



**CARDAMOM PLANTERS' ASSOCIATION COLLEGE**

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

Pankajam nagar, Bodinayakanur – 625 582

PG and research department of commerce

## **Income from Business or Profession**



**Dr.V. KRISHNAKUMAR, Ph.D.,**

Assistant Professor,

PG and research department of commerce

CPA College Bodinayakanur.

Business or Profession

Meaning

Business means the purchase and sales or manufacture of a commodity with a view to make profit. It includes any trade commerce or manufacture or any adventure or concern in the nature of trade commerce or manufacture.

Computation of Business Income

Particulars	₹	₹
Net profit as per profit and loss account	xxx	(i)
(+) 1) Expenses (or) disallowed But charged in profit and loss a/c	xxx	(ii)
2) Income Taxable as business but not credited to the profit and loss a/c	xxx	(iii)
3) Expenses in excess of the allowed amount charged in profit & loss a/c	xxx	
A) undervaluation of closing stock (or) over valuation of opening stock	xxx	xxx

Less:

1) Expenses on losses allowed but not debited to the Profit and Loss A/c

2) Income not taxable but has business income but credited to the P/L A/c

3) Income exempted from tax but not credited to the P/L A/c

4) Overvaluation of closing stock and undervaluation of opening stock

xxx

xxx

xxx

xxx

xxx

### Illustration - 6

Shri Nihru is the proprietor of a business. His profit and loss account for the year ended March 31, 2020 is as follows:

To Sales  
To Interest on bank loan  
To Provision for depreciation  
To Provision for income tax  
To Net Profit transferred to capital

Following particular expenses have been incurred during the year -

1) Expenses on losses allowed but not debited to the Profit and Loss A/c

2) Income not taxable but has business income but credited to the P/L A/c

3) Income exempted from tax but not credited to the P/L A/c

4) Overvaluation of closing stock and undervaluation of opening stock



e) Law charges vary in connection with the Protection of a trademark

f) Shri Nehru carries on his business from rented premises, half of which is used as his residence. Rent, Rates and taxes include ₹ 2000 paid as the rent of the premises during the year

g) A bank loan is taken for business purposes. Compute the Income from business of Shri Nehru and his gross total Income for the Assessment year 2022-23

Soln

Computation of Income from Business for the Assessment year 2022-23

Particulars	₹	₹
Net profit as per P/L a/c		2,80,80
Add: Expenses not allowed:		
Rent of one-half premises	1,200	
House hold Expenses	51,730	
Provision for Bad debts	1,200	
Loss on sale of Motor-car	1,800	
Repairs and Renewals	630	
Life Insurance Premium	1,790	
Interest on capital	1,090	
Provision for depreciation	2,500	
Provision for Income Tax	3,900	6,580
		3,46,1
Less: Items allowed But not charged		
Bad debts	500	
depreciation	1,700	2,200
		3,43,9
Less: Items not taxable under the business head		
Interest on Govt. Securities	5,400	
Rent from house property	5,400	10,800
		3,33,1
Income for Business		

Particulars

	₹	₹
Income from House Property	15,400	
(-) Standard deduction 30%	16,20	3,780
Profit of Business		3,33,630
Income from other sources		5,400
<b>Grand Total Income</b>		<b>3,42,810</b>

प्रमाणित

Illustration - 22 (Pg. No: 254)

M/s. Dewan & Company are chartered Accountants in Delhi. From the following information, compute the Income from Profession

TO Drawings	8000	By Audit fees	52400
TO Office Rent	42000	By Financial Consultancy Service	9800
TO Telephone Charges	15000	By Dividend from UTI (10000)	10000
TO Electricity Bill	6700	By Accountancy works	14000
TO Salary cost	66000		
TO Car expenses	21000		
TO Institution fee	1200		
TO Stipends given to trainees	12000		
TO Net Profit/Income	417400		
	614600		614600

Other Information

- 1) Depreciation of car during the year amount to ₹5000
- 2) 30% of the car is used for personal purpose

Computation of Income from publication to  
 Mr. Dewan for the assessment year 2022-23

Particulars	₹	₹
Net Profit		47400
(-) Dividend from UT	10000	
Depreciation on car 70%	3500	13500
(*) Disallowed Expenses		41600
- Drawings	8000	
- Car Expenses 30% of ₹21000	6300	14300
Income from Publication		417400