

## COMPUTATION OF TAXABLE INCOME OF FIRM AND ITS PARTNERS

### Exercise

1. P & L A/c of M/s XYZ Co. (a firm of which X, Y & Z are partners which satisfy all the conditions of sections 184 & 40(b)) for the Y.E. 31.03.2017 is given below:

	Rs.		Rs.
Purchases	9,80,000	Sales	17,00,000
Salary to partners	X - 54,000 Y - 54,000 Z - 3,72,000	Interest on Securities	6,000
Interest to partners on capital @ 24%	X - 48,000 Y - 48,000 Z - 48,000	LTCG on sale of shares STT paid	20,000
Other expenses	2,10,000		
Depreciation	45,000	<b>Net Loss</b>	<b>1,33,000</b>
	<b>18,59,000</b>		<b>18,58,000</b>

#### Other Information:

1. Other expenses include donation to a political party of Rs. 25,000;
2. Purchases from related party include - Rs.40,000 payments made in cash; market value of purchase - Rs.39,000;
3. X, Y and Z share the profit in 1:1:1 ratio;
4. Y is Z's son and he is doing MBA;  
X is Z's wife and she looks after their home;
5. Eligible depreciation works out to Rs.36,000.

Find out the net taxable income of the firm for the relevant A.Y.

2. The P & L A/c of M/s. ABC Co. for the year ended 31.03.17 is given below:

Particulars	Rs.	Particulars	Rs.
Opening Stock	1,03,500	Sales	9,90,000
Purchases	6,05,500	Rent	3,00,000
Municipal Tax	2,500	Closing Stock	2,10,000
Commission to A	90,000		
Remuneration to partners	B -1,20,000 C -1,20,000		
Interest on @ 12% A - 75,000 B - 50,000 C- 50,000	1,75,000		
Business expenses	2,83,500		
	<b>15,00,000</b>		<b>15,00,000</b>

#### Other Information:

1. The partners share the profit equally. 2. A is not working partner.
  3. Expenses include sales tax of Rs. 22,500, which was paid on 30.09.17.
- Compute the total taxable income of the firm for the A.Y. 2017-18.

3. P & L A/c of M/s ABC Co. (a firm of which A, B & C are partners which satisfy all the conditions of sections 184 & 40(b)) for the Y.E. 31.03.2017 is given below:

	Rs.		Rs.
Purchases	1,80,00,000	Sales	2,95,00,000
Salary	40,00,000	Dividend	45,000
Interest to partners on capital @ 18%	A - 1,80,000 B - 3,60,000 C - 1,80,000	Interest on Bank Deposits	55,000
Expenses	36,01,000	Scrap Sales	21,000
Commission to F	1,00,000		
Net Profit	A - 8,00,000 B - 16,00,000 C - 8,00,000		
	<b>2,96,21,000</b>		<b>2,96,21,000</b>

Other Information:

1. Opening stock Rs.28,00,000 and closing stock Rs.23,00,000 were valued at cost price;
2. Salary includes partners' salary @ Rs. 50,000 p.m. to each of them;
3. Expenses include an amount of Rs.50,000 spent on the occasion of birthday party of Mr.C's grandson;
4. F is B's husband; the market value of commission worked out to Rs.90,000; Tax has not been deducted at source on the commission payment;
5. ESI payment amounting to Rs. 1,35,000 relating to the year financial year 2015-16 was paid during the year;
6. A, B and C share the profit in 1:2:1 ratio;
7. Eligible depreciation, as per IT Rules, works out to Rs.1,15,000.

Particulars of the partners are as given below:

	<b>A</b>	<b>B</b>	<b>C</b>
Interest on Bank F.D.	Rs.48,000	Rs.75,000	Rs.60,000
Rental Income (H.P.)	Rs.1,80,000	-	Rs.4,80,000
Investment in PPF	Rs.30,000	Rs.25,000	Rs.75,000
LIC premium paid	Rs.10,000	Rs.25,000	Rs.20,000

Find out the net taxable income of the firm and that of the partners of the firm for the relevant A.Y.