

Ex: 2 (As Trump)

X Ltd.

Statement of Profit & Loss

<u>Particulars</u>	<u>Amnt.</u>
Turnover	20,00,000
Other Incomes	1,00,000
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(A) Total Income	21,00,000
<u>(-) Expenses :-</u>	
COGS	11,00,000
Emp. Benf. Exp (Salary)	1,00,000
Finance Cost (Interest)	30,000
Other Exp :-	90,000
Provision legal	40,000
ST payable	50,000
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Depreciation on Machine	40,000
Other Scientific Equip. Exp	10,000
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(B) Total Expenses	13,70,000
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Net profit Before Tax (A-B)	7,30,000
(Accounting Income)	
<u>(-) Tax Expense :-</u>	(2,36,009)
Curr. Tax Exp (WN-1)	2,48,941
Def. Tax Income (WN-2)	(1,29,32)

Net profit After Tax = 4,93,991

WN-1 Computation of Taxable Income & Tax thereon

Accounting Income ₹30000

(+) Expenses Disallowed :-

DTA	prov. For Legal Dem. (43B)	40000
DTA	Interest payable (43B)	30000
DTA	ST payable (43B)	50000
	Depr. on Mach. (35AD)	40000

(-) Expenses allowed (not Dr. in P&L)

100% Scient. R. Exp on Mach. (120000)

Taxable Income = ₹770000

CT @ 32.33% = 248941

CT Exp. a/c Dr. 248941
To CT payable 248941

P&L Dr. 248941
To CT Exp 248941

2) Calculation of Deferred Taxes :-

S.No.	Particulars / ^{Diff.} Timing	Amnt.	Nature	@32.33% DT Amnt.
1	Prov. For Legal Dem.	40000	Deductible	12932 (A)
2	Interest Disallowed	30000	Deductible	9699 (A)
3	Service Tax Disallowed	50000	Deductible	16165 (A)
4	S.R. exp. 100% allowed (120 - 40)	80000	Taxable	25864 (L)

$$\text{Net DTA} = 12932$$

a) DTA a/c Dr. 12932
 To DT Income 12932

b) DT Income Dr. 12932
 To P&L a/c 12932

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Q205

Calculation of Deferred Taxes

<u>Particulars</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>
Accounting Income	1100000	1600000	2100000
Taxable Income	700000	1800000	2300000
Timing Diff. Created	400000 (Taxable)	-	-
Timing Diff. Reversed	-	200000 (Taxable Reversed)	200000 (Taxable R)
DTL Created	140000	-	-
DTL Reversed	-	(70000)	(70000)
P&L effect	Exp (Dr.)	Income (Cr.)	Income (Cr.)
B/S effect	140000 DTL	70000 DTL	Nil

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Calculation of Taxable Income & CT

<u>Particulars</u>	<u>X1-X2</u>	<u>X2-X3</u>	<u>X3-X4</u>	<u>X4-X5</u>
Accounting Income	80000	90000	110000	40000
(+) per. Diff.	10000	2000	6000	12000
(+/-) T. Diff Disallowed	9000	6000	(2000)	-
(+/-) T. Diff Reversed	-	-	(6000)	(9000) 2000
<u>Taxable Income</u>	<u>99000</u>	<u>98000</u>	<u>108000</u>	<u>45000</u>
CT %	30%	35%	40%	50%
CT Exp.	29700	34300	43200	22500

Calculation of Deferred Tax

<u>Particulars</u>	<u>X1-X2</u>	<u>X2-X3</u>	<u>X3-X4</u>	<u>X4-X5</u>
Opng. T.D.	-	9000 (D)	15000 (D)	7000 (D)
T.D Created	9000 (D)	6000 (D)	2000 (T)	-
T.D Reversed	-	-	6000 (D)	9000 (D) 2000 (T)
Closg. T.D	9000 (D)	15000 (D)	7000 (D)	-
Tax Rate	35%	40%	50%	-
DT (B/s)	3150 (DTA)	6000 (DTA)	3500 (DTA)	0
DT (P&I)	3150 (Cr.)	2850 (Cr.)	2500 (Dr)	3500 (Dr)

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Tax exp. :- CT (exp)

(+) DTL (exp.)

(-) DTA (Income)

(+) DTA Reversal (exp.)

(-) DTL Reversal (Income)

8) Concept OF Depreciation (Timing Difference)

Case 1

Dep. as per Books is Lower
than Dep as per I.T
(in Cy)



We shall Create DTL

Case 2

Dep. as per Books is
Higher than Dep. as
per I.T. (in Cy)



We shall Reverse DTL
because we will always
assume that in
earlier years we
must have created
DTL due to Higher
Dep as per IT in
earlier years

Class Example (on Depreciation) :-

PPE purchased on 1/4/21 = 20,00,000

\leftarrow Tax 30%
 Dep % (Books) = 10% SLM
 Dep (%) (IT) = 20% SLM

Year	Dep. (Books)	Dep. (IT)	Timing Diff.	DT	Amnt.
1	200000	400000	2	Taxable L A	60000
2	200000	400000	2	" L	60000
3	200000	400000	2	" L	60000
4	200000	400000	2	" L	60000
5	200000	400000	2	" L	60000
6	200000	0	(2)	Taxable Reversed L-R	(60000)
7	200000	0	(2)	" " L-R	(60000)
8	200000	0	(2)	" " L-R	(60000)
9	200000	0	(2)	" " L-R	(60000)
10	200000	0	(2)	" " L-R	(60000)
	<u>20</u>	<u>20</u>			

