

Rewanchal Software Limited: Preparing Income Statements

Prof. Ram Kumar Kakani

Prof. N. Ramachandran

Tanmoy Chatterjee

List of Transactions for Rewanchal Software Ltd. (RSL)

- ❑ On March 1, Rewanchal & others invest Rs. 50,000 in cash in RSL.
- ❑ On March 2, Rewanchal took a loan of Rs. 20,000 from Venu for RSL.
- ❑ On March 3, RSL purchased for cash two computers, each costing Rs. 29,000.
- ❑ On March 4, RSL purchased supplies for floppy disks and stationary for Rs. 6,000 on credit.
- ❑ On March 19, RSL completes its maiden sale of software to a retail store and receives a price of Rs. 12,000.
- ❑ On March 21, RSL pays Rs. 2,000 to its creditors for supplies.
- ❑ On March 29, RSL pays salaries to its employees, amounting to Rs. 4,000 and as office rent Rs. 1,200.
- ❑ On March 30, RSL delivers a software package for a shoe shop. The customer agrees to pay the price of Rs. 8,000 a week later.
- ❑ On March 31, Rewanchal withdraws Rs. 3,500 for his personal use.

Required

- ❑ Prepare the “Profit & Loss Account” of Rewanchal Software Limited (after every transaction)?
- ❑ Hint: Use the extended Balance Sheet Equation
- ❑ Was it a good month or bad month for Rewanchal Software?
- ❑ What was the margin available on sales realization?

Rewanchal Software Ltd.

Profit & Loss Account for the first accounting period

	Amount in Rs		Amount in Rs
Rent Expenses	1200	Sales Net	20000
Salaries Expenses	4000		
Operating Profit	14800		
Interest Expenses	0	Operating Profit	0
Net Profit	14800		
Withdrawals / Dividends	3500	Net Profit	14800
Retained Earning to Balance Sheet	11300		

Rewanchal Software Ltd.

Considering depreciation & supplies consumed

Profit & Loss Account for the first accounting period

	amount in Rs		amount in Rs
Rent Expenses	1200	Sales Net	20000
Salaries Expenses	4000		
Depreciation Expenses	1700		
Supplies Consumed	2300		
Operating Profit	10800		
Interest Expenses	0	Operating Profit	10800
Net Profit	10800		
Withdrawals / Dividends	3500	Net Profit	10800
Retained Earning to Balance Sheet	7300		

Statement Of Retained Earnings

Ram Software Limited Statement of Retained Earnings Year Ended March 31

Retained earnings, March 1	Rs. 0
Add: Net income for the month	<u>14,800</u>
	Rs. 14,800
Less: Dividends	<u>(3,500)</u>
Retained Earnings, March 31	<u><u>Rs. 11,300</u></u>

Statement Of Retained Earnings

Ram Software Limited Statement of Retained Earnings Year Ended March 31

After considering depreciation expenses & supplies consumed

Retained earnings, March 1	Rs. 0
Add: Net income for the month	<u>10,800</u>
	Rs. 10,800
Less: Dividends	<u>(3,500)</u>
Retained Earnings, March 31	<u><u>Rs. 7,300</u></u>

Thank You

