

Computation of Business Income

Particulars	Amount	Amount
Net Profit/loss		xxxx
Add: Disallowed Expenses /expenses to be treated separately		
• Donations or presents, if not exclusively for the purpose of business or profession	Xx	
• Gratuity paid to an employee as a special case	Xx	
• Income tax or fees paid for filing income tax returns	Xx	
• Subscription paid to political parties	Xx	
• Legal expenses incurred to defend against criminal liability	Xx	
• Loss due to embezzlement or theft committed either by an employee or outsider who breaks into the business premises after office hour	Xx	
• contribution by a company for erecting a statue	Xx	
• Penalty and damages paid for infringement of law	Xx	
• Litigation expenses incurred for curing any defect in the title of assets or completing that title	Xx	
• Contribution to a political party where there is no direct means between contribution and the business of the assessee	Xx	
• Sum paid by the assessee as surety ,not as a part of his business	Xx	
• Payment made for acquisition of goodwill	Xx	
• Insurance Premia paid by firm on lives of partners	Xx	
• Consultation fee or preparation of report relating to diversification of new venture	Xx	
• Penalty paid for illegal import of goods	Xx	
• Drawings of proprietors or partners	Xx	
• Personal expenses of proprietor or	Xx	

partners		
• Amount paid as charity or presents	Xx	
• Income tax, wealth tax and other taxes on Income	Xx	
• Any other expenses which are not related to business		Xxx
	<hr/>	<hr/>
		xxx
Less : permissible expenses	Xx	
• Depreciation		
• Contribution to National Laboratory (150%)	Xx	
• Expenditure on in house research (150%)	Xx	
• Any expenses which are related to business if not entered in P/L a/c	Xx	Xxx
	<hr/>	<hr/>
		Xxx
Less: Income treated separately		
Income which are not related to business	xx	xxx
	<hr/>	<hr/>
		xxx
Less : Bad debts Recovered Disallowed earlier	xx	xxx
	<hr/>	<hr/>
		xxx
Add: Deemed Income		xxx
	xxx	
	<hr/>	
Taxable Business income		xxx

Note:

Any other expenditure if debited in P/L a/c then it is disallowed should be added

- If any expenditure incurred relating to business and if payment is made in cash or bearer cheque, crossed DD exceeding 10,000 (Rs 35,000 if payment is made for plying ,hiring, or leasing goods carriage) 100% of such payment are disallowed
- Payment to relatives more than the reasonable price of goods or services is disallowed
- Provisions and reserves are disallowed
- Interest on Proprietors capital
- Contribution to PPF ,URPF, Unapproved gratuity and Staff Welfare Fund
- All capital expenditure
- Outstanding expenses
- Excess depreciation
- Over valuation of opening stock
- Under valuation of Closing stock

Any other incomes which are not related to business is credited in profit and loss account it is disallowed should be deducted:

- Part time salary
- Bank interest
- Interest from various investment (e g: securities, saving scheme, deposits)
- Dividends from shares
- Sale of assets and profit from sale of assets
- Income from house property
- Winnings from lotteries, horse race etc..
- Undervaluation of opening stock
- Over valuation of closing stock

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15. COMPUTATION OF TAXABLE BUSINESSS INCOME

Particulars	Amount	Amount
Net profit/loss		2,39,020
Add: Disallowed expenses:		
Proprietary salary	5,000	
Interest on Proprietors capital	2,000	
General expenses(poor college student)	2000	
Excess depreciation	1800	
Reserves for future loss	10,000	
Income tax on last assessment	4,000	
Advance Income tax paid	2,000	
Donation to Mysore university	1,000	
Motor car expenses	500	28,300
		2,67,320
Less: Permissible Expenses:		Nil
Less: Income treated separately:		
Capital gain on sale of residential house	25,000	
Interest on Government securities	4,500	
Dividends	3,200	
Interest on post office saving Bank account	2,000	34,700
		2,32,620
Less: Bad debts recovered disallowed earlier		Nil
		2,32,620
Add; Deemed Income		Nil
		2,32,620
Taxable business Income		2,32,620

Computation of GTI

Salary		Nil
Income from house property		Nil
Business income		2,32,620
Capital gain(sale of residential house)		25,000
Income from other source		
Dividend (upto 10 lakh)	Exempt	
Interest on POSB(upto 3500)	Exempt	
Interest on government securities	4,500	4,500
GTI		2,62,120

Note: sales tax actually paid is deducted but reserves are disallowed.

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9. Computation of Taxable business Income

Particulars	Amount	Amount
Net profit/loss		18,45,000
Add: Disallowed expenses:		
drawings	12,000	
LIC Premium	5,000	
Car expenses(6000+12000=18,000x1/3)	6,000	
Property tax	4,000	
Medical insurance of family	6,000	
Closing stock undervalued	28,000	61,000
(2,52,000x100/90)-2,80,000-2,52,000=28,000		
Or (2,52,000x10/90=28,000)		19,06,000
Less: Permissible expenses:		Nil
Less: Income treated separately :		19,06,000
Interest on debentures	2,000	2000
		19,04,000
Less; Bad debts recovered disallowed earlier		Nil
		19,04,000
Add: deemed Income		Nil
Taxable Business Income		19,04,000

Computation of Business Income

Particulars	Amount	Amount
Profit /loss account		5,78,000
Add; Disallowed Expenses :		
Proprietor salary (salary of Anish)	16,000	
Rent and taxes(payment in cash)(Adj)	30,000	
Advertisement(Adj)	8,000	
Interest on capital	12,000	
Excess depreciation	6,000	
Excess bad Debts(Adj)	2000	
Local tax on LOHP	10,000	
Income tax	29,000	
Wealth tax	18,000	
Patents acquired	40,000	
Donations	15,000	
Provisions for Bad debts	2,000	
Interest on loan	<u>4,000</u>	<u>1,92,000</u>
Less permissible expenses:		7,70,000
Depreciation on Patents (40,000x25/100x50/100=5000)	5000	
Excise duty paid	10,000	
Under valuation of opening stock (80,000x20/80)	<u>20,000</u>	<u>35,000</u>
		7,35,000
Less: Income treated separately		
Rent from house property	1,24,000	
Interest on fixed deposit	8,000	
Dividend from UTI	5,000	
Winnings from horse race	<u>14,000</u>	<u>1,51,000</u>
		5,84,000
Less: Bad debts recovered disallowed earlier	<u>2,000</u>	<u>2000</u>
Add: Deemed Income		5,82,000
	<u>Nil</u>	<u>Nil</u>
Taxable Business Income		5,82,000

Computation of GTI

Particulars	Amount	Amount
Salary		Nil
Income From House Property		75,800
Rent received	1,24,000	
-Municipal tax paid	<u>10,000</u>	
Annual value	1,14,000	
-S.D 30% of Annual Value	34,200	
-Interest on loan	4000	
Business Income		5,82,000
Capital gain		nil
Income from other sources:		28,000
Interest on fixed deposit	8,000	
Dividend from mutual fund	Exempt	
Winnings from horse race(14,000x100/70)	20,000	
GTI		6,85,800

Note: cost of neon sign board as a capital expenditure

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15.

Particulars	Amount	amount
Net profit/loss		34,00,000
Add; disallowed expenses		
Purchases(payment in cash)	30,000	
Advertisement expenses(Adj)(cost of neon sign board)	50,000	
General expenses(drawings) Adj	50,000	
provision for taxation	3,00,000	
addition to office building	3,00,000	
fines and penalties	1,00,000	
Income tax paid	<u>1,50,000</u>	<u>9,80,000</u>
Less: permissible Expenses		43,80,000
Bad Debt (60,000-52,000)	8000	
Sales Tax paid	<u>30,000</u>	<u>38,000</u>
		43,42,000
Less: Income treated separately		
Interest on FD	10,500	
Refund of income tax	30,000	
Interest on Income tax refund	3,000	
Rent received	80,000	
Winnings from lottery	49,000	

Profit sale of shares	2,00,000	4,72,500
Dividend	<u>1,00,000</u>	<u>38,69,500</u>
Less: Bad debts recovered disallowed earlier	<u>20,000</u>	<u>20,000</u>
Add: Deemed Income		<u>Nil</u>
Taxable Business Income		<u>38,49,500</u>

Computation of GTI

Salary		nil
Income from house property		56,000
Rent received	80,000	
-Municipal tax	<u>Nil</u>	
	80,000	
-S.D		
30% of Av	24,000	
Interest on loan	Nil	
Business Income		38,49,500
Income from other source		84,667
Interest on Fd (10,500x100/90)	11,667	
Interest on tax refund	3000	
Winning from Horse race(49,000x100/70)	70,000	
GTI		39,90,167

Note: Assumed interest on FD is net and therefore it is grossed up.