

FIRMS Monday

ASSESSMENT OF COMPANIES

FIRMS

Sec 2(83) firm shall have the meaning assign to it in the Indian Partnership Act - 1932 and shall include a limited liability partnership as defined in the limited liability partnership act 2008.

In other words the relation b/w person who have agreed to share the profit of a business carried on by all or any one of them acting for all

LIMITED LIABILITY PARTNERSHIP (LLP)

LLP is a corporate form of partnership having separate legal entity yet is distinct from the partners and carries limited liability for them.

FEATURES OF LLP

1. LLP is a body incorporated under the LLP act 2008.
2. LLP has a separate legal entity.
3. LLP is not covered by the Indian Partnership Act 1932.
4. The liability of the partners of LLP is limited.

ELIGIBLE FIRM

A firm is considered as eligible firm if it is fulfilled the following conditions u/s-184.

1. The partnership is evidenced by an instrument. (Partnership Deed)
2. The instrument must specify the share of profit. (Profit sharing ratio)
3. The certified copy of the instrument must be submitted along with returns.

Date:
Page:

PARTNERSHIP DEED

It is a written document, containing rules & regulations, signed by all the partners & stamped according to Stamp Act.

CONTAINS OF PARTNERSHIP DEED

1. Name & address of the firm.
2. Name & address of the partners.
3. Location of the business.
4. Profit sharing ratio of the partners.
5. Nature of the business.
6. Rights, Duties & Liabilities and responsibilities of partners.
7. Date of commencement of the business.
8. Interest on drawing, capital, salary & commission to the partners.
9. Duration of the business.

STEPS FOR ASSESSMENT OF PARTNERSHIP FIRM

1. Computation of Book Profit (BP) - (Income from business).
2. Computation of Admissible remuneration to partners.
3. Income from business (Step 1 - Step 2)
4. Computation of Total Taxable Income.
5. Computation of Tax Liability of the firm.

Computation for Eligible Firm

STEP 1: Computation of Book Profit

Particulars	Amt	Amt
Net profit as per P&L a/c		xxx
Add: Inadmissible Exp. as to P&L a/c	xxx	
• B/s income not as to P&L a/c	xxx	
• Over Valuation of opq stock	xxx	

• Unders Valuation of clg Stock	xxx	xxx
		xxxx
Less : • Admissible Exp ^{not} ds to P&L a/c	xxx	
• Non ble income cs to P&L a/c	xxx	
• Overvaluation of clg Stock	xxx	
• Unders Valuation of opg Stock	xxx	xxx
Book Profit →		xxxx

STEP 2 - Admissible Remuneration To Partners

Particulars	Amt	Amt
Remuneration of Partners (Mentioned in Sum)		xxx
Eligible deduction for remun ^{to} partners		
Maximum lmt 90% of BP for active ds		
• 90% of the 1 st 3lakh of BP (180000)	xxx	
• 60% of remaining BP	xxx	xxx
Admissible Remun ^{to} Partners →		xxx

STEP 3 Income From Business

Particulars	Amt	Amt
Book Profit (Step 1)		xxx
Admissible remun ^{to} Partners (Step 2)		xxx
Income from b/s →		xxx

NOTE

- Int on Capital Excess of 12% is inadmissible.
- Comm^{to} partners fully inadmissible.
- Salary to partners fully inadmissible.

Thursday

1. From the foll info ascertain the amt of admissible remuneration in case of a partnership firm given the B.P. as given below

Case 1 : -300000 Case 2 : 130000 Case 3 : 290000
 Case 4 : 600000 Case 5 : 10,00,000.

Salary to partners as provided for by partnership Deed

A (Working Capital) ₹ 300000
 B (Non-Working partner) ₹ 140000
 C (Working partner) ₹ 180000

- Also indicate the amt of Salary taxable in the hands of partners.

Sol.

Calculation of Admissible Remuneration to Partners

Particulars	Amt	Amt
Case 1 B.P. (-300000)		
Remuneration to Partners (A+C)		480000
Maximum Limit		150000
Remun ^{to} partners →		150000
* If the BP is negative the maximum remun ^{to} given to partners is 150000 as per law		
Case 2 B.P. (130000)		
Remuneration to partners		480000
Maximum Limit		150000
→		150000
* If the B.P. is < than 150000 the max remun ^{to} to partners is 150000		
Case 3 B.P. (290000)		
Remuneration to partners		480000
Maximum Limit		261000
• 90% of 1 st 3lakh of B.P. (290000 × 90%)		261000
→		261000
Case 4 B.P. (600000)		
Remuneration to partners		480000
Maximum Limit		450000
• 90% of 1 st 3lakh of B.P. (300000 × 90%)	270000	
• 60% of remaining B.P. (300000 × 60%)	1,80,000	450000
		450000

Case 5: B.P (10,00,000)

Remuneration to the partners		480000	
Maximum Limit			L
• 90% of 1st 3lakh of BP (300000 × 90%)	270000		
• 60% of remaining BP (700000 × 60%)	420000	690000	
			22/2/19
			→
		480000	

Q. Raja Rao & Jain a partnership firm consisting of 2 partners a Net profit of ₹ 7,00,000 before deduction of the following items.

- Salary of ₹ 20,000 each/mth payable to 2 working partners of the firm.
- Depⁿ on P&M u/s-32 ₹ 15,000.
- Int on Capital @ 15% P.a. The amt of Capital eligible for Int ₹ 5,00,000.

Compute a. B.P b. Admissible remunⁿ to partners c. Taxable Income from b/s.

Sol. STEP 1: Computation of B.P

Particulars	Amt	Amt
Net profit as per p&l a/c		700000
Less: Admissible Exp ⁿ not debited		
• Dep ⁿ on P&M	150000	
• Int on Capital (500000 × 15%)	750000	210000
Book Profit →		490000

STEP 2: Computation of Admissible remunⁿ to Partners

Particulars	Amt	Amt
Remuneration to Partners (20,000 × 2 × 12)		480000
Maximum Limit		L
• 90% of 1st 3lakh of B.P (300000 × 90%)	270000	
• 60% of remaining B.P (170000 × 60%)	114000	384000
Remun ⁿ to partners →		384000

STEP 3: Income from B/s

Book Profit	490000
• Admissible remun ⁿ to partners	384000
Income from b/s →	106000

The foll is the p&l a/c of partnership firm for the year ended 31/3/18.

Particulars	Amt	Particulars	Amt
To G. Exp ⁿ	100000	By G. Profit	1875000
To Entertainment Exp ⁿ	275000	By Int on bank dep ^s	45,000
To Adv ⁿ	145000	By Excise duty refund	80,000
To Rent, rates & Tax	290000		
To Salary to partners			
• A	100000		
• B	150000		
• C	175000	425000	
To Int on Capital			
• A @ 20%	40000		
• B @ 10%	20000		
• C @ 15%	30000	90000	
To Donations	136000		
To I.T	49000		
To Net Profit	190000		
	20,00,000		20,00,000

- G. Expⁿ include 25,000 which is inadmissible
- Advertising include ₹ 145,000 for advertising to a political party.

Compute a. B.P b. Admissible remunⁿ to partners c. Income from b/s.

Computation of BP

Particulars	Amt	Amt
Net profit as per P&L a/c		170000
Add: Inadmissible Exp ^s debited to P&L a/c		
• Exp ^s	25000	
• Adv ^s relating to political	45000	
• Salary	425000	
• Int on Capital Excess of 10%		
A 40,000 x 8/100	16000	
C 30,000 x 3/100	6000	22000
• Donation	136000	
• I.T	49000	
		702000
		892000
* B/s income not debit to P&L a/c		-
Less: Admissible Exp ^s not debited to P&L a/c		-
• Non b/s or Non Taxable etc		
• Int on Bank Deposit	45000	
Book Profit →		847000

Computation of Admissible Remuⁿ

Particulars	Amt	Amt
Remuneration to Partner		425000
Maximum Limit		
• 90% of BP for 1 st 3 lakh (3L x 90%)	270000	
• 60% of Remaining BP (547000 x 60%)	328200	598200
Remu ⁿ to partner →		425000

Computation of Income from B/s

Book Profit	847000
↳ Admissible remu ⁿ to partner	425000
Income from b/s →	422000

Saturday

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4. R & Co a partnership firm furnishes P&L a/c for the year ending 31/12/18

Particulars	Amt	Particulars	Amt
To Cost of Goods	280000	By Sales	270000
To Other Exp ^s	91000	By Net Loss	170000
To Int to partner	25000		
To remu ⁿ to partner	68000		
	464000		464000

- The other Exp^s debited include ₹ 13,600 not allowable u/s-37(C) of the act.
- Int to partner is in excess by ₹ 7100 (not statutorily allowable).

Computation of B.P

Particulars	Amt	Amt
Net profit as per P&L a/c		(170000)
Add: Inadmissible Exp ^s debited to P&L a/c		
• Other Exp ^s	13600	
• Int to partner	7100	
• Remu ⁿ to partner	68000	88700
Book Profit →		(83300)

Computation of Admissible Remuⁿ

Particulars	Amt	Amt
Remuneration to Partner		68000
Maximum Limit		150000
Remu ⁿ to Partner →		68000

Computation of Income from b/s

Book profit	(83300)
↳ Admissible remu ⁿ to partner	68000
Income from b/s →	(151300)

5. ABC is a partnership firm consisting of 3 partners sharing profit equally. The following details are available:

- Loss as per P&L a/c after debiting remuneration to partners & Int on their Capital ₹ 25,000
- Remuneration to partners A: ₹ 9,000; B: ₹ 6,000; C: ₹ 3,000
- Int on Capital A: ₹ 2,000; B: ₹ 2,000; C: ₹ 2,000
- As on 1/1/11 the Capital of each partner is ₹ 1,00,000

Computation of B.P (12.20.18)

Particulars	Amt	Amt
Net profit as per P&L a/c		(25,000)
Add: Inadmissible Exp ⁿ debited to P&L		
• Int on Capital A $\frac{2}{100} \times 20,000$	8,000	
B $\frac{2}{100} \times 20,000$	8,000	
C $\frac{2}{100} \times 20,000$	8,000	
• Remuneration to partners A 9,000		
B 6,000		
C 3,000	18,000	20,000
Book Profit \rightarrow		(46,000)

Computation of Inadmissible remuneration

Particulars	Amt	Amt
Remuneration to Partners		18,000
Maximum Limit		15,000
Remuneration to partners \rightarrow		15,000

Income from b/s

Book Profit	(40,000)
(-) Admissible remuneration to partners	15,000
Income from b/s \rightarrow	(16,000)

Particulars	Amt	Amt
Remuneration to partners		18,000
Maximum Limit		15,000
Admissible remuneration \rightarrow		15,000

Income from b/s

Book Profit	(46,000)
(-) Admissible remuneration to partners	15,000
Income from b/s \rightarrow	(19,600)

6. STEP 4: Computation of Total Taxable Income

Particulars	Amt	Amt
Income from House Property		xxx
Income from b/s or profession		xxx
Short Term Capital Gain (STCG) (Other than liable for STT)		xxx
Income from Other Source (Other than CI \rightarrow casual Income)		xxx
Gross Total Income \rightarrow		xxxx
Less: Deduction u/s - 80G to 80JJA (Deduction as National only)		xxx
Other Gross Total Income \rightarrow		xxxx
Add: Short Term Capital Gain liable for STT		
• LTCG		
a. Liable for STT		Exempt
b. Other than liable for STT		xxx
c. Casual Income		xxx
Total Taxable Income \rightarrow		xxxx

STEP: 5 Computation of Tax Liability

Particulars	Amnt	Amnt
• Tax On Casual Income @ 30%	xxx	
• LTCG Other than liable for STT @ 30%	xxx	
• LTCG Liable for STT	Exempt	
• STCG Liable for STT @ 15%	xxx	
• Tax on Other Gross total Income @ 30%	xxx	
	xxxx	
Add: • Surcharge (if applicable)	xxx	
	xxxx	
• Education Cess @ 4%	xxx	
Total Tax Liability →	xxxx	

Saturday

1. P&L a/c of H&Co a partnership firm is as follows

Particulars	Amnt	Particulars	Amnt
To Salaries	15,000	By Gift	58,000
To Int on Capital to partners @ 24% Pa	24,000	By rent from HP	30,000
To Int on loan to partner @ 20%	10,000	By Int on FD	16,000
To Int on loan to H&Co husband of H&hema	12,000		
To Municipal Tax of let out property	5,000		
To repairs of HP	2,500		
To Donation to PH's National Relief Fund	5,000		
To Remuneration to partners	28,000		
To Sales Tax	17,500		
To Net Pft	12,000		
	62,600		62,600

• Out of Municipal Taxes 23000 veh ure due on 3/3/17

• Sales Tax due ₹ 2000. Compute Tax Liability

Computation of B.P

Particulars	Amnt	Amnt
Net profit as per P&L a/c		12,000
Add: Inadmissible Exp ^s debited to P&L		
• Int on Capital (24,000 × 24%)	12,000	
• Int on loan to partners (10,000 × 20%)	4,000	
• Municipal Tax of let out prop ^s	5,000	
• Repairs of HP	2,500	
• Donation to PH's NRF	5,000	
• Remun to partners	28,000	
• Sales Tax due	2,000	
		31,500
		43,050

Less: Non bls or Non Taxable a/c

• Rent from HP	30,000	
• Int on FD	16,000	46,000
Book Profit →		38,450

Computation of Inadmissible remuneration

Particulars	Amnt	Amnt
Remuneration to Partners		28,000
Maximum Limit		
• 9% of BP for 1 st 31akh	27,000	
• 6% of remaining BP (21500 × 6%)	5,400	32,400
Remun To partners →		28,000

Computation of Income from bls

Book Profit		38,450
• Admissible remun to partners		28,000
Income from bls →		10,450

Computation of Total Taxable Income

Particulars	Amt	Amt
• Income from House Property GAV	30,000	
↳ Municipal Tax paid (5000-3000) NAV	2000	28000
↳ Deduction u/s-24 • 30% of NAV (28000×30%) IFHP →	8400	8400
• Income from b/s		19,600
• STQC		104,500
• Income from other source → Int on FD		16,000
Gross Total Income →		140,100
↳ Deduction u/s 80G to 80GJA Donation to PM's NRF		5000
Other Gross Total Income →		135,100

Tax Liability of the firm

Particulars	Amt	Amt
• Tax on Casual Income @ 30%	-	-
• LTCG @ 20%	-	-
• STQC @ 15%	-	-
• Tax on other Gross Total Income @ 30% (135100×30%)		40530
Add: Education cess @ 4% (40530×4%)		1621
Total Tax Liability →		42151

PEL a/c of ABC & Co for the Yr. ending 31/3/18 is as follows (A firm of C.A & Satisfies all Conditions of Sec 184).

Particulars	Amt	Particulars	Amt
To Expenses	576000	By receipt from cl:	720000
To Dep ⁿ	464000	ent from Tax advise	

To remuneration to partners	5,50,000	By Audit fee	54,4000
To Int on Capital	1,10,000	By Net loss	436000
To	17,00,000	To	17,00,000
• Out of Exp ⁿ 114500 is not deductible u/s-35&37			
• Dep ⁿ as per Sec-32 is ₹ 6,16,200			
• Int on Capital to partners not deductible u/s-40(B) Inadmissible			
is ₹ 35,800			

Find out the Net income for the A.Ys 2018-19

Sol

Computation of B.P

Particulars	Amt	Amt
Net profit as per P&L a/c		(436000)
Add: Inadmissible Exp ⁿ debited to P&L		
• Remuneration to partners	550000	
• Int on Capital	35800	
• Inadmissible Exp ⁿ	114500	
• Dep ⁿ	464000	11,64,300
		798300
Less: Admissible Exp ⁿ nt dr to P&L		
• Dep ⁿ	616200	6,46,200
Book Profit →		82,100

Admissible Remuⁿ to Partners

Particulars	Amt	Amt
Remuneration to Partners	550000	
Maximum Limit	150000	
• 90% Remu ⁿ to partners →		150000

Income from b/s

Book Profit		82,100
↳ Admissible remu ⁿ to partners		150000
Income from b/s →		(67,900)

Computation of Taxable Income

Particulars	Amt	Amt
Income from House Property		

3. Sri. Ram & Raghavan are working partners in a professional firm which satisfies all conditions of Sec-184 & 40(C) of IT act. They share p&l in the ratio of 4:1.

Particulars	Amt	Particulars	Amt
To General Exp ⁿ	68,500	By Gross pft	585,000
To Int on Capital	75,000		
To Donation to NCF	25,000		
To Salary, Bonus & Other remuneration to partner	285,500		
To Dep ⁿ (*)	30,000		
To Net profit	102,000		
	585,000		585,000

- G. Expenses to the extent of ₹18,500 is not deductible
- Int on Capital to partner is in excess of ₹15,000.
- Depⁿ allowable as per IT rules work out to ₹30,500.

Computation of Total B.P

Particulars	Amt	Amt
Net profit as per p&l a/c		102,000
Add: Inadmissible Exp ⁿ debited to P&I		
• G. Exp ⁿ	18,500	
• Int on Capital	15,000	
• Donation	25,000	
• Salary, Bonus	285,500	
• Dep ⁿ	30,000	373,500
Book Profit \Rightarrow		475,500
Less: Admissible Exp ⁿ not dt to P&I		
• Dep ⁿ	30,500	
Book Profit \rightarrow		443,000

Admissible Remuneration to partner

Particulars	Amt	Amt
Remuneration to partner or Maximum Limit		285,500
• 90% of B.P for pt 3 lakh	270,000	will
• 60% of remaining BP	85,800	
Remuneration to partner \rightarrow		285,500

Particulars	Amt
Income from b/s	443,000
Less: Remuneration to partner	285,500
Income from b/s \rightarrow	157,500

21/3/19

State whether the following is admissible or in-admissible expense under the provision of I.T act

- A cash payment of ₹18,000 paid to a supplier of R.M on a day on which the banks were closed on a/c of indefinite strike. \Rightarrow Admissible. (Cash payment made more than 2000 is inadmissible)
- Depⁿ of ₹10,000 is debited to p&l a/c on Sri. Ram Temple which is constructed inside the factory premises for the benefit of employees of the co. \Rightarrow Inadmissible.
- Contribution made by co to staff welfare fund \Rightarrow Inadmissible.
- Donation to NCF ₹25,000. \Rightarrow Inadmissible.
- Bonus of ₹75,000 was paid to the employee after the due date of filing return of income. \Rightarrow Inadmissible.
- Service Tax paid. \Rightarrow Admissible.
- Provision for I.T \Rightarrow Inadmissible (Any provision inadmissible)
- Of the sales tax provision sales take off ₹10,000 was paid before filing the return of income. \Rightarrow Admissible.
- Gift tax paid. \Rightarrow Inadmissible.
- LIC premium on Director & his family members life. \Rightarrow Inadmissible.
- Payment of licence fee for obtaining franchise. \Rightarrow Admissible.
- Professional Tax paid. \Rightarrow Inadmissible.

- 13. Annual Listing Fee paid towards Stock Exchange. \Rightarrow Admissible
- 14. Expenditure incurred towards Current repairs in the b/s \Rightarrow Admissible
- 15. Capital Expenditure paid. \Rightarrow Inadmissible
- 16. Pension paid to employees. \Rightarrow Admissible

NOTE: Education Cess is 3% Today

- Following Deduction is as follows:
1. u/s 80G: For approved Donation made by Assessee.
 2. u/s 80GGA: For Contribution towards Scientific Research, Development & Rural Development Programme.
 3. u/s 80GGC: For Contribution made by other notified assessee to political parties.
 4. u/s 80IA: For pfts from infrastructure related b/s established b/w specified Dates.
 5. u/s 80IAB: For pfts derived by any undertaking from any b/s of developing Special Economic Zone.
 6. u/s 80IB: For pfts from other notified b/s established b/w specified Dates.
 7. u/s 80IC: For pfts from b/s established in Sikhism, Himachal Pradesh, Uttaranchal & North Eastern State. b/w specified Dates.

AMT: Alternative Minimum Tax - 80IA, 80IB, 80IAB, 80IC, 80IC.

STEP 6: FORMAT FOR COMPUTATION OF ADJUSTED TOTAL INCOME

Particulars	Amount
Total Taxable Income	xxx
Add: Reduction u/s - 80IA, 80IB, 80IAB, 80IC	xxx
Exemption u/s - 10AA	xxx
ADJUSTED TOTAL INCOME \rightarrow	xxxx

STEP 7: COMPUTATION OF AMT

Particulars	Amount
Tax on Adjusted Total Income @ 18.5%	xxx
Add: Surcharges @ 10% (ATI has Exceed 1 crore)	xxx
Add: Education Cess @ 3%	xxx
Tax Liability Of THE FIRM \rightarrow	xxx

Shivu & Raj are working partners in a professional firm sharing P&L Equally. The partnership Deed has authorized the firm to pay interest to partners on their Capitals @ 20% P.a. The firm is considered as eligible firm as it satisfies all the requirement of Sec-184 of IT act. From the foll info Calculate B.P, Admissible remuneration to partners, Total Income & Tax Liability.

P&L a/c for the yr ending

Particulars	Amount	Particulars	Amount
To Other Expenses	1,25,500	By G.Pft	81,500
To Int on Capital		By Int from Customs	10,000
• Shivu	40,000	By Int on deb (Gross)	60,000
• Raj	60,000		
To Salary, bonus & other remuneration to partners			
• Shivu	65,000		
• Raj	35,000		
To Net pft	25,000		
	14,75,500		14,75,500

- The firm is eligible for 100% deductions u/s - 80IB as the firm is engaged in SEZ
- Depⁿ allowable as per IT rules work out to ₹ 35,500
- Other Expⁿ to the extent of ₹ 60,500 is not deductible.