



# 14

## FINANCIAL STATEMENTS-I

You have learnt the meaning of the financial statements and the need to prepare these for the business organisations. You have also learnt the format of these statements and the important items that are recorded in these statements. You would now like to learn how to prepare these statements. You know Trial Balance is the basis of preparation of these statements. Every business organisation prepares the financial statements i.e. Trading and Profit and Loss A/c and the Balance sheet.

In this lesson you will learn how to prepare these statements.



### OBJECTIVES

After studying this lesson you will be able to :

- prepare Trading Account and Profit and Loss Account;
- explain the Balance Sheet as per format;
- appreciate the marshalling of Balance Sheet;
- classify the assets and liabilities;
- prepare Balance Sheet.

### 14.1 PREPARATION OF TRADING ACCOUNT AND PROFIT AND LOSS ACCOUNT

You have already learnt the meaning and format of Trading Account and Profit and Loss Account. You have also learnt how to make journal entries to transfer relevant ledger balances to Trading Account and Profit and Loss Account. Now you will learn the various steps to be followed in preparing these statements.



**Notes**

**Steps to be followed while preparing Trading Account**

**A. Debit side**

- (i) We write the amount of opening stock (In case of a new firm there will not be any opening stock).
- (ii) We write the amount of purchases Out of this purchases returns or returns outward is deducted. Purchases may be cash or credit or both.
- (iii) Then we write the direct expenses such as carriage inward, wages, power, etc.

**B. Credit side**

- (i) We write sales. Sales return or returns inward is deducted from the sales to get the net sales figure. Sales may be cash or credit or both.
- (ii) Closing stock is the next item.

**C. Ascertaining Gross Profit/Gross Loss**

Finally Trading Account is closed by calculating the difference of the two sides. If credit side exceeds the debit side, the difference is written as Gross Profit on the debit side of the Trading A/c. In case debit side is more than the credit side, the difference amount is termed as ‘Gross Loss’ and is written on the credit side of the Trading A/c.

Total of Debit column > Total of credit column ⇒ Gross profit Total of credit column > Total of debit column ⇒ Gross loss
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**Steps to be followed while preparing Profit and Loss Account**

**A. Debit side**

- (i) Gross Loss, if any, transferred from Trading A/c is written as the first item.
- (ii) Next all items of revenue expenses and losses are written. These items may be salaries, rent paid, depreciation, etc.

**B. Credit side**

1. Gross Profit transferred from Trading A/c is the first item.
2. Next all items of revenue incomes and gains are written. These may be interest on investments, discount received, commission received, etc.



**C. Ascertaining Net Profit/Net Loss**

The next step is to get the balance. If credit side is more than the debit side the difference in amount is written as Net Profit. If debit side exceeds the credit side, the difference is Net Loss. This amount is transferred to Capital Account.

- Total of Debit side > Total of credit side
- ⇒ Net profit
- Total of credit side > Total of debit side
- ⇒ Net loss

**Notes**

**Illustration 1**

From the following information of M/s Nand Lal & Bros. for the year ending 31st March, 2006 prepare Trading A/c and Profit and Loss A/c for the year ended 31st March, 2006.

	Rs		Rs
Stock 1.4.2005	5800	Sales	72000
Purchases - cash	42000	Return Inward	2000
Purchases - credit	18000	Interest on Investment	1500
Freight Inward	1800	Discount Received	1200
Wages	4500	Closing stock	7200
Carriage on Sales	800		
Telephone Charges	1600		
Electricity Expenses	1200		
Office Rent Paid	6000		
Salaries	8000		
Depreciation	1400		

**Solution :**

**Books of M/s Nand Lal & Bros.  
Trading A/c  
for the year ended 31st March, 2006**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Stock (1.4.2005)	5800	Sales	72000
Purchases		Less Return Inward	2000
Cash	42000	Closing stock	7200
Credit	18000		
	60000		
Freight Inward	1800		
Wages	4500		
Gross profit transferred to Profit and Loss A/c	5100		
	77200		77200



**Notes**

**Profit and Loss A/c  
for the year ending 31st March, 2006**

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Carriage on sale	800	Gross Profit transferred from Trading A/c	5100
Telephone charges	1600	Interest on Investment	1500
Electricity Expenses	1200	Discount Received	1200
Office Rent	6000	Net Loss transferred to capital A/c	11200
Salaries	8000		
Depreciation	1400		
	19000		19000

**Illustration 2**

Prepare Trading A/c and Profit and Loss A/c of Raman Irani from the following balances for the year ending 31st March, 2006.

	Rs		Rs
Opening Stock	14600	Trading Expenses	1450
Purchases	68700	Discount allowed	1250
Sales	85300	Discount Received	800
Return outward	2200	Bill Receivables	4500
Carriage Inward	2100	Debtors	16800
Capital	50000	Closing stock	28700
Drawings	12000		
Insurance	1600		
Advertisement	2400		
Salesmen's Salaries	5200		





(iii) Interest on Investment	.....	.....
(iv) Custom duty	.....	.....
(v) Fuel & Power	.....	.....
(vi) Sales	.....	.....
(vii) Salaries	.....	.....
(viii) Rent from tenant	.....	.....

**14.2 BALANCE SHEET**

Apart from Trading Account and Profit and Loss Account, Balance Sheet is another financial statement that is prepared by the every business firm. Balance sheet is a statement which shows the financial position of a business organisation on a particular date which is generally the last date of the accounting period. Financial position of a business unit is the amount of claims against the resources of business. These resources are cash, stock of goods, furniture, machinery, etc. The claims include the claims of the owner capital and the claims of outsiders such as creditors, bankers, etc. Therefore, it can be stated that Balance Sheet is the statement which shows assets owned by the business and liabilities owed by it on a particular date. Balance Sheet is not an account. It has two sides. (i) Assets side and (ii) the Liabilities side. The Asset side has a list of fixed as well current assets. The liabilities side has a list of items of capital, long term as well as short term liabilities.

**Need**

1. Balance Sheet is prepared to measure the true financial position of a business entity at a particular point of time.
2. It is a systematic presentation of what a business unit owns and what it owes.
3. Balance Sheet shows the financial position of the concern at a glance.
4. Creditors, financiers are particularly interested in the Balance Sheet of a concern so that they can decide whether to deal with the concern or not.

**Marshalling of Assets and Liabilities**

As stated above Balance sheet has two sides i.e. Assets side, which has various items of assets of the concern and liabilities side which has the liability or claim of the owner as well as of the outside parties.



Assets refer to the financial resources of the business and can broadly be divided into Current Assets and Fixed Assets, Liabilities denote claims against the assets of the business. Liabilities can be of two types owners liability or capital and outsiders liabilities such as creditors, bills payable, Bank Loan etc.

There is no prescribed form of a Balance Sheet in which it should be prepared by a sole proprietary business or a partnership firm. However, an order is generally maintained in which assets and liabilities are written. This is to maintain uniformity/consistency which facilitates comparative analysis for decision making. Balance sheet may be prepared in any of the following orders :

- (a) Liquidity order
- (b) Permanency order

**(a) Liquidity order**

Liquidity means convertibility of assets into cash. Every asset cannot be converted into cash at the same degree of ease and convenience. Assets are written in the order of their liquidity, Assets of highest liquidity is written first and next highest follows and so on. Similarly, liabilities are also written in this very order. Short term liabilities are written first and then long term liabilities and lastly the capital.

A specimen of the balance sheet prepared on the basis of liquidity order is given below :

**Balance Sheet of M/s .....**  
**As on .....**

Liabilities	Amount Rs	Assets	Amount Rs
Bank overdraft	xxxx	Cash in hand	xxxx
Outstanding Expenses	xxxx	Cash at bank	xxxx
		Prepaid expenses	xxxx
		Investments (short term)	xxxx
Bill payables	xxxx	Bill Receivables	xxxx
Sundry creditors	xxxx	Sundry Debtors	xxxx
Loans	xxxx	Closing stock	xxxx
Capital	xxxx	Investments	xxxx
Add Net Profit	xxxx	Furniture	xxxx
Less drawings	xxxx	Plant & Machinery	xxxx
		Land & Building	xxxx
		Goodwill	xxxx
	xxxx		xxxx



**Notes**

(Investments on short term basis are marketable securities; they form part of current assets.)

**Permanency order**

While following the order of permanency, assets, which are to be used permanently i.e. for a long time and not meant for resale are written first. For example, Land and Building, Plant and Machinery, furniture etc. are written first. Assets which are most liquid such as cash in hand is written in the last. Order of liabilities is similarly changed. Capital is written first, then the long term liabilities and lastly the short term liabilities and provisions and Specimen of a Balance Sheet that can be prepared in the order of permanency is as follows :

**Balance sheet of M/s .....**

**As on .....**

Liabilities	Amount Rs	Asset	Amount Rs
Capital	xxxx	Goodwill	xxxx
Add : Net profit	xxxx	Land & Building	xxxx
Less : Drawings	xxxx	Plant & Machinery	xxxx
Loans	xxxx	Furniture	xxxx
Sundry creditors	xxxx	Investments	xxxx
Bills payable	xxxx	Closing stock	xxxx
Outstanding expenses	xxxx	Sundry Debtors	xxxx
Bank overdraft	xxxx	Bills Receivables	xxxx
		Investments (short term)	xxxx
		Prepaid expenses	xxxx
		Cash at bank	xxxx
		Cash in hand	xxxx
	xxxx		xxxx

[In case of joint stock companies balance sheet is prepared as per schedule VI of the Companies Act 1956]

**Illustration 3**

From the balances given below prepare Balance sheet of M/s Bharat & Bros as on 31st December, 2006. In (a) liquidity order and, (b) in permanency order.





Particulars	Amount Rs	Particulars	Amount Rs
Capital	50000	Sundry Debtors	24000
Loan from Bank	20000	Bills Payable	8000
Cash in hand	2500	Drawings	6000
Cash at Bank	12800	Building	25000
Closing stock	24700	Furniture	4500
Sundry creditor	15000	Investments	15000
		Net Profit	21500

**Notes**
**Solution :**
**A. Liquidity order**

**Balance sheet of M/s Bharat & Bros  
as on 31st Dec., 2006**

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	8000	Cash in hand	2500
Sundry creditors	15000	Cash at Bank	12800
Loan from Bank	20000	Sundry Debtors	24000
Capital	50000	Closing stock	24700
Add Net Profit	21500	Investments	15000
	71500	Building	25000
Less drawings	6000	Furniture	4500
	65500		
	108500		108500

**B. In permanency order**

**Balance sheet of M/s Bharat & Bros  
as on 31st Dec., 2006**

Liabilities	Amount Rs	Assets	Amount Rs
Capital	50000	Building	25000
Add Net Profit	21500	Furniture	4500
Less drawings	6000	Investments	15000
Loan from Bank	20000	Closing stock	24700
Sundry creditors	15000	Sundry Debtors	24000
Bills payable	8000	Cash at Bank	12800
		Cash in hand	2500
	108500		108500

**Notes****INTEXT QUESTIONS 14.2**

I. Arrange the following Assets in (i) Liquidity order (ii) Permanency order.

- (i) Closing stock
- (ii) Furniture
- (iii) Cash in hand
- (iv) Investments
- (v) Bills Receivable
- (vi) Goodwill
- (vii) Building
- (viii) Debtors

II. Arrange the following items of liabilities (i) Liquidity order and (ii) in permanency order

- (i) Bills Payable
- (ii) Sundry Creditors
- (iii) Loan on Mortgage
- (iv) Outstanding Expenses
- (v) Capital

**14.3 CLASSIFICATION OF ASSETS AND LIABILITIES**

Assets and Liabilities are of various types. These can be classified as under:

**(a) Fixed Assets**

These are the assets that are purchased for permanent i.e. long term use and these help the business to earn revenue. Examples of such assets are Building, Machinery, Motor Vehicle, etc. These assets are not for sale in ordinary course of business but can be disposed off, if no more needed for business use.

**(b) Current Assets**

These are the assets which are acquired by the business either for resale or for converting them into cash. These are normally realised within a period

of one year. Examples of such assets are : cash in hand, cash at bank, bill receivable, debtors, stock etc.

**(c) Tangible Assets**

These are the assets that can be seen, touched and have certain volume. Building, Machinery, goods etc. are tangible assets.

**(d) Intangible Assets**

Assets which can neither be seen nor touched and have no volume are called intangible assets. Patents, trademark, goodwill etc are the examples of such assets.

**(e) Liquid Assets**

These are the assets which are either in cash or can be easily converted into cash. For example cash, stock, marketable securities etc.

**(f) Wasting Assets**

These are the assets which exhaust or reduce in value by their use. Mines, quarries etc come under this category.

**(g) Fictitious Assets**

These are not the real assets. These are the items of such expenses and losses which have not been written off in full. For example, preliminary expenses, under writing commission, etc.

**Liabilities**

Liabilities can be classified as follows :

**(a) Long term Liabilities**

These are the liabilities which are not payable during the current accounting year. Generally, the funds raised through such means are used for purchase of fixed assets. Examples of such liabilities are loan on mortgage, loan from financial institutions.

**(b) Current Liabilities**

These are the liabilities which are payable during the current year. These include Bank overdraft, trade creditors, bill payable etc.

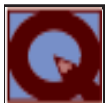
**Notes**



**Notes**

**(c) Owners' funds**

The amount owing to the proprietor or proprietors is called owners' funds. As per business entity concept this is a liability of the business. Apart from capital it also includes undistributed profits and reserves. Amount of drawings by the proprietor is deducted from it.



**INTEXT QUESTIONS 14.3**

I. Write the type of assets against the items given below :

- (i) Goodwill .....
- (ii) Bills Receivable .....
- (iii) Preliminary Expenses .....
- (iv) Mines .....
- (v) Furniture .....

II. Write the type of liabilities against the items given below :

- (i) Loan on mortgage .....
- (ii) Creditors .....
- (iii) Outstanding expenses .....
- (iv) Capital .....

**14.4 PREPARATION OF BALANCE SHEET**

Balance sheet has two sides : Assets and Liabilities. On the assets side we write all types of assets such as Cash, Bills Receivable, Stock, Building etc.

On the liabilities side all liabilities, are written both long term liabilities and current liabilities, such as Bills Payable, trade creditors, bank loan etc. Next we write owners' capital. Net profit is added to it. If there is net loss it is deducted from the capital. Amount of drawings is also deducted from the capital. Finally the two sides are totalled and the totals should agree.

**Illustration 4**

From the following Trial Balance of M/s Vikram Brothers prepare Trading and Profit and Loss Account for the year ended 31st March 2006 and Balance Sheet as on that date.



Particulars	Dr. Balances Rs	Particulars	Cr. Balance Rs
Cash in hand	500	Capital	70000
Motor car	25000	Discount Received	2000
Drawings	48000	Sales	230000
Legal charges	1500	Creditors	46000
Plant & Machinery	60000	Interest on investment	5200
Investments	40000	Purchases Return	3800
Opening stock	35000	Bills payable	34000
Sales Returns	2500		
Salaries	12000		
Discount allowed	600		
Carriage Inward	1800		
Wages	21000		
Postage	400		
Debtors	60000		
Interest	1500		
Insurance Premium	1200		
Purchases	80000		
	391000		391000

**Notes**

Closing stock as on 31.3.2006 Rs 28000

**Solution :**

**Trading A/c  
for the year ended 31st March, 2006**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Opening stock	35000	Sales	230000
Purchases	80000	Less sales Returns	2500
Less purchase return	3800	Closing stock	28000
Wages	21000		
Carriage Inward	1800		
Gross Profit transferred to Profit & Loss A/c	121500		
	255500		255500



**Notes**

**Profit & Loss A/c  
for the year ended 31st March, 2006**

Particulars	Amount Rs	Particulars	Amount Rs
Salaries	12000	Gross Profit transferred from Trading A/c	121500
Insurance Premium	1200	Discount Received	2000
Discount allowed	600	Interest on Investments	5200
Postage	400		
Interest	1500		
Legal charges	1500		
Net Profit Transferred to Capital A/c	111500		
	128700		128700

**Balance Sheet  
As on 31st March, 2006**

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	34000	Cash in hand	500
Capital	70000	Debtors	60000
Add Net Profit	111500	Closing stock	28000
	181500	Investments	40000
Less drawings	48000	Motor car	25000
Creditors	46000	Plant & Machinery	60000
	213500		213500

**Illustration 5**

Following is the Trial Balance extracted from the books of Jasmine Enterprises as on 31st March, 2006. Prepare Trading and Profit & Loss A/c from the information given in Trial Balance for the year ending 31st March, 2006. Also prepare the Balance Sheet as on that date.

Particulars	Dr. Amount (Rs.)	Cr. Amount (Rs.)
Stock (1.4.2005)	18500	
Purchases & Sales	78500	154200
Return Inwards & Return Outwards	2200	2500
Debtors & Creditors	16500	18000


**Notes**

Bills Receivable & Bills Payable	14000	21000
Commission paid	2000	
Audit fees	1800	
Building	65000	
Furniture	12000	
Salaries	14000	
Telephone charges	4200	
Insurance	2100	
Discount allowed	1000	
Octroi	1200	
Wages	16000	
Freight Inward	2400	
Bad debts	600	
Depreciation	4200	
Bank loan		32000
Cash in hand and at Bank	25000	
Capital		100000
Drawing	16500	
Machinery	30000	
	327700	327700

Stock as on 31.3.2006 Rs 19600

**Solution :**

**Trading A/c  
For the year ended 31st March, 2006**

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Stock (1.4.2005)	18500	Sales	154200
Purchases	78500	Less Return Inward	2200
Less return outward	2500	Closing stock	19600
Wages	16000		
Freight Inward	2400		
Octroi	1200		
Gross Profit transferred to Profit & Loss A/c	57500		
	171600		171600



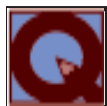
**Notes**

**Profit & Loss A/c  
For the year ended 31st March, 2006**

Particulars	Amount Rs	Particulars	Amount Rs
Salaries	14000	Gross Profit transferred from Trading A/c	57500
Insurance Premium	2100		
Bad debts	600		
Depreciation	4200		
Audit fees	1800		
Discount allowed	1000		
Commission paid	2000		
Net Profit Transferred to Capital A/c	27600		
	57500		57500

**Balance Sheet  
As at 31st March, 2006**

Liabilities	Amount Rs	Assets	Amount Rs
Bills Payable	21000	Cash in hand & at Bank	25000
Sundry creditors	18000	Bill receivable	14000
Bank Loan	32000	Sundry Debtors	16500
Capital	100000	Closing stock	19600
Add Net Profit	27600	Machinery	30000
	127600	Building	65000
Less Drawings	16500	Furniture	12000
	111100		
	182100		182100



**INTEXT QUESTIONS 14.4**

Fill in the blanks with appropriate word/words :

- (i) The amount by which credit side of Trading A/c exceeds the debit side is written as .....
- (ii) The amount by which debit side exceeds the credit side of Profit & Loss A/c is written as .....
- (iii) The totals of the two sides of the Balance sheet should always be .....
- (iv) Bank loan is shown on the ..... side of the Balance sheet.



**WHAT YOU HAVE LEARNT**

1. To prepare Trading Account on the debit side we write opening stock, net purchases and direct expenses on the credit we write net sales and closing stock. The difference of the two sides is calculated which may be Gross Profit or Gross Loss. The same is transferred to Profit & Loss Account.
2. All items of revenue expenditure and losses are written on the debit of Profit and Loss Account and the on the credit we write items of revenue receipts and gains. The difference of the two sides is calculated which may be either Net Profit or Net Loss.
3. Balance sheet is a statement showing the financial position of a business unit on the last date of the accounting year.
4. Balance sheet is a systematic presentation of what a business unit owns and what it owes.
5. Balance sheet has two sides Assets and Liabilities.
6. Assets and Liabilities may be written in (i) Liquidity order or (ii) Permanency order.
7. Assets may be classified as : fixed assets, current assets, tangible assets, intangible assets, liquid assets, wasting assets and fictitious assets.
8. Liabilities can be long term liabilities, current liabilities and owners funds.

**TERMINAL EXERCISE**

1. State the steps taken while preparing Trading Account.
2. Explain the term Balance Sheet. Also explain the objectives of preparing a Balance sheet.
3. Explain showing assets in 'liquidity order' and 'permanency order' in a Balance Sheet.
4. Explain the following types of assets with two examples each :
  - (a) Intangible Assets
  - (b) Fictitious Assets
  - (c) Fixed Assets
  - (d) Current Assets

**Notes**



**Notes**

5. What are owners' funds ?
6. From the following information extracted from the books of P. Mukherjee, prepare Trading Account for the year ending 31st March, 2006.

	Rs		Rs
Opening stock	6500	Cash	4500
Purchases	45000	Office expenses	3200
Sales	72000	Office Rent	6800
Return Inward	1500		
Return Outward	500		
Carriage on Purchases	1200		
Wages	4800		
Fuel & Power	3200		

Closing stock on 31st March, 2006 was Rs 8600

7. From the following information of Rashmi prepare Profit & Loss Account for the year ending 31st March, 2006.

	Rs		Rs
Gross Profit	64800	Discount Received	600
Bad debts	1500	Commission Received	2100
Depreciation	2500	Freight outward	1600
Office rent	4800	Prepaid Insurance	600
Insurance	3200	Salary	6400
Telephone charges	1700	Stationery	700
Interest on loan	2400	Furniture	6000
Building	50000		

Closing stock as on 31st March, 2006 Rs 20000

8. From the following Trial Balance of M/s Krishna Murthi Garments as on 31st March, 2006, you are required to prepare Trading Account, Profit and Loss A/c for the year ended 31st March, 2006 and a Balance sheet as on that date.



**Trial Balance of M/s Krishna Murthi Garments  
as at 31st March, 2006**

Particulars	Dr. Balances Rs	Cr. Balances Rs
Cash in hand	2000	2000
Bank overdraft		35000
Stock (1.4.2005)	32000	
Purchases	80000	
Freight Inward	4000	
Custom duty	5500	
Power	6500	
Machines	40000	
Furniture	20000	
Sales		165000
Bills Payable		18000
Sundry Debtors	28000	
Sundry creditors		22000
Salaries	6500	
Salesmen's commission	7800	
Rent of Godown	7200	
Insurance	2400	
Land & Building	75000	
Carriage on sales	3600	
Advertisement	4500	
Capital		100000
Drawings	15000	
	340000	340000

Notes

Closing stock as on 31st March, 2006 Rs 38000



**Notes**



**ANSWERS TO INTEXT QUESTIONS**

**Intext Questions 14.1**

- |                          |        |
|--------------------------|--------|
| (i) Trading A/c          | credit |
| (ii) Profit & Loss A/c   | debit  |
| (iii) Profit & Loss A/c  | credit |
| (iv) Trading A/c         | debit  |
| (v) Trading A/c          | debit  |
| (vi) Trading A/c         | credit |
| (vii) Profit & Loss A/c  | debit  |
| (viii) Profit & Loss A/c | credit |

**Intext Questions 14.2**

- |     |                      |                      |
|-----|----------------------|----------------------|
| I.  | Liquidity order      | Permanency order     |
|     | Cash in hand         | Goodwill             |
|     | Bills Receivable     | Furniture            |
|     | Sundry Debtors       | Building             |
|     | Closing stocks       | Investments          |
|     | Investments          | Closing stock        |
|     | Building             | Sundry Debtors       |
|     | Furniture            | Bills Receivable     |
|     | Goodwill             | Cash in hand         |
| II. | Liquidity order      | Permanency order     |
|     | Outstanding expenses | Capital              |
|     | Bills payable        | Loan on Mortgage     |
|     | Creditors            | Creditors            |
|     | Loan on Mortgage     | Bill payable         |
|     | Capital              | Outstanding expenses |

**Intext Questions 14.3**

- |    |                        |                    |
|----|------------------------|--------------------|
| I. | (i) Intangible Asset   | (ii) Current Asset |
|    | (iii) Fictitious Asset | (iv) Wasting Asset |
|    | (v) Fixed Asset        |                    |



Notes

- II. (i) Long term liability (ii) Current liability  
 (iii) Current liability (iv) Owner fund

**Intext Questions 14.4**

- (i) Gross Profit (ii) Net Loss  
 (iii) Equal (iv) Liabilities

**Answers to Practical Terminal Questions**

6. Gross profit Rs. 10300  
 7. Net Profit Rs 42700  
 8. Gross Profit Rs 75000  
 Net Profit Rs 44000  
 Total of Balance Sheet Rs 203000



**Activity :** Visit a number of business firms of your locality, parents of your friends and of your relatives and collect the information about assets which are not common because of the nature of their business and classify them into relevant categories.

Name of the firm	Nature of business	Name of the asset	Category of the asset
1.			
2.			
3.			
4.			
5.			



**Activity :** Analyse the Balance Sheet of a business enterprise being run by your father/father of your friend or by a relative and check the marshalling of Assets and Liabilities. If these are not in order place them in liquidity order or permanency order. If these are already in liquidity order place them in permanency order and vice-versa.