# Dr.Uttam Kumar SRAP College,Barachakia Mob no. 8210561032 Subject:-Specialised Accounting Chapter 

## Prior and Post to Incorporation



## Online Classes are available

Maruti Private Ltd, was incorporated on July 1, 2012, to take over the running business of Mr. William with effect from April, 2012. The following Profit and Loss Account for the year ended 31st March, 2013 was drawn up

| Particulars | Note No. | ₹ |
| :---: | :---: | :---: |
| I. Revenue from Operations : Other Income | $2$ | $1,19,000$ |
| II. Total Revenue |  | 1,19,500 |
| III. Expenses : |  |  |
| Employee Benefits Expenses | 3 | 28,000 |
| Depreciation |  | 2,800 |
| Other Expenses | 4 | 30,560 |
|  |  | 61,460 |
| IV. Net Profit (II - III) |  | 58,040 |

Notes to Accounts :

1. Revenue from Operations:

Gross Profit
2. Other Income:

Bad-debt Realised
3. Employee Benefits Expenses :

Salaries
4. Other Expenses :

Commission
Advertisement
Managing Director's Remuneration
Insurance
Preliminary Expenses
Rent and Taxes
Discount
Bad Debts
$1,19,000$
500
28,000
5,250
10,500
9,000

The following details are available :
(i) The average monthly turnover from July 2012, onwards was double than that of the previous months.
(ii) Rent for the first three months was paid @ ₹ 200 p.m. and thereafter at a rate increased by ₹ 50 p.m.
(iii) Bad Debts ₹ 350 related to Sales effected upto 30th June, 2012 and the realisation of bad debts was in respect of debts written off during 2011. 12. Find out the profit prior to incorporation and state the treatment in the books of the Company.

## Solution

## Maruti Private Ltd. Statement Profit and Loss

 (for the year ended 31st March, 2013)| Particulars | Basis of Allocation | Pre-incorporation |  | Post-incorporation |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| I. Revenue from Operations | Sales | ₹ | $17,000$ | ₹ | $\begin{gathered} \text { ₹ } \\ 1,02,000 \end{gathered}$ |
| II. Other Income | Actual |  | 500 |  | - |
| III. Total Revenue |  |  | 17,500 |  | 1,02,000 |
| IV. Expenses : |  |  |  |  |  |
| Employee Benefits Expenses | Time | 7,000 |  | 21,000 |  |
| Depreciation | Time | 700 |  | 2,100 |  |
| Other Expenses : |  |  |  |  |  |
| Commission | Sales | 750 |  | 4,500 |  |
| Advertisement | Sales | 1,500 |  | 9,000 |  |
| Managing Director's Remuneration | Actual | - |  |  |  |
| Insurance | Time | 150 |  | 9,000 450 |  |
| Preliminary Expenses | Actual | - |  | 700 | . |
| Rent and Taxes (See Note 3) | Actual | 640 |  | 2,370 |  |
| Discount Bad Debts | Sales | 50 |  | 300 |  |
| Bad Debts | Actual | 350 | 11,140 | 900 | 50,320 |
| V. Net Profit (III - IV) |  |  | 6,380 |  | 51,680 |

1. Time Ratio : 1st April, 2012 to 30th June, 2012 : 1st July, 2012 to 31 st March, 2013 3 months
$\therefore 1: 3$
2. Sales or Turnover Ratio :

9 months

$$
\begin{array}{ccc}
\text { April } 2012 \text { to June, } 2013=3 \text { months } & \text { July } 2012 \text { to March, } 2013=9 \text { months } \\
1 \times 3=3 & : & 2 \times 9=18
\end{array}
$$

3. Pre-incorporation Rent: $200 \times 3=600(+)$
Taxes (Time basis) $\quad \underline{40}$

Rent and Taxes $\quad \underline{640}$ Post-incorporation $\begin{array}{ll}₹ 0250 \times 9 &$| 2,250 |
| :--- |
| $\frac{120}{}$ |
| 2,370 |\end{array}

