MOCK TEST PAPER - 2

INTERMEDIATE (IPC): GROUP – II

PAPER – 5: ADVANCED ACCOUNTING

SUGGESTED ANSWERS/HINTS

1. (a) As per AS-12, 'Accounting for Government Grants', "the amount refundable in respect of a grant related to specific fixed asset should be recorded by reducing the deferred income balance. To the extent the amount refundable exceeds any such deferred credit, the amount should be charged to profit and loss statement.

(i) In this case the grant refunded is Rs. 60 lakhs and balance in deferred income is Rs. 42 lakhs, Rs. 18 lakhs shall be charged to the profit and loss account for the year 2017-18. There will be no effect on the cost of the fixed asset and depreciation charged will be on the same basis as charged in the earlier years.

(ii) If the grant was deducted from the cost of the plant in the year 2014-15 then, AS-12 states that the amount refundable in respect of grant which relates to specific fixed assets should be recorded by increasing the book value of the assets, by the amount refundable. Where the book value of the asset is increased, depreciation on the revised book value should be provided prospectively over the residual useful life of the asset. Therefore, in this case, the book value of the plant shall be increased by Rs. 60 lakhs. The increased cost of Rs.60 lakhs of the plant should be amortized over 7 years (residual life). Depreciation charged during the year 2017-18 shall be (1,68 + 60)/7 years = Rs. 32.57 lakhs presuming the depreciation is charged on SLM.

(b) As per AS 29, 'Provisions, Contingent Liabilities and Contingent Assets', where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement should be recognised when, and only when, it is virtually certain that reimbursement will be received if the enterprise settles the obligation. The reimbursement should be treated as a separate asset. The amount recognised for the reimbursement should not exceed the amount of the provision.

Accordingly, potential loss to an enterprise may be reduced or avoided because a contingent liability is matched by a related counter-claim or claim against a third party. In such cases, the amount of the provision is determined after taking into account the probable recovery under the claim if no significant uncertainty as to its measurability or collectability exists. In this case, the provision of salary to employees of Rs. 680 lakhs will be ultimately collected from the client, as per the terms of the contract. Therefore, the liability of Rs. 680 lakhs is matched by the counter claim from the client. Hence, the provision for salary of employees should be matched with the reimbursable asset to be claimed from the client. It appears that the whole amount of Rs. 680 lakhs is recoverable from client and there is no significant uncertainty about the collection. Hence, the net charge to profit and loss account should be nil.

The opinion of the accountant regarding recognition of income of Rs. 680 lakhs is not as per AS-29 and also the concept of prudence will not be followed if Rs. 680 lakhs is simultaneously recognized as income. Rs. 680 lakhs is not the revenue at present but only reimbursement of claim for which an asset is created. However, the accountant is correct to the extent as that non-recognition of Rs. 680 lakhs as income will result in the understatement of profit. To avoid this, in the statement of profit and loss, expense relating to provision may be presented net of the amount recognized for reimbursement.

(c) (i) Interest for the period 2016-17

= US $ 10 lakhs x 4% × Rs. 62 per US$ = Rs. 24.80 lakhs

© The Institute of Chartered Accountants of India

(ii) Increase in the liability towards the principal amount

= US $ 10 lakhs × Rs. (62 - 56) = Rs. 60 lakhs

(iii) Interest that would have resulted if the loan was taken in Indian currency

= US $ 10 lakhs × Rs. 56 x 10.5% = Rs. 58.80 lakhs

(iv) Difference between interest on local currency borrowing and foreign currency borrowing = Rs. 58.80 lakhs - Rs. 24.80 lakhs = Rs. 34 lakhs.

Therefore, out of Rs. 60 lakhs increase in the liability towards principal amount, only Rs. 34 lakhs will be considered as the borrowing cost. Thus, total borrowing cost would be Rs. 58.80 lakhs being the aggregate of interest of Rs. 24.80 lakhs on foreign currency borrowings plus the exchange difference to the extent of difference between interest on local currency borrowing and interest on foreign currency borrowing of Rs. 34 lakhs.

Hence, Rs. 58.80 lakhs would be considered as the borrowing cost to be accounted for as per AS 16 and the remaining Rs. 26 lakhs (60 - 34) would be considered as the exchange difference to be accounted for as per AS 11.

(d) Following will be the treatment in the given cases:

(i) When sales price of Rs. 50 lakhs is equal to fair value, A Ltd. should immediately recognise the profit of Rs.10 lakhs (i.e. 50 – 40) in its books.

(ii) When fair value of leased machinery is Rs. 45 lakhs & sales price is Rs. 38 lakhs, then loss of Rs. 2 lakhs (40 – 38) to be immediately recognised by A Ltd. in its books provided loss is not compensated by future lease payment.

(iii) When fair value is Rs. 40 lakhs & sales price is Rs. 50 lakhs then, profit of Rs. 10 lakhs is to be deferred and amortised over the lease period.

(iv) When fair value is Rs. 46 lakhs & sales price is Rs. 50 lakhs, profit of Rs. 6 lakhs (46-40) to be immediately recognised in its books and balance profit of Rs. 4 lakhs (50-46) is to be amortised/deferred over lease period.

(v) When fair value is Rs. 35 lakhs & sales price is Rs. 39 lakhs, then the loss of Rs. 5 lakhs (40-35) to be immediately recognised by A Ltd. in its books and profit of Rs. 4 lakhs (39-35) should be amortised/deferred over lease period.

2. (a) Statement showing liability of underwriters

	Particulars	Basis	White	Black
A	Gross Liability [No. of Shares)	1:1	15,00,000	15,00,000
B	*Less:* Marked Applications {Net of firm underwriting}		(15,00,000)	(10,20,000)
C	Balance [A-B]		-	4,80,000
D	*Less:* Unmarked Applications	1:1	(1,20,000)	(1,20,000)
E	Balance [C-D]		(1,20,000)	3,60,000
F	*Less:* Firm Underwriting		(60,000)	(60,000)
G	Balance		(1,80,000)	3,00,000
H	Credit for White 's Oversubscription		1,80,000	(1,80,000)
I	Net Liability		-	1,20,000
J	*Add:* Firm Underwriting		60,000	60,000
K	Total Liability [No. Shares]		60,000	1,80,000

© The Institute of Chartered Accountants of India

(b) Modern Insurance Company (Abstract showing the Amount of claims)

Net Claims incurred

		Rs.
Claims paid on direct business (7,06,000 + 7,600 + 8,400)		7,22,000
Add: Re-insurance	1,64,000	
Add: Outstanding as on 31.3.2017	17,400	
Less: Outstanding as on 1.4.2016	(11,600)	1,69,800
		8,91,800
Less: Claims received from re-insurance	64,000	
Add: Outstanding as on 31.3.2017	28,400	
Less: Outstanding as on 1.4.2016	(17,000)	(75,400)
		8,16,400
Add: Outstanding direct claims at the end of the year		1,75,000
		9,91,400
Less: Outstanding claims at the beginning of the year		(1,64,600)
Net claims incurred		8,26,800

(c) Computation of basic earnings per share

Net profit for the current year / Weighted average number of equity shares outstanding during the year

Rs. 75,00,000 / 10,00,000 = Rs. 7.50 per share

Computation of diluted earnings per share $\frac{\text{Adjusted net profit for the current year}}{\text{Weighted average number of equity shares}}$

Adjusted net profit for the current year

	Rs.
Net profit for the current year	75,00,000
Add: Interest expense for the current year	8,00,000
Less: Tax relating to interest expense (30% of Rs. 8,00,000)	(2,40,000)
Adjusted net profit for the current year	80,60,000

Number of equity shares resulting from conversion of debentures

= 1,10,000 Equity shares (given in the question)

Weighted average number of equity shares used to compute diluted earnings per share

= 11,10,000 shares (10,00,000 + 1,10,000)

Diluted earnings per share

= 80,60,000/ 11,10,000 = Rs. 7.26 per share

Note: Conversion of convertible debentures into Equity Share will be dilutive potential equity shares. Hence, to compute the adjusted profit the interest paid on such debentures will be added back as the same would not be payable in case these are converted into equity shares.

3. (i) Number of Shares to be issued to Partners

	Rs.
Assets: Machinery Rs. 1,40,000 + Inventory Rs. 1,37,400 + Trade Receivable Rs.1,24,000 + Bank Rs. 1,00,000	5,01,400

© The Institute of Chartered Accountants of India

Less: Liabilities taken over	(1,69,400)
Net Assets taken over (Purchase Consideration)	3,32,000

Classes of Shares to be issued:	M	N	O	Total
10% Preference Shares of Rs. 10 each (to retain rights as to Interest on Capital)	1,36,000	90,000	46,000	2,72,000
Balance in Equity Shares of Rs. 10 each (3,32,000 -2,72,000) (issued in profit sharing ratio)	30,000	18,000	12,000	60,000
	1,66,000	1,08,000	58,000	3,32,000

(ii) Partners' Capital Accounts

Particulars	M	N	O	Particulars	M	N	O
To Drawings	50,000	46,000	34,000	By balance b/d	1,36,000	90,000	46,000
To 10% Preference share capital	1,36,000	90,000	46,000	By Interest on Capital	13,600	9,000	4,600
To Equity Shares	30,000	18,000	12,000	By profit for the year 5:3:2 (W.N. 1)	1,10,700	66,420	44,280
To Bank –Additional drawings (W.N. 2)	54,300	17,420	6,880	By Machinery* A/c	10,000	6,000	4,000
Total	2,70,300	1,71,420	98,880		2,70,300	1,71,420	98,880

***** Gain on Transfer of Machinery = Rs. 1,40,000 – (Rs. 2,00,000-Rs. 80,000) = Rs. 20,000 in 5:3:2 ratio.

(iii) Balance sheet of MNO Ltd. as on 31st March, 2017 (after Takeover of Firm)

		Note no.	Rs.
I	**Equity and Liabilities:**		
	(1) Shareholders Funds		
	Share Capital	1	3,32,000
	(2) Current Liabilities		
	Trade Payables		1,69,400
	Total		5,01,400
II	**Assets**		
	(1) Non-Current Assets		
	Fixed Assets		
	Tangible Assets- Machinery		1,40,000
	(2) Current Assets:		
	(a) Inventories		1,37,400
	(b) Trade Receivables		1,24,000
	(c) Cash and Cash Equivalents		1,00,000
	Total		5,01,400

© The Institute of Chartered Accountants of India

Notes to Accounts

	Particulars	Rs.
1.	Share capital	
	Authorized shares capital	20,00,000
	Issued, Subscribed & paid up	
	6,000 Equity Shares of Rs. 10 each	60,000
	27,200 10% Preference Shares capital of Rs. 10 each	2,72,000
	(All above shares issued for consideration other than cash, in takeover of partnership firm)	**3,32,000**

Working Notes:

1. Profit & Loss Appropriation Account for the year ended 31st March, 2017

Particulars	Rs.	Rs.	Particulars	Rs.
To Interest on Capital:			By Net Profit	2,48,600
M [Rs. 1,36,000 x 10%]	13,600		(given)	
N [Rs. 90,000 x 10%]	9,000			
O [Rs. 46,000 x 10%]	4,600	27,200		
To Profits transferred to Capital in profit sharing ratio 5:3:2				
M	1,10,700			
N	66,420			
O	44,280	2,21,400		
		2,48,600		2,48,600

2. Statement showing Additional Drawings in Cash

(a) Funds available for Drawings

	Total Drawing of Partners (given)	1,30,000
Add:	Further Funds available for Drawings (1,78,600-1,00,000)	78,600
		2,08,600
Less:	Interest on Capital	(27,200)
	Amount available for Additional Drawings	1,81,400

(b) Ascertainment of Additional Drawings

Particulars	M	N	O
As per above statement Rs. 1,81,400 (in profit sharing ratio)	90,700	54,420	36,280
Add: Interest	13,600	9,000	4,600
	1,04,300	63,420	40,880
Less: Already drawn	(50,000)	(46,000)	(34,000)
Additional Drawings	54,300	17,420	6,880

© The Institute of Chartered Accountants of India

4. (a) In the books of English Firm (Head Office in New York)

Kolkata Branch Profit and Loss Account
for the year ended 31st December, 2016

	$		$
To Opening stock	4,500	By Sales	46,875
To Purchases	31,250	By Closing stock	12,500
To Gross profit c/d	23,625	(6,37,500 / 51)	
	59,375		59,375
To Salaries	2,000	By Gross profit b/d	23,625
To Rent, rates and taxes	2,125		
To Exchange translation loss	2,000		
To Net Profit c/d	17,500		
	23,625		23,625

Balance Sheet of Kolkata Branch
as on 31st December, 2016

Liabilities	$	$	*Assets*	$
Head Office A/c	13,400		Furniture	1,750
Add : Net profit	17,500	30,900	Closing Stock	12,500
Trade creditors		10,000	Trade Debtors	15,000
Bills Payable		3,500	Bills Receivable	4,000
			Cash at bank	11,150
		44,400		44,400

Working Note:

Calculation of Exchange Translation Loss
Kolkata Branch Trial Balance (converted in $)
as on 31st December, 2016

	Dr.	*Cr.*	*Conversion*	*Dr.*	*Cr.*
	Rs.	*Rs.*	*rate*	*($)*	*($)*
Stock on 1st Jan., 2016	2,34,000		52	4,500	
Purchases & Sales	15,62,500	23,43,750	50	31,250	46,875
Debtors & creditors	7,65,000	5,10,000	51	15,000	10,000
Bills Receivable and Bills Payable	2,04,000	1,78,500	51	4,000	3,500
Salaries and wages	1,00,000		50	2,000	
Rent, Rates and Taxes	1,06,250		50	2,125	
Furniture	91,000			1,750	
Bank A/c	5,68,650		51	11,150	
New York Account		5,99,150			13,400
Exchange translation loss (bal. fig.)				2,000	
	36,31,400	36,31,400		73,775	73,775

© The Institute of Chartered Accountants of India

(b) 1. Calculation of Departmental Results (Actual Gross Profit):

	A (Rs.)	B (Rs.)	C (Rs.)
Actual Sales	1,72,500	1,59,400	74,600
Add back: Discount (Refer W.N.)	2,500	600	400
Normal sale	1,75,000	1,60,000	75,000
Gross profit % on normal sales	20%	25%	33.33%
Normal gross profit	35,000	40,000	25,000
Less: Discount	(2,500)	(600)	(400)
Actual gross profit	32,500	39,400	24,600

2. Computation of value of stock as on 31st Dec. 2016

Departments	**A**	**B**	**C**
	Rs.	**Rs.**	**Rs.**
Stock (on 1.1. 2016)	24,000	36,000	12,000
Add: Purchases	1,46,000	1,24,000	48,000
	1,70,000	1,60,000	60,000
Add: Actual gross profit	32,500	39,400	24,600
	2,02,500	1,99,400	84,600
Less: Actual Sales	(1,72,500)	(1,59,400)	(74,600)
Closing stock as on 31.12.2016 (bal.fig.)	30,000	40,000	10,000

Working Note:

Calculation of discount on sales:

Departments	**A**	**B**	**C**
	Rs.	**Rs.**	**Rs.**
Sales at normal price	10,000	3,000	1,000
Less: Sales at actual price	(7,500)	(2,400)	(600)
	2,500	600	400

5. M/s R Ltd.

Balance Sheet as at 1.4.2016

		Particulars	**Notes**	**Rs. in'000**
		Equity and Liabilities		
1		**Shareholders' funds**		
	a	Share capital	1	6,55,980
	b	Reserves and Surplus	2	2,77,990
2		**Non-current liabilities**		
	a	Long-term borrowings	3	80,000
3		**Current liabilities**		
	a	Trade Payables	4	80,000
	b	Short term provision	5	22,000
		Total		11,15,970

© The Institute of Chartered Accountants of India

		Assets		
1		**Non-current assets**		
	a	Fixed assets		
		Tangible assets	6	5,60,000
	b	Non-current investments	7	1,30,000
2		**Current assets**		
	a	Inventory	8	1,52,000
	b	Trade receivables	9	1,44,000
	c	Cash and cash equivalents	10	1,29,970
		Total		11,15,970

Notes to accounts

		Rs. in'000
1.	**Share Capital**	
	Equity share capital	
	55,598 Equity shares of Rs.10 each, fully paid up (W.N.2)	5,55,980
	Preference share capital	
	9% Preference share capital (Share of Rs.100 each) (W.N.2)	1,00,000
		6,55,980
2.	**Reserves and Surplus**	
	Securities premium (W.N.2)	2,77,990
	Investment allowance reserve (Rs.70,000+ Rs.60,000)	1,30,000
	Amalgamation adjustment reserve	(1,30,000)
		2,77,990
3.	**Long-term borrowings**	
	Secured	
	10% Debentures (50% of Rs.1,60,000)	80,000
4.	**Trade Payables** (Rs.50,000+ Rs.30,000)	80,000
5.	**Short term provisions**	
	Provision for tax (Rs.14,000+ Rs.8,000)	22,000
6.	**Tangible assets**	
	Building (Rs.1,32,000+Rs.1,05,000)	2,37,000
	Plant and machinery (Rs.1,76,000+Rs.1,47,000)	3,23,000
		5,60,000
7.	Non – current Investments (Rs.80,000+ Rs.50,000)	1,30,000
8.	**Inventory**	
	Stock (Rs. 72,000+ Rs. 80,000)	1,52,000

© The Institute of Chartered Accountants of India

9.	**Trade receivables**	
	Trade receivables (90% of (Rs.90,000+ Rs.70,000)	1,44,000
10.	**Cash and cash equivalents**	
	Cash and Bank (Rs. 80,000+ Rs. 50,000 – Rs. 30)	1,29,970

Working Notes:

1. **Calculation of value of equity shares issued to transferor companies**

		P Ltd.		*Q Ltd.*
		(Rs.)		*(Rs.)*
Assets taken over:				
Building		1,32,000		1,05,000
Plant and machinery		1,76,000		1,47,000
Investments		80,000		50,000
Inventories		72,000		80,000
Trade receivables		81,000		63,000
Cash & Bank		80,000		50,000
		6,21,000		4,95,000
Less: Liabilities:				
10% Debentures	1,00,000		60,000	
Trade payables	50,000		30,000	
Tax Provision	14,000	1,64,000	8,000	98,000
		4,57,000		3,97,000
Less: Preference Share Capital		60,000		40,000
		3,97,000		3,57,000

2. **Number of shares issued to equity shareholders, debenture holders and preference shareholders**

	P Ltd.	*Q Ltd.*	*Total*
Equity shares issued @ Rs.15 per share (including Rs.5 premium)			
Rs.3,97,000/15	26,466 shares[1]		
Rs.3,57,000/15		23,800shares	50,266 shares
Equity share capital @ Rs.10	Rs.2,64,660	Rs.2,38,000	Rs.5,02,660
Securities premium @ Rs.5	Rs.1,32,330	Rs.1,19,000	Rs.2,51,330
	Rs.3,96,990	Rs.3,57,000	Rs.7,53,990
50% of Debentures are converted into equity shares @ Rs. 15 per share			
1,00,000/2 = 50,000/15	3,332 shares[2]		
60,000/2 = 30,000/15		2,000 shares	5,332 shares
Equity share capital @ Rs.10	Rs.33,320	Rs.20,000	Rs.53,320

[1] Cash paid for fraction of shares = Rs. 3,97,000 less Rs. 3,96,990 = Rs.10

[2] Cash paid for fraction of shares = Rs. 50,000 less Rs. 49,980 = Rs.20

© The Institute of Chartered Accountants of India

Security premium@ Rs.5	Rs.16,660	Rs.10,000	Rs.26,660
	Rs.49,980	Rs.30,000	Rs. 79,980
9% Preference share capital issued	Rs.60,000	Rs.40,000	Rs.1,00,000

6. TOP Bank Limited

Profit and Loss Account for the year ended 31st March, 2016

		Schedule	*Year ended 31.03. 2016*
			*(*Rs. *in '000s)*
I.	**Income:**		
	Interest earned	13	5923.18
	Other income	14	728.00
	Total		6,651.18
II.	**Expenditure**		
	Interest expended	15	3259.92
	Operating expenses	16	768.46
	Provisions and contingencies (960+210+900)		2,070.00
	Total		6,098.38
III.	**Profits/Losses**		
	Net profit for the year		552.80
	Profit brought forward		nil
			552.80
IV.	**Appropriations**		
	Transfer to statutory reserve (25%)		138.20
	Balance carried over to balance sheet		414.60
			552.80

		*Year ended 31.3. 2016 (*Rs. *in '000s)*
	Schedule 13 – Interest Earned	
I.	Interest/discount on advances/bills (Refer W.N.)	5923.18
		5923.18
	Schedule 14 – Other Income	
I.	Commission, exchange and brokerage	304
II.	Profit on sale of investments	320
III.	Rent received	104
		728
	Schedule 15 – Interest Expended	
I.	Interests paid on deposits	3259.92
	Schedule 16 – Operating Expenses	
I.	Payment to and provisions for employees	320
II.	Rent, taxes and lighting	144
III.	Depreciation on bank's properties	48
IV.	Director's fee, allowances and expenses	48
V.	Auditors' fee	28

© The Institute of Chartered Accountants of India

VI.	Law (statutory) charges	44
VII.	Postage and telegrams	96.46
VIII.	Preliminary expenses	40
		768.46

Working Note:

	*(*Rs. *in '000s)*
Interest/discount	5,929.18
Add: Rebate on bills discounted on 31.3. 2015	19.00
Less: Rebate on bills discounted on 31.3. 2016	25.00
	5,923.18

7. **(a)** As per the amendment in AS 4 "Contingencies and Events Occurring After the Balance Sheet Date" vide Companies (Accounting Standards) Amendments Rules, 2016 dated 30th March, 2016, the events which take place after the balance sheet date, are sometimes reflected in the financial statements because of statutory requirements or because of their special nature. However, dividends declared after the balance sheet date but before approval of financial statements are not recognized as a liability at the balance sheet date because no statutory obligation exists at that time. Hence such dividends are disclosed in the notes to financial statements.

Provision for proposed dividends is not required to be made as per the amendment in AS 4. Such proposed dividends are to be disclosed in the notes to financial statements. Accordingly, the dividend of Rs. 4 crores recommended by New Graphics Ltd. in its Board meeting on 18th April, 2017 shall not be accounted for in the books for the year 2016-17 irrespective of the fact that it pertains to the year 2016-17 and will be paid after approval in the Annual General Meeting of the members/shareholders.

(b) As per AS 26 "Intangible Assets", expenditure on research should be recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) should be recognized if and only if, an enterprise can demonstrate all of the conditions specified in the standard. An intangible asset (arising from development) should be derecognised when no future economic benefits are expected from its use according to the provisions of AS 26. Therefore, the management cannot defer the expenditure write off to future years and the company is required to expense the entire amount of Rs. 30 lakhs in the Profit and Loss account of the year ended 31st March, 2016.

(c) **Calculation of number of equity shares allotted to be debenture holders**

	No. of debenture
Total number of debentures	30,000
Less: Debenture holders not opted for conversion	(2,500)
	27,500
Option for conversion	20%
Number of debentures for conversion ($27,500 \times \frac{20}{100}$)	5,500
Redemption value at a premium of 5% (5,500 x Rs. 105)	Rs. 5,77,500
Number of equity shares to be allotted $\frac{Rs.5,77,500}{Rs.15}$	38,500 shares

© The Institute of Chartered Accountants of India

(d) If the firm is dissolved before the term expires, as is the case, W, being a partner, who has paid premium on admission will have to be repaid / refunded

The criteria for calculation of refund amount are:

(i) Terms upon which admission was made,

(ii) The time period for which it was agreed that the firm will not be dissolved,

(iii) The time period for which the firm has already been in existence.

No claim for refund will arise if:

(i) The firm is dissolved due to death of a partner,

(ii) If the dissolution of the firm is basically because of misconduct of W,

(iii) If the dissolution is through an agreement and such agreement does not have a stipulation for refund of premium.

(e) Fair value of an option = Rs. 56 – Rs. 50 = Rs. 6

Number of shares issued = 400 employees x 100 shares/employee = 40,000 shares

Fair value of ESOP = 40,000 shares x Rs. 6 = Rs. 2,40,000

Vesting period = 1 month

Expenses recognized in 2017-18 = Rs. 2,40,000

Date	*Particulars*		*Rs.*	*Rs.*
31.03.2016	Bank (40,000 shares x Rs. 50)	Dr.	20,00,000	
	Employees compensation expense A/c	Dr.	2,40,000	
	To Share Capital (40,000 shares x Rs.10)			4,00,000
	To Securities Premium (40,000 shares x Rs. 46)			18,40,000
	(Being option accepted by 400 employees & payment made @ Rs. 56 share)			
	Profit & Loss A/c	Dr.	2,40,000	
	To Employees compensation expense A/c			2,40,000
	(Being Employees compensation expense transferred to Profit & Loss A/c)			

© The Institute of Chartered Accountants of India