

## Question for Calculation of Book profits :

• Purchase	10 lakh	Sales	30 lakh
• Remuneration to Partners (Add back)	3,40,000	HP income	4 lakh
		↳ other head	(-)
• Interest @ 15%	150,000		
Profit	<u>19,10,000</u>		

Note: Clf loss 2 lakh  
unabsorbed dep. 2,70,000

$15\% \times 1.5L = 2.25L$   
 $12\% \times 2L = 2.4L$   
 1:2:1 Allow <sup>1.5L</sup> (1.25L)  
 Disallow 30k  
 Add back

Particulars	Amt
(a) Given profit	19,10,000
(b) less HP income	(4,00,000)
(c) Add Remuneration to Part Int. 15% = 150,000 allowed 12% = <u>(1,20,000)</u>	30,000
$\frac{150,000 \times 12\%}{15\%}$ Disallowed <u>30,000</u>	
(d) Carry forward loss → Not allowed	
(e) unabsorbed depreciation.	2,70,000
Book Profit	<u><u>16,10,000</u></u>

In the given Que. Book profit is ₹ 16,10,000

16,10,000

6,00,000

3l or 90%

10,10,000

X 60%

540000

⊕

= 6,06,000

Remuneration allowed = 11,46,000

\* Calculation on the Basis of Book profit :-

Case 1) Book profit 4,00,000  
Remuneration allowed.??

$$\begin{array}{l} 4 \text{ lakh} \rightarrow 90\% \\ \text{or} \\ 3 \text{ lakh} \end{array} \left. \vphantom{\begin{array}{l} 4 \text{ lakh} \\ \text{or} \\ 3 \text{ lakh} \end{array}} \right\} \text{Higher} \rightarrow \underline{\underline{3,60,000}} \quad \left(4,00,000 \times 90\%\right)$$

2) Book profit 1,40,000  
Remuneration allowed ??

$$\begin{array}{l} 1,40,000 \rightarrow 90\% = 1,26,000 \\ \text{or} \\ 3 \text{ lakh} \end{array} \left. \vphantom{\begin{array}{l} 1,40,000 \\ \text{or} \\ 3 \text{ lakh} \end{array}} \right\} \text{Higher} = \underline{\underline{3 \text{ lakh}}}$$

3) Book profit = 0

$$\text{Higher} = \underline{\underline{3 \text{ lakh}}}$$

4) Book profit = (2 lakh) loss

$$\text{Higher} = \underline{\underline{3 \text{ lakh}}}$$

5) <sup>\*</sup> Book profit = 11 lakh

$$\begin{array}{l} 11 \text{ lakh} \times 90\% = 9,90,000 \\ \text{or} \\ 3 \text{ lakh} \end{array} \left. \vphantom{\begin{array}{l} 11 \text{ lakh} \\ \text{or} \\ 3 \text{ lakh} \end{array}} \right\} \text{Higher} = \underline{\underline{9,90,000}}$$

$$6l \times 90\% = 540000$$

$$5l \times 60\% = 300000$$

$$\underline{\underline{8,40,000}}$$

Higher = 8,40,000

Que Calculate book profit & Remuneration allowed in the Given Case

P&L	
Purchase 9 lakh	Sales 20 lakh
Int @ 2,20,000 @ 11%	agri income 3 lakh
Profit <u><u>11,80,000</u></u>	

Note = Rem. paid = ₹ 7,10,000

Clf loss = 60,000

unabsorbed dep = 84,000

Particulars	₹ (Amt)
(a) Given profit	11,80,000
(b) less Agri Income	(3,00,000)
(c) less unabsorbed depreciation	(84,000)
Book profit	<u><u>7,96,000</u></u>

Remuneration allowed.

on first 6l

5,40,000

90% } Higher.  
or  
3l

On remuneration  
(96000 X 60%)

1,17,600

Remuneration allowed in P&L 6,57,600

Q Find income under the Head PGBP

P&L given	1180,000
(-) Agri income	(3,00,000)
(-) Rem. allowed.	(6,57,600)
(-) Clf loss	(60,000)
(-) unabsorbed	(84,000)
	<hr/>
PGBP	<u><u>78,400</u></u>

(or)

option 2

Book profit Given	7,96,000
(-) Remuneration	(6,57,600)
(-) Clf loss	(60,000)
	<hr/>
	<u><u>78,400</u></u>

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<u>Que</u>	<u>Given P&amp;L</u>	
Purchase	7l	Sales 28 lakhs
Remuneration to Partner	13l.	Rent Rec from building 6,40,000
Stationary Exp.	3,30,000	Agri income 3,70,000
Salary exp.	2,00,000	
Profit	<u>15,77,000</u>	

Note Capital of Partner is ₹ 43 lakhs  
@ int. is @ 9.8% p.a.  
Clf loss = 12,800  
unabsorbed depr. = 2,13,000

Find income under PGBP.

Particulars	(₹) Amt
Given profit	15,77,000
less Rent Received (Taxable under HP)	(6,40,000)
less Agri income [exempt u/s 10(1)]	(3,70,000)
Add Remuneration to Partner	13,00,000
less Int. to Partner (allowed) 43 lakhs x 9.8%	(4,21,400)
less Clf loss (not allowed)	
less unabsorbed dep.	(2,13,000)
<b>Boo profit</b>	<u><u>12,32,600</u></u>

WN 1

• Remuneration allowed on the basis of book profit

upto 6,00,000  
90% of 6L }  
or } Higher 5,40,000  
3Lacs }

On balance 632600  $\oplus$   
X 60% 379560

Rem. allowed 919560

→ Calculate income under the head PGBP.

Particulars	(₹) Amt
Given P&L	1577000
less Rental income (HP)	(640000)
less Agri income [exempt u/s 10(2)]	(370,000)
Add. Remuneration already deducted in P&L	13,00,000
less Premium Rem. allowed for per the I. Tax Act <u>WN 1</u>	(919560)
less int. allowed 43L X 9.8%	(421400)
less Clf losses	128000
less unabsorbed dep	213000
PGBP	<u>185040</u>

Gross total income :-

PGBP 185040  
HP (640000 - 30%) + 448000 (Rent Rec)

GTI 633040

OR

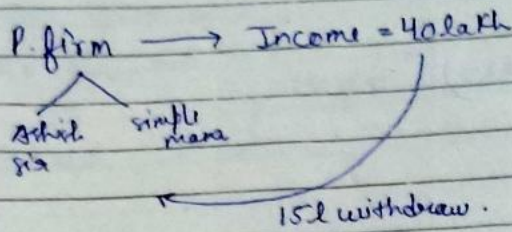
PGBP

Book profit 12,32,600  
less (-) Rem. calculate. (9,19,560)  
less Cif losses (1,28,000)

PGBP

185040

\* Tax treatment in the hands of the Partners:-



∴ Allowed = 11L.

40L	40L	
(15L)	(11L)	
<u>25L</u>	<u>29L</u>	→ firm.

15L  $\left\{ \begin{array}{l} 11L \text{ income} \\ 4L \text{ exempt.} \end{array} \right.$

- P. firm = Expenses → Partners income
- P. firm = Expenses disallow → Partners exempt.

Eg

Rem. paid to Partner = 7 lakh  
Book profit = 5 lakh

∴ Rem. allowed = 90%. 450000

~~5 lakh~~

4.5 lakh → allowed → Exp. P. firm → Income.

- Payment 7,00,000
- Allowed 450,000 → Taxable to Partner.
- Disallowed 250,000 → Partner's exempt.

firm  
⊕ Add back profit