
I.P.C.C. PROFIT PRIOR TO INCORPORATION ACCOUNTS

Q.1. ABC Ltd. was incorporated on 1.5.2009 to take over the business of DEF and Co. from 1.1.2009. The Profit and Loss Account for the given by ABC Ltd. for the year ending 31.12.2008 is as under

Profit & Loss Account

	Rs.		Rs.
To Rent and Taxes	90,000	By Gross Profit	10,64,000
To Salaries including manager's salary of Rs.85,000	3,31,000	By Interest on Investments	36,000
To Carriage Outwards	14,000		
To Printing and Stationery	18,000		
To Interest on Debentures	25,000		
To Sales Commission	30,800		
To Bad Debts (related to sales)	91,000		
To Underwriting Commission	26,000		
To Preliminary Expenses	28,000		
To Audit Fees	45,000		
To Loss on Sale of Investments	11,200		
To Net Profit	3,90,000		
	11,00,000		11,00,000

Prepare a Statement showing allocation of pre-incorporation and post-incorporation profits after considering the following information's :

- (i) G.P. ratio was constant throughout the year.
- (ii) Sales for January and October were 1 ½ times the average monthly sales while sales for December were twice the average monthly sales.
- (iii) Bad Debts are shown after adjusting a recovery of Rs.7,000 of Bad Debt for a sale made in July, 2006.
- (iv) Manager's salary was increased by Rs. 2,000 p.m. from 1.5.2009.
- (v) All investments were sold in April, 2009.

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Q.2. Bidyut Limited was incorporated on 1st July, 2001 to acquire from Bijli as and from 1st January, the individual business carried on by him. The purchase price of the fixed assets and goodwill was agreed to be the sum equal to 80% of the profits made each year on ascertainment of the sum due.

The following Trial Balance as on 31st Dec. 2001 is presented to you to enable you to prepare a Balance Sheet as at that date. Also prepare a statement of appropriation of profit writing off one-third of the preliminary expenses.

	Dr. (Rs.)	Cr. (Rs.)
Share Capital – 1,500 equity shares of Rs.100 each, Rs.80 paid up		1,20,000
Sundry Debtors	82,000	
Stock on 31 st Dec., 2001	67,000	
Cash at bank and on hand	24,000	
Directors' fees	3,000	
Preliminary Expenses	24,000	
Sundry Creditors		32,000
Net Profit for the year after providing for all expenses under agreement entered into with Bijli		48,000
	2,00,000	2,00,000

