

TEST 6 PGBP**Illustration 1**

X submits the following particulars:

	Previous years	
	2019 - 2020 Rs.	2020 - 2021 Rs.
Business profits (before depreciation)	4,00,000	9,30,000
Current depreciation	6,00,000	8,90,000
Income from property (computed)	86,000	10,000
Income from salary (after standard deduction)	10,00,000	12,00,000

Determine the net income of X for the assessment years 2020 - 2021 and 2021 - 2022.

Solution:

Illustration 2

X submits the following particulars:

	Previous years	
	2019 - 2020	2020 - 2021
Business profits (before depreciation)	(-) 95,000	2,07,000
Current depreciation	35,000	32,000
Income from other sources	36,000	41,000

Determine the net income of X for the assessment years 2020 - 2021 and 2021 and 2022.

Solution:

Illustration 3

X (age 69 years) furnishes the following information relevant for the assessment year 2020 - 2021:

Profit and Loss Account for the year ending March 31, 2021

	Rs.		Rs.
Household expenses	23,000	Gross profit of agency business	32,65,150
Bad debts	1,000	Commission	18,000
Provision for bad debts	400	Sundry receipts	2,000
Fire insurance	6,000	Interest on investment	14,000
Salary to:		Bad debts recovered (earlier allowed as deduction)	9,750
Staff	9,00,000	Interest on securities (gross)	11,000
X	12,000		
Contribution towards unrecognized provident fund	72,000		
Interest on:			
Overdraft taken for payment of sales tax	8,000		
Capital of X	42,000		
Loan given by X's brother	9,000		
Depreciation on building and furniture	11,500		
Advertisement			
Revenue expenditure	7,000		
Capital expenditure on a sign board	20,000		
General expenses	8,000		
Net profit	22,00,000		
	33,19,900		33,19,900

Other information:

- General expenses include medical expenditure of X Rs.500.
- Income of Rs.35,000, accrued during the previous year ending March 31, 2021, is not recorded in the Profit and Loss Account.
- X contributes Rs.1,10,000 towards public provident fund.
- Depreciation on building, furniture and sign board comes to Rs.8,000 according to the tax provision.

Determine the taxable income and tax liability of X for the assessment year 2021 - 2022.

Solution:

Illustration 4

Mrs. X (age 55 years), a resident individual, furnishes the following particulars for the assessment year 2021 - 2022:

Profit and Loss Account for the year ending March 31, 2021

	Rs.		Rs.
Office expenses	82,000	Gross profit	26,66,600
Audit fees	11,000	Sundry receipts	20,000
Legal expenses	500	Customs duties recovered from the Government	12,000
Cost of extension to building	40,000	(earlier not allowed as deduction)	
Depreciation on machinery on extension of building	31,000	Bad debts recovered (earlier allowed as deduction)	1,000
Salary to staff	1,81,000	Gift from a friend	60,000
Bonus to staff	45,000		
Contribution to an approved gratuity fund	30,000		
Outstanding liability in respect of interest payable to IDBI	38,000		
General expenses	71,000		
Net profit	22,30,100		
	27,59,600		27,59,600

Other relevant particulars:

1. Bonus is outstanding on March 31, 2021 Rs.40,000 is, however, paid on September 30, 2021 (being the due date of furnishing return of income).
2. Depreciation on machinery and extension of building shown in the Profit and Loss Account is calculated according to the income tax provisions.
3. General expenses include payment of Rs.10,000 to an approved institute for the purpose of carrying on a scientific research in natural science. The research is however, not related to the business of the assessee.
4. During the previous year 2020 - 2021, Mrs. X also makes a capital expenditure of Rs.11,000 for the purpose of carrying on a scientific research related to her business. This expenditure is, however, not recorded in the Profit and Loss Account.
5. Outstanding interest payable to IDBI is paid as follows: Rs.600 on April 10, 2021, Rs.4,000 on May 10, 2021, Rs.6,000 on June 30, 2021 and Rs.1,500 on September 10, 2021. The remaining amount is still outstanding.
6. Salary to staff includes Rs.40,000 being compensation paid for termination to an employee.

Determine the net income and tax liability of Mrs. X for the assessment year 2021 - 2022, assuming that she annually deposits Rs.1,25,000 in the public provident fund.

Solution:

Illustration 5

XYZ Ltd., an Indian company, submits the following particulars relevant for the assessment year 2021 - 2022:

Profit and Loss Account for the year ending March 31, 2021

	Rs.		Rs.
Salary to staff	16,40,000	Gross profit	63,37,450
Income tax	30,000		
Expenses on issue of shares for setting up a new show room at Delhi	18,000		
Expenses on raising a long term loan for setting up a new show room at Bombay	12,000		
Interest on public deposits	82,000		
Capital expenditure for promotion of family planning among employees	32,000		
Legal expenses for filing income tax appeals before the Delhi High Court	10,000		
Reserve for losses	50,000		
Reserve for payment of fines and penalty	20,000		
Reserve for bad and doubtful debts	10,000		
Maintenance expenses of car	56,000		
Bad debts written off	3,450		
Depreciation of:			
Plant and Machinery	81,000		
Car	25,000		
Office expenses	1,02,000		
Rent and repairs	42,000		
Sundry expenses	86,000		
Net profit	40,38,000		
	63,37,450		63,37,450

Other information:

1. Car is partly used for official purposes and partly for personal purposes of a relative of director. In past, 10 per cent of car expenditure is disallowed.
2. Sundry expenses include payment of an advertisement bill to a person who has substantial interest in the company. The payment is excessive to the extent of Rs.20,000.
3. Office expenses include an expenditure of Rs.10,100 which is paid in cash.
4. Sundry expenses include an expenditure of Rs.10,000 which is paid by bearer cheque.
5. Depreciation on machinery as per tax provisions is Rs.86,000.

6. On March 10, 2021, the company pays Rs.2,00,000 to a National Laboratory for carrying an approved scientific research programme in natural science. The payment is not recorded in the above P & L A/c.
7. Sundry expenses include royalty payment of Rs.30,000 to a resident on which tax is deducted at source on February 10, 2021 and paid to the Government on December 5, 2021. Determine the taxable income tax and tax liability of the company for the assessment year 2021 - 2022.

Solution:

