



**CARDAMOM PLANTERS' ASSOCIATION COLLEGE**

(Re-accredited with 'B' Grade by NAAC)

Pankajam nagar, Bodinayakanur – 625 582

PG and research department of commerce

## **Assessment of Firm**



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2. ABC are partners in a firm sharing P/L in the proportion of 2:2:1 respectively the P/L for the year end 31st March 2024 is as follows

Particulars	₹	Particulars	₹
Sundry Trade Expenses	1,00,000	By Gross Profit	478,200
Interest on Capital @ 13%		By Interest on Sundry	10,000
A 13,000			
B 6,500			
C 6,500	26,000		
To Rent to B	3,000		
To Salary to B	72,000		
To Commission to C	3,000		
Net Profit	2,22,200		
	4,88,200		4,88,200

Compute the total income of the firm and variable income of the 3 partners the firm B & C are working partners

Solution

Computation of Book Value for the assessment year 2024 - 2025

Particulars	₹	₹
Net profit as per profit and loss account		2,22,200
+ Inadmissible Items		
Salary to B	72,000	
Commission C	36,000	1,08,000
Interest on Capital @ 13%		
A (13,000 × 1/13)	1,000	
B (6,500 × 1/13)	500	
C (6,500 × 1/13)	500	2,000
		3,32,200
Less: Interest on Security		10,000
Book Profit		3,22,200

Computation of total income of firm

Particulars	₹
Book Profit	3,22,200
Less:	
Actual remuneration received	
(72,000 + 36,000) = 1,08,000	
90% of firm to 20,000	
= 18,000	
60% of ₹ 22,200 = 13,320	
= 31,320	
NET	1,08,000
2,14,200	
+ Other head income	
Interest on security	10,000
Total Income	2,24,200

Taxable Income of partners from the firm

Particulars	A	B	C
Interest on Capital @ 12%	12000	6000	6000
Salary B	-	7200	-
Commission C	-	-	3600
Total income	12000	7800	4200

Computation of Tax liability

Particulars	%	₹
Tax on ₹ 224200 @ 30%	30	67260
Add:		
Education cess	2	13452
High Education cess	1	6726
Health cess	1	6726
		69954
		(08)
		69950

2. Profit and loss account of ABCD company for the year ended 31<sup>st</sup> March 2024 is as follows

Particulars	₹	Particulars
Expenses	10,000	Receipt from clients
Depreciation	15,000	Bank Interest
Remuneration to } working partner }	80,000	Net loss
Interest on capital } to Partners }	37,500	
	202,500	

Other Information

1. Out of expenses of 10,000 ₹ 6,400 is not deductible by virtue of office expense.
  2. Depreciation as per section 32 is ₹ 15,000.
- find out the amount of Net income of the firm for the assessment year 2008.
- The remuneration and interest on capital the partners have they paid according to Partnership deed it has been submitted along with return.

Solution

Computation of Book Value for the assessment year 2024-2025

Particulars	₹	₹
Net loss as per profit and loss account		42500
(+) Inadmissible sum		
Interest on capital to partners @ 20% - 18% Exempted, 8% taxable		
Calc: $\frac{37500 \times 8}{100}$	15000	
Remuneration to working partner	20000	
Expenses	6400	
Depreciation (75000-27500)	47500	148900
Less: Other head income		1,06,400
Bank in interest	2500	25000
Book Profit		81,400

8288

Computation of total income of firm

Particulars	₹
Book Profit	81400
Less: Actual remuneration - 8000	
Statutory limit ₹ 15000	8000
Total income of firm	1400
+ Other head income: Bank interest	2500
Total income	26400

Computation of tax liability of firm

Particulars	%	₹
26400	30%	7920
+ Education cess	2%	158.4
Higher education cess	1%	79.2
Health cess	1%	79.2
		8938