

Lecture # 18 (IAS – 12)

Lecture # 42 (Over all)

Class work

1. Question-19 of Pg. 727
2. Question as below
3. Pg 273 and 274 of book

Question-1

Bilal Engineering Limited earned profit before tax amounting to Rs. 50 million during the year ended December 31, 2009. The accountant has provided following data:

- (i) Accounting depreciation for the year is Rs. 10 million.
- (ii) Tax depreciation on the assets owned by the company is Rs. 7 million.
- (iii) The applicable tax rate is 35%.

Required:

Prepare journal entries in respect of taxation, for the year ended December 31, 2009.

Bilal Engineering Limited**Accounting entries****For the year ended 31 December, 2009**

Date	Particulars	Dr.	Cr.
31/12/09	Current tax expense (W-1) Provision for tax (Recording of tax expense for the year)	18.55	18.55
31/12/09	Deferred tax asset/liability Deferred tax expense (W-2) (Recording of deferred tax expense reversal)	1.05	1.05

(W-1) Calculation of current tax

Profit before tax	50
Add: Accounting depreciation	10
Less: Tax depreciation	(7)
Taxable profit for current year	53
Current tax @ 35%	18.55

(W-2) Calculation of deferred tax expense for the year

Accounting Profit	Taxable profit	Diff.	Tax @ 35%
50	< 53	3 D.T.D	1.05 DTE reversal

Note: We don't have:

- i. Cost and accumulated depreciation data
- ii. Opening accounting and tax WDV data
- iii. Difference of tax and accounting WDV data

So we will use **Income statement approach** for solving question.

Home work

1. MCQ 19-23
2. Question Bank Q. 11 and 12