# **Dr.Uttam Kumar SRAP College, Barachakia** Mob no.8210561032 **Subject:-Specialised Accounting** Chapter **Prior and Post to Incorporation**



# **Online Classes are available**

1012010 = 3 months, thus ratio 1 : 1 or  $\frac{1}{9}$  for interest distribution

### **Problem 11**

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.	2
I. Revenue from Operations :	1	1,19,000
Other Income	2	500
II. Total Revenue		1,19,500
III. Expenses :		
Employee Benefits Expenses	3	28,000
Depreciation		2,800
Other Expenses	4	30,660
		61,460
IV. Net Profit (II – III)		58,04

Notes to Accounts : Particulars	₹
1. Revenue from Operations : Gross Profit	1,19,000
<ol> <li>Other Income : Bad-debt Realised</li> <li>Employee Benefits Expenses :</li> </ol>	28,000
Salaries	28,000
4. Other Expenses : Commission Advertisement Managing Director's Remuneration Insurance Preliminary Expenses Rent and Taxes Discount	5,250 10,500 9,000 600 700 3,010 350 1,250
Bad Debts	30,660

The following details are available :

The average monthly turnover from July 2012, onwards was double than (i) that of the previous months.

Rent for the first three months was paid @ ₹ 200 p.m. and thereafter (ii) at a rate increased by ₹ 50 p.m.

## SBPD Publications Profit or Loss Prior to and After Incorporation

Bad Debts ₹ 350 related to Sales effected upto 30th June, 2012 and the (iii) 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

2.

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Particulars I. Revenue from Operations	Basis of Allocation Sales	Pre-incorporation		Post-incorporation	
		₹	5	₹	₹ 1,02,000
	Sales		17,000		1,02,000
II. Other Income	Actual		500		
III. Total Revenue			17,500		1,02,000
IV. Expenses :			x		
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	_		9,000	
Insurance	Time	150		450	
Preliminary Expenses	Actual	_		700	
Rent and Taxes (See Note 3)	Actual	640		2,370	
Discount	Sales	50		300	
Bad Debts	Actual	350	11,140	900	50,320
V. Net Profit (III – IV)			6,380		51,680
Working Notes :		=			01,000

Sales or Turnover Ratio : Monthly Average April 2012 to June, 2013 = 3 months July 2012 to March, 2013 = 9 months  $1 \times 3 = 3$  $2 \times 9 = 18$ 3 : 18 = 1 : 6 3. Pre-incorporation : Post-incorporation Rent:  $200 \times 3 = 600$  (+) ₹0250×9 Taxes (Time basis) 2,250 \_40 Rent and Taxes 120 (3,010 - 2,850)640 2,3703,010

Total

2,850

160