

Additional Information:

1. Bad debts of Rs. 10,000 are related to the debtors of pre-incorporation period.
2. Purchase value is paid to vendor on the date of incorporation.
3. The sales of incorporation period was Rs. 15,00,000.
4. Rent per month Rs. 5,000 upto 1-5-17, thereafter Rs. 6,000 per month. Building is purchased by the Co. on 1-10-17.
5. Audit fees should be treated as an expense of after incorporation period.

OR

Q-2 HNSons was incorporated on 1-5-17 to take over the business of NRSons from 1-1-17.

[15]

Profit & Loss A/c for the year ended on 31-12-17

Particular	Rs.	Particular	Rs.
To Audit fees	90,000	By Gross Profit	21,28,000
To Rent and rates	1,80,000	By Interest on	
To carriage	28,000	investments	72,000
To loss on sale of			
investments	22,400		
To preliminary exps.	56,000		
To salaries(includes			
Managers salary of			
Rs.1,70,000)	6,62,000		
To printing charges	36,000		
To interest on			
debentures	50,000		
To commission	61,800		
To Bad debts	1,82,000		
To underwriting			
commission	52,000		
To Net profit	<u>7,80,000</u>		
	<u>22,00,000</u>		<u>22,00,000</u>

After considering the following information prepare a statement showing profit prior to and after incorporation:

- a.) Gross profit ratio was constant throughout the year.
- b.) Sales for January to June were 1.5 times the average monthly sales while sales for December were twice the average monthly sales.

(P.T.O.)

(3)

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