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**Subject:-Specialised Accounting**

# **Chapter**

**Prior and Post to Incorporation**



**Online Classes are  
available**

### Problem 9

Akshya Ltd. was incorporated on 1st March, 2013 and received its certificate of commencement of business on 1st April, 2013. The Company bought the business of Deep Shikha Enterprises with effect from 1st November, 2013. From the following figures relating to the year ending October, 2013, find out the profits available for dividends :

- (a) Sales for the year were ₹ 6,00,000 out of which sales upto 1st March, 2013 were ₹ 2,50,000.
- (b) Gross profit for the year was ₹ 1,92,000.
- (c) The expenses debited to Profit & Loss Accounts were :

	₹		₹
Rent	12,000	Advertising	18,000
Salaries	15,000	Stationery & Printing	3,000

Directors' Fees	4,800	Commission on Sales	6,000
Interest on Debentures	5,000	Bad Debts (₹ 500 relate to	
Audit Fees	2,100	debts created prior to	
Discount on Sales	3,600	incorporation)	1,500
Depreciation	24,000	Interest to vendor on purchase	
General Expenses	4,800	consideration upto 1st May,	
		2013	6,000

**Solution**

**Statement of Profit and Loss**  
(for the year ending 31st October, 2013)

Particulars	Bases of Allocation	Profit Prior to Incorporation		Profit after Incorporation	
		₹	₹	₹	₹
I. Profit from Operations (Gross Profit)	(Sales) 5 : 7		80,000		1,12,000
II. Expenses :					
Employee benefits Expenses (Salaries)	(Time) 1 : 2	5,000		10,000	
Depreciation	1 : 2	8,000		16,000	
Other Expenses :					
Rent	1 : 2	4,000		8,000	
Director's Fees	—	—		4,800	
Interest on Debentures	—	—		5,000	
Audit Fees	Time 1 : 2	700		1,400	
General Expenses	1 : 2	1,600		3,200	
Advertising	Sales 5 : 7	7,500		10,500	
Stationery & Printing	Time 1 : 2	1,000		2,000	
Commission Sales	Sales 5 : 7	2,500		3,500	
Bad Debts	—	500		1,000	
Interest to Vendors	2 : 1	4,000		2,000	
			34,800		67,400
III. Net Profit before Tax (I - II)			45,200		44,600

**Working Notes :**

- Time Ratio : Prior to Incorporation : After Incorporation  
1st Nov., 2012 to 28th Feb., 2013 : 1st March, 2013 to 31st Oct., 2013  
= 4 months : = 8 months
- Sales Ratio : 2,50,000 : 3,50,000 : (₹ 6,00,000 - ₹ 2,50,000)  
5 : 7
- Time Ratio for Interest to Vendors : 4 months : 2 months (March & April) = 2 : 1
- Directors' Fees and Interest on Debentures relate to the period prior to incorporation.