

**EKATVAM ACADEMY**  
**DT TEST PAPER 8 : PGBP**  
**CA/CMA INTER (25 Marks)**

**Question 1 [7 marks]**

Moon India Ltd, engaged in manufacturing activity furnishes the foll. details:

Net Profit as per Profit and Loss Account ₹ 50,00,000.

- (i) The company took a loan of ₹ 12,00,000 in the FY 2018-19 for the purpose of relocation of its office premises. The lender waived ₹8,00,000 in the FY 2024-25 and it is credited in the profit and loss account.
- (ii) Depreciation charged to profit and loss account is ₹ 16,00,000. Depreciation as per Income tax Act, 1961 amounts to ₹ 28,00,000 which includes the following: Depreciation rate meant for computers have been adopted for
  - (A) accessories like printers and scanners; and
  - (B) EPABX
    1. The written down value of these as on 1-4- 2024 is given below:
      - (a) Printers and Scanners ₹50,000
      - (b) EPABX ₹3,60,000
    2. Assume that there were no additions during the year.
- (iii) It incurred ₹2,50,000 as expenditure for public issue of shares. The public issue could not materialise on account of non-clearance by SEBL. This amount is charged to Profit and Loss Account.
- (iv) It incurred expenditure of ₹2,00,000 towards issue of debentures, This amount has been capitalised in the books.
- (v) The company paid ₹1,00,000 as compounding fee for violations in the pollution control regulations. This has been charged as revenue expenditure.
- (vi) The company lost cash of ₹ 25,00,000 when it was withdrawn from bank and taken to administrative office. It is not insured and hence, fully charged as revenue expenditure.
- (vii) ₹ 5,00,000 was spent during the year towards permitted CSR activities as per sec 135 of the Companies Act; 2013. This is charged to Profit and Loss Account.
- (viii) It paid ₹ 2,00,000 to share broker for transacting shares listed in stock exchange and ₹ 1,00,000 to commodity broker for commodity transactions at MCX, Both the amounts are debited to Profit and Loss Account and no tax was deducted at source on these payments.
- (ix) The company during the year employed 115 new workers in the factory which was 20% of the existing workforce and 18 employees in the registered office which was equal to 10% of the existing employee strength, It paid ₹ 12,00,000 and ₹ 8,00,000 respectively, as additional wages and salary.
- (x) It paid ₹ 50,000 to an electoral trust by cash and ₹ 1,00,000 by cheque to a Registered political party. Both these are debited to Profit and Loss Account.

Compute the total income of the company for the AY 2025-26. Give reasons in brief for treatment of each of the above items. Ignore MAT provision. Assuming opting out of Sec 115BAA/115BAB.

**Question 2 [6 marks]**

Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

	Particulars	₹
(1)	Opening WDV of plant and machinery as on 1.4.2024	30,00,000
(2)	New plant and machinery purchased and put to use on 8.06.2024	20,00,000
(3)	New plant and machinery acquired and put to use on 15.12.2024	8,00,000
(4)	Computer acquired and installed in the office premises on 2.1.2024	3,00,000

Compute the amount of depreciation and additional depreciation as per the IT Act, 1961 for the AY 2025-26, if Mr. X has exercised the option of shifting out of the default tax regime provided u/s 115BAC(1A). Assume that all the assets were purchased by way of account payee cheque.

**Question 3 [5 marks]**

Mr. Praveen engaged in retail trade, reports a turnover of ₹ 2,98,50,000 for the FY 2024-25. Amount received in cash during the PY 2024-25 is ₹ 14,00,000 and balance through prescribed electronic modes on or before 31.10.2025. His income from the said business as per BOA is ₹ 15,00,000 computed as per the provisions of Chapter IV-D "PGBP" of the Income-tax Act, 1961. Retail trade is the only source of income for Mr. Praveen. AY 2024-25 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation u/s 44AD.

- Is Mr. Praveen also eligible for presumptive determination of his income chargeable to tax for the AY 2025-26?
- If so, determine his income from retail trade as per the applicable presumptive provision.
- In case Mr. Praveen wants to declare profits as per books of account from retail trade, what are his obligations under the Income-tax Act, 1961?

What is the due date for filing his return of income under both the options?

**Question 4 [7 marks]**

Mr. A commenced operations of the businesses of setting up a warehousing facility for storage of food grains, sugar and edible oil on 1.4.2024. He incurred capital expenditure of ₹80 lakh, ₹60 lakh and ₹50 lakh, respectively, on purchase of land and building during the period January, 2024 to March, 2024 exclusively for the above businesses, and capitalized the same in its BOA as on 1.04.2024. The cost of land included in the above figures is ₹50 lakh, ₹40 lakh and ₹30 lakh, respectively. During the PY 2024-25, he incurred capital expenditure of ₹20 lakh, ₹15 lakh & ₹10 lakh, respectively, for extension/ reconstruction of the building purchased and used exclusively for the above businesses.

Compute the income under the head "PGBP" for the AY 2025-26 and the loss to be carried forward, assuming that Mr. A has fulfilled all the conditions specified for claim of deduction u/s 35AD and has not claimed any deduction under Chapter VI-A under the heading "C – Deductions in respect of certain incomes". The profits from the business of setting up a warehousing facility for storage of food grains, sugar and edible oil (before claiming deduction u/s 35AD and sec 32) for the AY 2025-26 is ₹16 lakhs, ₹14 lakhs and ₹31 lakhs, respectively. Also, assume in respect of expenditure incurred, the payments are made by account payee cheque or use of ECS through bank account. Assuming assessee has opted for Sec 35AD.