 40 + 1) / 10 + 20 / 5 = 33.1$  Crore

Closing Stock of Spare = Rs 15 Crore

Spare consumed = Rs 22 Crore

Salary paid = Rs 40 Crore cash

Power =  $150 \text{ KWH/thm} * 240000 * \text{Rs } 3.5/\text{Kwh} = \text{Rs. } 12.6$  Crore

Deferred Taxes liability 96 crore for this year as government will take one time tax after five year for new firm.

0.50 crore withdrawal for my own expenses.

#### Transaction for the period 15 Aug 1980 to 31 March 1981 in simple equation form

- All amount mention below is in Crore.



- (+) indicates increase and (-) decrease in value.

Date	Asset =	Liability +	Owner equity
15-08-1980	190 Cr. Cash (+)		CC 190 Cr. +
16-08-1980	190 Cr. Cash & bank balance		
16-08-1980	200 Cr.cash +	LTL 200 Cr. +	
17-08-1980	Land 20 Crore +/ Cash 20Cr -		
18-08-1980	Fixed asset 291.2 Cr +/ Cash 291.2 cr -		
19-08-1980	Raw material 107.6 cr +/Cash 25 cr -	Account payable 82.6 cr +	
19-08-1980	Spare parts 20 Cr +/Cash 5 Cr -	Account payable 15 cr +	
20-08-1980	Cash 0.1 Cr. – for TA bill		Reserves 0.1 Cr -
01-10-1980	Cash 0.3 Cr -/advance rent paid 0.3 Cr +		
20-10-1980	Cash 20 Cr+/account receivable 49.9 cr +		Reserves 69.9 cr+
01-31-1981	Cash 50 Cr -/ Investment 50 cr +		
25-02-1980	Cash 30 Cr+/account receivable 76 Cr+		Reserves 106 cr +
31-03-1980		Interest payable 12.33 cr +	Reserves 12.33 cr -
	Raw material consumed 90.12 Cr -		Reserves 90.12 Cr -
	Finished good stock 29.289 cr +		Reserves 29.289 Cr +
	Depreciation 20 cr -		Reserves 20 cr-
	Spares consumed 15 Cr -		Reserves 15 cr -
	Cash 30 cr – for salary		Reserves 30 cr -
	Cash 6.3 cr – paid for power		Reserves 6.3 cr -
	Advance rent 0.03 cr -		Reserves 0.03 cr-
		Deferred Tax Liability – 10 cr.	Reserves 10 cr -
	Cash .1 cr- withdrawal for own expenses		Reserves 0.1 cr-

**Transaction for the period 01 April 1981 to 31 march 1982 in simple equation form**

Date	Asset =	Liability +	Owner equity
15-04-1981	106 Cr. Cash (+ )/Account receivable 106 Cr-		
17-04-1981	Cash 82.6- Raw material payment	Account Payable 82.6 -	
17-04-1981	Raw material 168.52 Cr +	Account Payable168.52+	
30-04-1981	Cash 15cr- spare parts previous year balance paid	Account Payable 15Cr-	
30-04-1981	Spare parts 25 cr+/Cash 10Cr-	Account payable 15 +	
02-10-1981	Cash 100 Cr+/account receivable 192.55 cr+ sale		Reserves 292.55 Cr +

03-10-1981	Cash 30Cr- salary paid		Reserves 30 cr -
11-10-1981		Provision 19.9 Cr+	Reserves 19.9 Cr-
28-02-1982	Cash 100 Cr+/165.35 account receivable		Reserves 265.35 Cr+
31-03-1981		Interest payable for current year 20 cr +	Reserves 20 cr -
	Cash 30 Cr – for interest paid	Interest Payable 30 Cr-	
	Raw material consumed 172.621 Cr -		Reserves 172.621 Cr -
	Finished good stock 17.935 cr -		Reserves 17.935 Cr -
	Depreciation 33.1 cr -		Reserves 33.1 cr-
	Spares consumed 20 Cr -		Reserves 20 cr -
	Cash 30 cr – for salary		Reserves 30 cr -
	Cash 11.5 cr – paid for power		Reserves 11.5 cr -
	Advance rent 0.06 cr -		Reserves 0.06 cr-
		Deferred Tax Liability 60 cr.+	Reserves 60 cr -
	Cash .25 cr- withdrawal for own expenses		Reserves 0.25 cr-

**Transaction for the period 01 April 1982 to 31 march 1983 in simple equation form.**

Date	Asset =	Liability +	Owner equity
11-04-1982	357.9 Cr. Cash ( + )/Account receivable 357.9 Cr-		
15-04-1982	Cash 168.52- Raw material payment	Account Payable 168.52 -	
15-04-1982	Raw material 197.95 Cr +	Account Payable197.95+	
20-06-1992	Cash 25 cr + advance taken	Unearned revenue 25 cr +	
15-07-1982	Cash 0.1 cr – Sales promotion		Reserves 0.1 Cr -
30-07-1982	Cash 10 Cr + Gov add		Capital Reserves 10 cr +
10-08-1982	Cash 15cr- spare parts previous year balance paid	Account Payable 15Cr-	
10-08-1982	Spare parts 27 cr+	Account payable 27 +	
01-10-1982	Cash 35Cr- salary paid		Reserves 35 cr -
11-11-1982	Account receivable 19.9 cr – not to be received.	Provision 19.9 cr -	
08-02-1983	Cash 150 Cr+/account receivable 346.65 cr+ sale		Reserves 496.65 Cr +
30-03-1982	Desulphurization station (Fixed asset) 5 Cr +	Account payable 5 Cr +	
31-03-1981		Interest payable for current year 20 cr +	Reserves 20 cr -
	Raw material consumed 206.779		Reserves 206.779 Cr -

	Cr -		
	Finished good stock 29.6835 cr +		Reserves 29.6835 Cr +
	Depreciation 33.1 cr -		Reserves 33.1 cr-
	Spares consumed 22 Cr -		Reserves 22 cr -
	Cash 40 cr – for salary		Reserves 40 cr -
	Cash 12.6 cr – paid for power		Reserves 12.6 cr -
	Advance rent 0.06 cr -		Reserves 0.06 cr-
		Deferred Tax Liability 96 cr.+	Reserves 96 cr -
	Cash .50 cr- withdrawal for own expenses		Reserves 0.50 cr-

Balance sheet, Profit & loss account and cash flow statement of above period is attached as a separate Excel file.