

## A Standard Problem:

From the following Profit and Loss Accounts and other information of Shri Mitra , compute his total income for the assessment year 2019-2020.

### Profit and Loss Accounts for the year ended 31.2.2019

To Establishment expenses	Rs 24,000	By Gross profit	RS 75,500
" Interest on bank loan	Rs 2,500	" Dividend from UTI	Rs 8,000
" Repair to furniture	Rs 1,600		
" Purchase of furniture	Rs 2,500		
" Bad debt	Rs 700		
" Provisions for bad debt	Rs 1,600		
" Fire insurance premium	Rs 400		
" Life Insurance premium	Rs 1,800		
" Income tax	Rs 2,700		
" Donation to approved institution [u/s 80G(5)]	Rs 5,000		
" Donation to Prime minister's National Relief Fund.	Rs 6,000		
" Fines	Rs 4,000		
" Interest on capital	Rs 700		
" Depreciation	Rs 2,000		
" Net profit	Rs 28,000		
	Rs 83,500		Rs 83,500

#### Other information

- In arriving at profit, the opening stock and closing stock have been valued at Rs 52,000 and Rs 61,900 respectively, both at 10% below cost.
- Establishment expenses include wages of Shri Mitra's servant @Rs 250 p.m.
- 50% of the bad debt is allowed.
- Depreciation as per I.T rules works out at Rs 1,800.
- Life insurance premium relates to Shri Mitra's own life (policy value Rs 25,000).
- During the year Shri Mitra took away goods for his personal use costing Rs 5,000 by crediting the sales account with Rs 7,000, while market price of the goods were Rs 7,500 at that time.

**Solution: Computation of income from business of Shri Parimal Mitra, resident individual, for the assessment year 2020-2021 relating of the previous year 2019-2020.**

<ul style="list-style-type: none"> <li>Profit and gains of business or profession: Net profit as per Profit and Loss Account</li> </ul>		Rs 28,000	
Add: Expenses Disallowed:			
Wages paid to domestic servant	Rs 3,000		
Purchase of furniture	Rs 2,500		
Bad debt Rs[700 x 1/2]	Rs 350		
Provision for bad debt	Rs 1,600		
Life insurance premium	Rs 1,800		
Income-Tax	Rs 2,700		
Donation to approved institution	Rs 5,000		
Donation to Prime Minister's National Defense Fund.	Rs 6,000		
Fines(Note 1)	Rs 4,000		
Interest on Capital	Rs 700		
Depreciation(treated separately)	Rs 2,000	Rs 29,650	
		Rs 57,650	
Less : Expenses allowed			
Depreciation as per I.T. Rules		Rs 1,800	
		Rs 55,850	
Add : Adjustment for undervaluation of Stocks [Rs(61,900-52,000) x 1/9]		Rs 1,100	
		Rs 56,950	
Less : Adjustment for goods withdrawn by the owner (Rs 7,000-Rs 5,000)(Note 2)		Rs 2,000	
		Rs 54,950	
Less : Income not chargeable under this head : Dividend from UTI.		Rs 8,000	Rs 46,950

Note1:

- (i) It has been assumed that fines are paid for infraction of law.

