

**I.P.C.C.                      PROFIT PRIOR TO INCORPORATION (SOL.)                      ACCOUNTS**

**Sol.1.** Pre-incorporation period is for four months, from 1<sup>st</sup> January, 2009 to 30<sup>th</sup> April, 2009.  
 8 months' period (from 1<sup>st</sup> May, 2009 to 31<sup>st</sup> December, 2009) is post-incorporation period.

**Profit & Loss Account for the year ended 31<sup>st</sup> December, 2009**

	<b>Pre-Inc. (Rs.)</b>	<b>Post-Inc. (Rs.)</b>		<b>Pre-Inc (Rs.)</b>	<b>Post-inc. (Rs.)</b>
To Rent and Taxes	30,000	60,000	By Gross Profit	3,42,000	7,22,000
To Salaries :			By Interest on		
Manager's Salary	23,000	62,000	Investments	36,000	--
Other Salaries	82,000	1,64,000	By Bad Debts		
To Printing & Stationery	6,000	12,000	Recovery	7,000	--
To Audit Fees	15,000	30,000			
To Carriage Outwards	4,500	9,500			
To Sales Commission	9,900	20,900			
To Bad Debts (91,000 + 7,000)	31,500	66,500			
To Int. on Debentures	--	25,000			
To Underwriting Commission	--	26,000			
To Preliminary Exp.	--	28,000			
To Loss on sale of investments	11,200	--			
To Net Profit	*1,71,900	2,18,100			
	<b>3,85,000</b>	<b>7,22,000</b>		<b>3,85,000</b>	<b>7,22,000</b>

\* Pre profit is a capital profit and will be transferred to Capital Reserve.

**IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/ PROFIT PRIOR TO INCORPORATION-(SOL.)****Sol.2.** Balance Sheet of M Bidyut Ltd. AS ON 31<sup>ST</sup> Dec., 2001

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Share Capital Issued & Subscribed Capital 1,500 Equity Shares of Rs.100 each, Rs.80 paid up	1,20,000	Fixed Assets Goodwill & Fixed Assets (refer note below)	38,400
Reserves & Surplus Capital Reserve (Pre-incorporation profit)	24,000	Investments	NIL
Profit & Loss A/c	13,000	Current Assets Stock	67,000
Secured Loans	Nil	Debtors	82,000
Unsecured Loans	Nil	Bank	24,000
Current Liabilities & Provisions Trade Creditors	32,000	Misc. Expenses & Losses not Written off Preliminary Exp.	16,000
Due to Bijli	38,400		
	<b>2,27,400</b>		<b>2,27,400</b>

**Note :** The Supreme Court in the case of Travancore Sugars and Chemicals Ltd. v. CIT has held that such payment is a revenue expenditure and deductible from the profits of the company, for tax purposes.

**Statement of Appropriation of profit**

	<b>(Rs.)</b>	<b>Pro- Incorporation (Rs.)</b>	<b>Post- Incorporation (Rs.)</b>
Net Profit for the Year	-	24,000	24,000
Less : Directors' fee	3,000		
Preliminary Exps.	8,000		11,000
		24,000	13,000
Amount Payable to Bijli :			
Profit for the year			48,000
80% due as cost of goodwill, assets, etc.		38,400	