

QUESTION BANK-2024

BCOM-III SEM-VI

SUB-ADVANCED ACCOUNTANCY-PAPER-IV (TAXATION)

INCOME FROM SALARY

Q.1- Mr. Vinod is an employee in a sole proprietary company at Jaipur. He gives the following information for the P.Y. 2022-23.

- a) Basic salary at Rs. 5,00,000 per month.
- b) Dearness allowance Rs. 3,00,000 p.m. (Rs. 1,00,000 p.m. of this enters the retirement benefits)
- c) Project allowance Rs. 20,000 p.m.
- d) Education allowance for two children at Rs.25,000 p.m. per child.
- e) House Rent Allowance Rs. 1,00,000 p.m.
- f) Entertainment allowance Rs. 3,00,000 p.m. since 1995.
- g) He is provided by a motor car of 1.8 liters engine capacity for both official and private purposes. All the expenses including driver's salary are met by the company.
- h) Employer's contribution to recognized provident fund is Rs. 82,000 per month.
- i) Interest credited to the said fund on an average balance of Rs. 90,00,000 is Rs. 12,60,000 during the year.
- j) During the year he paid Rs. 10,000 per month as profession tax and Rs. 1,00,000 per month as rent for his residential house.

Compute his total income for A.Y. 2023-24 assuming that the employer company does pay fringe benefit tax.

Q. 2- Mr. Aditi is a reader in Shivaji University. She has furnished the following particulars of her income for the previous year 2022-23.

- a) Salary at Rs. 15,000 per month.
- b) City Compensatory Allowance Rs. 1,000 per month.
- c) Advance salary taken on 20-03-2023 at Rs. 15,000 per month for 2 months.
- d) Warden ship allowance Rs. 500 per month.
- e) Rent-free unfurnished house provided by the University. (Population of Kolhapur exceeds 25 lakh)
- f) The wages of following have also been paid by the University.
 - i. A gardener Rs. 1,200 p.m.
 - ii. A sweeper Rs. 1,200 p.m.
 - iii. A watchman Rs. 1,200 p.m.
 - iv. A cook Rs. 1,200 p.m.
- g) Recreation facilities have been provided to the employees.

- h) University has provided her a laptop computer of Rs. 1,50,000 during the year for Office & private purpose.
- i) She paid tax on employment Rs. 4,000.

Compute his income from salary for A.Y. 2023-24.

Q. 3- Mr. Rahul is an employee in a sole proprietary company at Hubali. He gives the following information for the P.Y. 2017-18.

- a) Basic salary at Rs. 50,000 per month.
- b) Dearness allowance Rs. 30,000 p.m. (Rs. 10,000 p.m. of this enters the retirement benefits)
- c) Project allowance Rs. 2,000 p.m.
- d) Education allowance for two children at Rs.2,500 p.m. per child.
- e) House Rent Allowance Rs. 10,000 p.m.
- f) Entertainment allowance Rs. 30,000 p.m. since 1985.
- g) He is provided by a motor car of 1.8 liters engine capacity for both official and private purposes. All the expenses including driver's salary are met by the company.
- h) Employer's contribution to recognized provident fund is Rs. 8,200 per month.
- i) Interest credited to the said fund on an average balance of Rs. 9,00,000 is Rs. 1,26,000 during the year.
- j) During the year he paid Rs. 1,000 per month as profession tax and Rs. 10,000 per month as rent for his residential house.

Compute his total income for A.Y. 2018-19 assuming that the employer company does pay fringe benefit tax.

Q. 4) Mr. Laxminarayan of Kolhapur is employed in a company.

- a) He gets a monthly salary of Rs. 4,000 and dearness allowance of Rs. 2,000.
- b) He has also received an entertainment allowance of Rs. 250 p.m.
- c) He contributes 10% of his salary and dearness allowance to recognized provident fund for which his employer contributes an equal amount.
- d) He has earned bonus of 15% of his salary and dearness allowance.
- e) He is provided with rent-free unfurnished accommodation. The population of Kolhapur is 15 lakh as per 2011 census.
- f) He is also provided by the company with as 2.0 liters engine capacity car for his personal and official use but the running and maintenance expenses for the same are borne by him.
- g) He paid insurance premium of Rs. 1,600 on a policy of Rs. 15,000 and professional tax Rs. 2,400.

The employer company does not pay fringe benefit tax. Compute his income from salary for A.Y. 2018-19.

Q.5) Mr. Atul is an employee in Hindustan Steel Co. a sole proprietary concern at Nagpur. He gives the following information for the assessment year 2019-20.

- a. Basic Salary Rs. 40,000 p.m.
- b. Dearness allowance Rs. 30,000 p.m. (Rs. 5,000 enters into retirement benefits)
- c. Family allowance Rs. 1,000 p.m.
- d. City compensatory allowance Rs. 1,500 p.m.

- e. Education allowance for two children at Rs. 500 p.m. per child.
- f. Entertainment allowance Rs. 1,500 p.m. (from 1.4.1995)
- g. House Rent Allowance Rs. 7,500 per month but he pays Rs. 10,000 per month as actual rent.
- h. Company has provided a telephone for office and private work at his residence by meeting all the expenses amounting to Rs.3,000 for the year.
- i. He is allowed to use one motor car of 1.6 ltrs engine capacity both for official and personal purposes. (along with driver)
- j. The company has paid his income tax of Rs. 25,000 during year.
- k. Conveyance allowance of Rs. 48,000 p.a. for visiting the branches.
- l. Provision of domestic servants who were paid by the company-
 - i. watchman Rs. 300 p.m. ii. Sweeper Rs. 360 p.m.
- m. He and the company contribute 14% of the salary towards the recognised provident fund.
- n. Interest on the above fund Rs. 70,000 at 14% p.a.
- o. Professional tax paid by Mr. Atul Rs. 2,500 for the year.

Compute his income from salary for the assessment year 2019-20.

Q. 6)

Illustration 5 : (Treatment of Provident Funds)

Following are the particulars of income of Mr. Z for the previous year ending 31st March, 2020.

	Rs.
(a) Basic Salary	30,000 p.m.
(b) Dearness Allowance (40% enters into the retirement benefit)	20,000 p.m.
(c) Bonus	35,000 p.a.
(d) Commission (at 5% on turnover achieved by him)	50,000 p.a.
(e) City Compensatory Allowance	2,500 p.m.
(f) Medical allowance	30,000 p.a.
(g) Employee's contribution to provident fund	85,000 p.a.
(h) Employer's contribution to provident fund	90,000 p.a.
(i) Interest credited to Provident Fund @ 15% p.a.	30,000
(j) Life Insurance Premium, paid by employee	50,000
(k) Tax on employment paid by employee	12,000

Compute the taxable income of Mr. Z and deduction u/s 80 C for A. Y. 2020-21 assuming that the provident fund is :

- (i) Statutory Provident Fund (SPF)
- (ii) Recognised Provident Fund (RPF)
- (iii) Unrecognised Provident Fund (URPF)

Q.7)

Illustration 6 : (H.R.A., Car facility, Accretion to RPF & Ent. Allowance.)

Mr. Raj Shekhar an employee in Bajaj Auto Ltd., Pune gives the following information for the previous year 2019-20.

- (a) Basic pay Rs. 80,000 p.m.
 - (b) Dearness Allowance (which enters the retirement benefit) Rs. 20,000 p.m.
 - (c) Bonus Rs. 1,20,000 p.a.
 - (d) Entertainment Allowance Rs. 10,000 p.m. (He was getting Rs. 5,000 p.m. from the same employer before 1-4-1955)
 - (e) Employee's contribution to R.P.F. Rs. 2,00,000 with equal contribution made by the employer also.
 - (f) Interest credited to the fund @ 13% p.a. Rs. 2,60,000.
 - (g) House Rent Allowance received Rs. 35,000 p.m. (He paid rent Rs. 15,000 p.m.)
 - (h) Free use of car of 1.6 CC. capacity both for official & personal purpose.
 - (i) LIC premium paid by Mr. Raj Shekhar Rs. 1,00,000 on life policy of Rs. 12,50,000.
 - (j) Professional Tax paid is @ Rs. 500 p.m.
- Compute the taxable salary of Mr. Raj Shekhar for A. Y. 2020-21.

Q.8)

Illustration 7 : (H.R.A. Education Allowance, Domestic servants)

Mr. Pradeep is an employee in Hindustan Power Co. a sole proprietary concern at Hyderabad. He gives the following information for the assessment year 2020-21.

- (a) Basic salary Rs. 80,000 per month.
- (b) Dearness allowance Rs. 60,000 per month (Rs. 10,000 enters into retirement benefits)
- (c) Family allowance Rs. 2,000 per month.
- (d) City compensatory allowance Rs. 3,000 per month.
- (e) Education allowance for two children at Rs.1,000 per month per child.
- (f) Entertainment allowance Rs. 3,000 per month (from 1-4-1995)
- (g) House rent allowance Rs. 15,000 per month, but he pays Rs. 20,000 per month as actual rent.
- (h) Company has provided a telephone for office & private work at his residence by meeting all the expenses amounting to Rs. 6,000 for the year.
- (i) He is allowed to use one motor car of 1.6 litres engine capacity both for official and personal purposes. (along with driver)
- (j) The company has paid his income-tax of Rs. 50,000 during the previous year.
- (k) Conveyance allowance of Rs. 96,000 per annum for visiting the branches.
- (l) Provision of the following domestic servants who were paid by the company,

Income from Salaries

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- (i) Watchman Rs. 3,000 per month, (ii) Sweeper Rs. 1,800 per month
 - (iii) Gardener Rs. 1,800 per month, (iv) Cook Rs. 3,000 per month.
 - (m) He and the company contribute 14% of salary towards the recognised provident fund.
 - (n) Interest on the above fund Rs. 1,40,000 at 14% per annum.
 - (o) Professional Tax paid by Pradeep Rs. 400 p.m.
- Compute his income from salary for the assessment year 2020-21.
(Employer company does not pay fringe benefit tax.)

Q.9)

Illustration 8 : (Government Employee - simple problem)

Mr. Jagjit Singh is a Government employee at Chandigarh. Compute his salary income from the particulars given below for assessment year 2020-21.

- (a) Basic salary Rs. 50,000 per month.
- (b) Dearness Allowance @ 80% of basic salary - which enters retirement benefit.
- (c) House Rent Allowance Rs. 5,000 per month. He pays a rent of Rs. 12,000 per month.
- (d) Entertainment allowance Rs. 2,000 per month since 1985.
- (e) Transport allowance (to meet travelling expenses between residence and place of work) Rs. 1,000 per month.
- (f) He contributes 14% of his salary to statutory provident fund to which employer contributes an equal amount.
- (g) Interest credited to the fund at 11% p.a. Rs. 1,10,000.

L. TAX 9

- (h) He makes the following payments during the year :
 - (i) LIC premium Rs. 5,000 per month on his policy of Rs. 10,00,000.
 - (ii) Profession tax Rs. 300 per month.

Mr. Jagjit is provided a Government car of 1.4 cc to be used only for office work. He also gets an interest-free loan of Rs. 20,00,000 from employer for purchase of computers and furniture on 1-10-2019 repayable after 3 years.

Given that SBI rate of interest is 10.25%.

Q.10) Mr. Krishnprasad of Kolhapur is employed in a company.

- a) He gets a monthly salary of Rs. 20,000 and dearness allowance of Rs. 10,000 (enters into retirement benefits).
- b) He has also received an entertainment allowance of Rs. 1250 p.m.
- c) He contributes 10% of his salary and dearness allowance to recognized provident fund for which his employer contributes an equal amount.
- d) He has earned bonus of 15% of his salary and dearness allowance.
- e) He is provided with rent-free unfurnished accommodation. The population of Kolhapur is 30 lakhs as per 2011 census.

f) He is also provided by the company with as 2.0 liters engine capacity car for his personal and official use but the running and maintenance expenses for the same are borne by him.

g) He paid insurance premium of Rs. 8,000 on a policy of Rs. 75,000 and professional tax Rs. 12,000.

The employer company does not pay fringe benefit tax. Compute his income from salary for A.Y. 2021-22.

INCOME FROM HOUSE PROPERTY

Q. 1) Mr. Sunil is the owner of a house property. The municipality has valued the house at Rs. 84,000 and levied the tax at 15% of the value. 50% of it is paid by Mr. Sunil.

30% of the premises have been occupied by Sunil for his own business. 40% has been let out at a rent of Rs. 6,000 per month for commercial purposes, 20% has been occupied by him for his own residence and the remaining portion has been let-out for residential purposes on a rent of Rs. 1,000 per month. All these portions were separate units.

The payments in respect of the house property during the year were as follows:

White wash of the building Rs. 6,000; Ground rent Rs. 3,000; Insurance premium (fire) Rs. 600; Interest of this year at 15% on a loan of Rs. 2,00,000 taken for construction of the house is not yet paid. The let out portion of the house for residential purpose was vacant for 2 months.

Compute his income from house property for the assessment year 2018-19.

Q. 2) Mr. Sudesh Bhosale owns three houses at Satara. The construction of both the houses got completed on 1st July, 2016. The particulars of these houses for the year ending on 31st March, 2018 are as under:

Particulars	House I (Self-occupied)	House II (Let out for residence)	House III (Let out for commercial)
Municipal Ratable Value	1,00,000	1,50,000	1,10,000
Fair Rental Value	1,20,000	1,80,000	1,20,000
Standard Rent as per Rent Control Act	96,000	1,35,000	-
Actual Rent received	-	1,75,000	1,30,000
Municipal taxes paid	10%	10%	10%
Interest on loan for construction of house from State Bank of India:			
Pertaining to period prior to 1-7-2016	50,000	60,000	-
For the year ending 31-3-2018	2,45,000	50,000	12,000
Repayment of housing loan during the year	25,000	30,000	-
Vacancy	-	-	1 month

Determine the income from house property for the A.Y. 2018-19

Q. 3) Mr. Vishal owns three houses at Satara. The construction of both the houses got completed on 1st July, 2021. The particulars of these houses for the year ending on 31st March, 2023 are as under:

Particulars	House I (Self-occupied)	House II (Let out for residence)	House III (Let out for commercial)
Municipal Ratable Value	1,00,000	1,50,000	1,10,000
Fair Rental Value	1,20,000	1,80,000	1,20,000
Standard Rent as per Rent Control Act	96,000	1,35,000	-
Annual Rent	-	1,75,000	1,20,000
Municipal taxes paid	10%	10%	10%
Interest on loan for construction of house from State Bank of India:			
Pertaining to period prior to 1-7-2021	50,000	60,000	-
For the year ending 31-3-2023	2,45,000	50,000	12,000
Repayment of housing loan during the year	-	-	-
Vacancy			1 month

Determine the income from house property for the A.Y. 2023-24.

Q 4) Mr. Rajavardhan is the owner of two houses. The municipal value of the first house is Rs. 1,50,000 and that of the second house is Rs. 2,50,000. The first house was occupied by him for his own residence in the first nine months during the year and was let out at a rent of Rs. 10,000 p.m. from 1-1-2023. The second house was let out at a rent of Rs. 25,000 p.m. in the first nine months during the year and was then self-occupied by him from 1-1-2023. Following were the expenses on both the houses,

Particulars	Ist House Rs.	IInd House Rs.
Municipal taxes paid	30,000	60,000
Ground Rent	10,000	12,500
Fire Insurance	9,000	7,500
Interest on loan for the renovation	25,000	1,37,500

Compute his income from house property for the assessment year 2023-24

Q.5) Mr. Malik has two houses. The particulars of which are as under:

Particulars	House I Rs.	House II Rs.
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	Self-occupied	Let-out
Municipal Valuation	6,00,000	4,00,000
Fair Rent	7,00,000	4,50,000
Actual rent received	---	5,00,000
Municipal taxes paid	10 %	10 %
Ground Rent	10,000	12,500
Land Revenue	38,000	20,000
Fire Insurance	9,000	7,500
Interest on housing loan	50,000	1,00,000

Compute his income from house property for the assessment year 2023-24

Q.6) Smt. Gouri is the owner of two houses. Following are the particulars of the house properties for the year ended 31-3-2023.

Properties	First House	Second House
Purpose of use	SOP by Smt. Gouri Residential	LOP four Units Residential
Construction completed on	1-4-2021	31-3-2021
Actual rent per unit p.m.	-	12,000
Municipal valuation	1,20,000	3,60,000
Municipal Tax paid	12,000	36,000
Annual Charge	10,000	20,000
Interest on borrowings for construction period-		
Up to 31-3-2021-	40,000	50,000
For previous year-	1,20,000	1,00,000

Compute the income from house property of Smt. Gouri for the assessment year 2023-24.

ILLUSTRATIONS

Illustration 1 : (Simple Problem)

Mr. Mehra has two houses, the particulars of which are as follows :

Nature	House I	House II
	Rs.	Rs.
	Self-occupied	Let out for Residence
Municipal Valuation	25,000	60,000
Fair Rent	30,000	65,000
Annual Rent receivable		72,000
Expenses on the house :		
Municipal taxes paid	10%	10%
Fire Insurance	5,000	—
Land Revenue	1,000	1,500
Interest on loan for construction	36,000	45,000
Ground Rent	5,000	7,000

Both the houses were constructed during 1998. The let out house remained vacant for two months during the previous year. Hence, actually a rent of Rs. 60,000 was received in respect of same.

Compute his income from house property for the assessment year 2020-21.

Illustration 2 : (Part of the house self-occupied & part let out)

Mr. Shetty is the owner of a house property. The municipality has valued the house at Rs. 84,000 and levied the tax at 15% of the value. 50% of it is paid by Mr. Shetty.

30% of the premises has been occupied by Shetty for his own business. 40% has been let out at a rent of Rs. 6,000 per month for commercial purposes, 20% has been occupied by him for his own residence and the remaining portion has been let out for residential purposes on a rent of Rs. 1,000 per month. All these portions were separate units.

The payments in respect of the house property during the year were as follows :

White wash of the building Rs. 6,000; Ground Rent Rs. 3,000; Insurance premium (fire) Rs. 600; Interest of this year at 15% on a loan of Rs. 2,00,000 taken for construction of the house is not yet paid. The let out portion of the house for residential purpose was vacant for 2 months.

Compute his income from house property for the assessment year 2020-21.
(Goa, Karnataka, Mangalore Univ.)

Illustration 5 : (Interest on housing loans for preconstruction period)

Mr. Anil Deshmukh owns two houses at Nagpur viz. 'Shanti Bhuvan' and 'Parvati Sadan'. The construction of these both houses got completed on 1st July, 2018. The particulars of these houses for the year ending on 31st March, 2020 are as under :

	Shanti Bhuvan (Self-occupied)	Parvati Sadan (Let out for Residence)
Municipal Rateable Value	1,00,000	1,50,000
Fair Rental Value	1,20,000	1,80,000
Standard Rent as per Rent Control Act.	96,000	1,35,000
Actual Rent received	-	1,75,000
Municipal taxes paid	10%	10%
White wash expenses	10,000	12,000
Collection Charges	-	5,000
Fire Insurance	5,000	6,500
Land Revenue due	2,000	3,000
Interest on Loan for the construction of house from State Bank of India :		
Pertaining to period prior to 1-7-2018	50,000	60,000
For the year ending 31-3-2020	2,45,000	50,000
Repayment of housing loan during the year	25,000	30,000

Determine the income from house property for the Assessment year 2020-21.
(Mumbai, Nagpur)

Illustration 7 : (More than one self-occupied houses for residential purpose).

two

Smt. Gouri is the owner of three houses. Following are the particulars of the house properties for the year ended 31-3-2020.

Properties	First House	Second House	Third House
Purpose of use	Self-occupied by Smt. Gouri Residential	Self-occupied by parents Residential	Four Residential Units let out
Construction completed on	1-4-2016	1-4-2016	31-3-2016
Actual rent per unit per month	—	—	12,000
Municipal valuation	1,20,000	1,50,000	3,60,000
Municipal Tax paid	12,000	15,000	36,000
Annual Charge	10,000	—	20,000
Interest on borrowings For construction period upto 31-3-2016	40,000	80,000	—
for previous year	1,20,000	1,40,000	—

Compute the income from house property of Smt. Gouri for the assessment year 2020-21 assuming that one unit of the third house remained vacant for 3 months during the previous year.

INCOME FROM BUSINESS & PROFESSION

Q.1)) Mr. Raj is the owner of departmental store. He provides you the following Profit & Loss Account for the year ended 31st March, 2023.

Particulars	Rs.	Particulars	Rs.
To salaries	60,000	By gross profit	2,75,000
To travelling expenses	10,000	By bad debts recovered	22,000
To advertisement expenses	35,500	(Previously allowed)	
To bad debts	12,500	By commission	18,000
To reserve for bad debts	10,000	By dividend	10,000
To interest on bank loan	16,000		
To income tax	25,000		
To donation	2,000		
To depreciation	17,000		
To interest on capital	11,000		
To motor car expenses	16,000		
To net profit	1,10,000		
	3,25,000		3,25,000

You are informed that,

1. Depreciation allowed as per Income tax Rules is Rs. 22,000
2. Donations are paid to Zilla Sakshrta Samiti.
3. Motor car is used for private purpose.
4. Advertisement expenses include Rs. 15,000 paid for advertisement in souvenir of a political party.

Compute the taxable income from business for A.Y. 2023-24.

Q. 2) Miss. Radhika is the owner of departmental store. She provides you the following Profit & Loss Account for the year ended 31st March, 2023. Compute her income from business for the A.Y. 2023-24:

Particulars	Rs.	Particulars	Rs.
To salary to staff	2,00,000	By gross profit	22,00,000
To Interest on capital	1,20,000	By Rent from house property	3,50,000
To shop rent	1,80,000	By dividend from co-op. soc.	1,60,000
To postage	20,000		

To sales tax	40,000	By interest on Post Office	20,000
To municipal taxes	30,000	Saving Bank A/C	80,000
To repairs	20,000	By Agricultural Income	
To household expenses	2,00,000		
To depreciation	60,000		
To collection charges	1,000		
To donations	20,000		
To life insurance premium (on own life)	40,000		
To fire insurance	9,000		
To income tax	80,000		
To Net Profit	17,90,000		
	28,10,000		28,10,000

Adjustments-

You are informed that,

1. Depreciation allowed as per Income tax Rules is Rs. 80,000
2. Donations are made to the National Sports Fund duly set up.
3. Municipal taxes paid and repairs are related to house property let out.
4. Collection charges are in respect of dividend.

Illustration 2 : (Simple problem)

Following is the profit and loss account of Mrs. Jayashree for the year ended 31st March, 2020:

Particulars	Rs.	Particulars	Rs.
To Salaries	24,000	By Gross Profit	80,600
To General Expenditure	6,500	By Bad Debts Recovered	2,000
To Interest on Capital	8,600	By Interest on Debenture	1,500
To Bad Debts	1,000	By Dividend	6,500
To R.D.D.	4,000		
To Interest on Loan	7,000		
To Income Tax Provision	5,000		
To Donation	2,500		
To Motor Car Expenses	5,000		
To Depreciation Provision	6,000		
To Net Profit	21,000		
	90,600		90,600

Additional Information :

1. Depreciation allowed Rs. 4,000
2. Motor car is used for private purpose.
3. General expenses include Rs. 500 for travelling at Nasik Tirthayatra (Pilgrimage)

Compute the taxable income from business for the A. Y. 2020-21.

(Pune Univ., May, 2000)

Q.3) From the following Profit & Loss Account of a merchant Mr. Vishal for the year ending 31-3-2023. Compute his income from business for the A.Y. 2023-24:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salaries to Staff	2,00,000	By Gross Profit	16,00,000
To Advertisement	40,000	By Interest on Securities	40,000
To General Expenses	80,000	By Rent from House	
To Entertainment Expenses	30,000	Property	60,000
To Bad Debts	5,000	By Bad Debts Recovered	10,000
To Drawings	45,000	(Previously allowed)	

To Sales-tax	10,000	By Commission	60,000
To Interest on Capital	20,000		
To Repairs	5,000		
To Depreciation	30,000		
To Car Purchased	3,00,000		
To Car Expenses	30,000		
To Donations	20,000		
To Provision for bad debts	20,000		
To Municipal tax on house	10,000		
To Wealth Tax	15,000		
To Income Tax	25,000		
To Net Profit	8,85,000		
	17,70,000		17,70,000

Adjustments-

5. Half of the repairs were on house property let out.
6. Depreciation as per Income tax Rules Rs. 40,000 (inclusive of on car)
7. Out of advertisement expenses Rs. 10,000 were spent so neuron sign boards.
8. Donations paid to Prime Minister's National Relief Fund.

Q.4)

Illustration 4 : (Income from profession of a lawyer – simple problems) Mr. Ramchandra S. is a leading advocate at Nagpur. Following is the summary of cash book for the year ending 31-3-2020. Compute his income from profession for the assessment year 2020-21.

Particulars	Rs.	Particulars	Rs.
Opening balance	25,000	Salary to assistants	25,000
Professional fees	1,60,000	Rent of chamber	18,000
Arbitration fees	40,000	Household expenses	1,20,000
Gifts	25,000	Membership fees	6,000
L.I.C. Policy amount received on maturity of		Car expenses	20,000
		Fixed deposit in SBI	2,50,000

[Contd. on next page...]

policy	2,00,000	Books for profession	10,000
Interest on bank deposits	20,000	Annual Publications	
Agricultural Income	70,000	Advance Income-tax	5,000
		Donation to National Relief fund	4,000
		Bonus & gifts to staff	20,000
		Purchase of typewriter	10,000
		Telephone expenses	13,000
		Closing balance	39,000
	<u>5,40,000</u>		<u>5,40,000</u>

Additional information

1. Gifts included Rs. 7,000 received from friends and relatives on family function and balance from clients.

2. Depreciation allowable on assets as per income-tax rules amounted to Rs. 16,000 including Rs. 5,000 on car but excluding that on cost of books purchased.

3. One fifth of the car expenses are related to personal use.

4. Membership fees included Rs. 2,000 to Bar Council and balance to private club.

(Nagpur Univ.)

Q.5)

Ex. 2 : Following is the profit and loss account of Mr. Varun for the year ending 31-3-2020.

<i>Particulars</i>	<i>Rs.</i>	<i>Particulars</i>	<i>Rs.</i>
To Salary to staff	20,000	By Gross Profit	2,20,000
To Interest on Capital	12,000	By Rent from House Property	35,000

[Contd. on next page...]

To Shop rent	18,000	By Dividend from Co-op. Soc.	16,000
To Postage	2,000	By Interest on Post Office S.B. Account	2,000
To Sales tax	4,000	By Agricultural income	8,000
To Municipal taxes	3,000		
To Repairs	2,000		
To Household expenses	20,000		
To Depreciation	6,000		
To Collection charges	100		
To Donations	2,000		
To Life insurance premium (on own life)	4,000		
To Fire Insurance	900		
To Income tax	8,000		
To Net profit	1,79,000		
	<u>2,81,000</u>		<u>2,81,000</u>

Other information :

- Depreciation allowable as per rules Rs. 8,000.
- Municipal taxes paid and repairs are related to house property let out.
- Collection charges are in respect of dividend.
- Donations are made to the National Sports Fund duly set up.

Compute his total income from business for the assessment year 2020-21.

(Delhi & Karnataka)

Q.6) Following is the Income & Expenditure Account of a medical practitioner for the previous year ending 31-3-2018.

Income & Expenditure account for the year ended 31-3-2018

Expenditure	Rs.	Income	Rs.
To salaries to staff	30,000	By consultation fees	1,25,000
To rent of dispensary	15,000	By visiting fees	25,000
To Income tax	9,250	By sale of medicines	20,000

To Laboratory expenses	15,000	By Rent from house property	30,000
To Purchase of medicines	11,250	By gifts from patients etc.	10,000
To car expenses	9,000	By profit on sale of car	5,750
To membership fees	500	By interest on debentures of ABC Co. Ltd. (Gross)	5,000
To municipal taxes paid (on house property)	3,000		
To printing charges	1,000		
To repairs	6,500		
To charity	375		
To sundry expenses	1,875		
To donations	3,000		
To Surplus	1,15,000		
	2,20,750		2,20,750

Compute the total income for the assessment year 2018-19 after taking into consideration the following information-

1. There was no stock of medicines as on 31-3-2018.
2. Gifts included Rs. 2,500 received from his relatives in personal capacity.
3. Repairs related to house property let out.
4. Car was purchased in 1999 and there was no other asset in that block of assets. The written down value of car on 1-4-2017 was Rs.37,500.
5. The car was used entirely for profession.
6. Depreciation on the block of assets other than car amounted to Rs. 11,250 allowable as per rules.
7. Donations are paid to Fund for Technology Development and Application.

Q.7)

Illustration 5 : (Income from profession of a medical practitioner)
Dr. Sharad is a medical practitioner who maintains his books of account on cash basis, furnishes his receipts and payments accounts for the previous year 2019-20 as under :

Particulars	Rs.	Particulars	Rs.
To Balance b/d	16,000	By Rent of clinic :	
To Consultation fees		2018-19	600
2018-19	3,000	2019-20	4,800
2019-20	25,000	2020-21	600
2020-21	2,000		6,000
	30,000	By Electricity & Water bills	2,000
To Visiting fees	30,000	By Purchase of professional	
To Loan from bank	25,000	books (Annuals)	8,800
To Sale of medicines	60,000	By Household Expenses	17,800
To Gifts & presents	5,000	By collection charges	
To Remuneration		on dividend	100
from articles published		By Motor car purchased	30,000
in professional journals	6,000	By Income-tax	10,000
To Dividend	8,000	By Salary to staff	15,000
To Interest on Post		By Life insurance premium	15,000
Office Savings Bank A/c	7,000	By Gift to wife	5,000
		By Interest on loan	2,000
		By Car expenses	15,000
		By Purchases of medicines	40,000
		By Balance c/d	20,300
	1,87,000		1,87,000

Compute his taxable income from profession for the assessment year 2019-20 after taking into account the following information :

- 1/3rd of use of car relates to his personal purposes.
- Depreciation on motor car allowable is 15%. The car is purchased on 1-9-2019. Depreciation on books is at 100%.
- Gifts and presents include Rs. 3,000 from patients in appreciation of his medical service and Rs. 2,000 received as birthday gifts.
- Closing stock of medicines amounted to Rs. 5,500.

(Mysore Univ. 1998)