

Unit – 1.2 Examination Problems on Professional Income:

May/June – 2007.

Problem – 1. (5 Marks)

Mr. Narendra a practicing Chartered Accountant gives you the Receipts and Payments of his Profession for the year ended 31-03-2019.

Receipts:

Consultation Rs. 1,20,000; Audit fees Rs. 1,50,000; Appellate tribunal appearance Rs. 80,000; Payments from clients Rs. 2,60,000; Miscellaneous (professional) Rs. 40,000.

Payments:

Office expenses Rs. 75,000; Office rent Rs. 36,000; Salaries Rs. 60,000; Printing and stationery Rs. 6,000; Purchase of books (Annual publications) Rs. 5,000; Subscription to CA institute Rs. 12,000; Travelling expenses Rs. 10,000; Interests on bank loan Rs. 8,000; Donation to NDF Rs. 20,000.

Bank loan was taken for construction of his residential house. He is running his profession in his own building. 20% of travelling expenses are not allowed.

Compute his income from profession for the Assessment Year 2019-20.

Problem – 2. (15 Marks)

Dr. Gurudev, a medical practitioner, furnishes his Receipts and Payments A/c for the previous year ended 2018-19. You are required to compute his income from profession for the Assessment Year 2019-20.

Particulars	Rs.	Particulars	Rs.
Balance b/d	40,000	Purchase of professional books	30,000
Visiting fees	1,20,000	Membership fee of Medical Council	6,000
Consultation fees	80,000	House hold expenses	18,000
Sale of medicines	1,35,000	Rent of clinic	24,000
Salary as a part time lecturer	96,000	Income tax	26,000
Gifts from patients	30,000	Purchase of medicine	1,00,000
Interest on POSB A/c	12,000	Car expenses	40,000
Dividends from domestic Co.	10,000	Electricity and water	12,000
		Salary to staff	36,000
		Surgical equipments	40,000
		Balance c/d	1,91,000
	-----		-----
	5,23,000		5,23,000

Additional Information:

- 50% of Motor car expenses related to his personal use.
- Depreciate car and surgical equipments by 15% and books by 40%.
- Gifts include Rs. 10,000 received from his patients on his birth day gift.

June – 2008.

Problem – 3. (15 Marks)

From the following Income and Expenditure A/c and additional information of Dr. Darshanik Patel, who maintains books of accounts under mercantile system of accounting, compute taxable income from Profession for the Assessment Year 2019-20.

Particulars	Rs.	Particulars	Rs.
Rent of clinic		Consultation fee	
2017-18	1,000	2017-18	5,500
2018-19	20,000	2018-19	85,000
2019-20	2,000	2019-20	10,000
Electricity and water	2,200	Visiting fees	65,000
House hold expenses	15,000	Loan from bank (profession)	1,25,000
Municipal taxes on HP	3,000	Loan from bank (personal)	50,000
Purchase of Motor car	1,20,000	Gift from patients	20,000
Laptop purchased 01-03-2019	30,000	Remuneration for articles published in professional journals	8,000
Income tax	12,000	Sale of medicines	60,000
Salary to compounder	24,000	Operation theatre rent	15,000
Purchase of books	6,000	Rent from house property	12,000
Expenses on Income tax proceedings	8,000	Interest on post office NSC	2,000
Life insurance premium	15,000	Income from horse race	30,000
Gift to wife	10,000		
Interest on loan (profession)	10,000		
Interest on loan (personal)	4,000		
Loan installment paid (profession)	25,000		
Donation to a notified temple	10,000		
Car expenses	20,000		
Purchase of surgical equipments	30,000		
Purchase of medicines	35,000		
Excess of income over expenditure	85,300		
	-----		-----
	4,87,500		4,87,500

Additional Information:

- 40% of car expenses are for personal use.
- Depreciation on car and surgical equipments is @ 15% and on laptop and books is @40%.
- Income tax includes Rs. 2,000 professional tax paid to State Government.
- Gifts from patients include Rs. 8,000 received on the occasion of marriage from friends.
- Closing stock of medicines is Rs. 7,500.

Problem – 4. (5 Marks)

From the following information of Rajkumar, a chartered accountant, compute taxable income from Profession for the Assessment Year 2019-20.

Receipts:

Consultation fees Rs. 50,000; Gifts from clients Rs. 20,000; Gifts from father in law Rs. 30,000; Appellate tribunal appearance Rs. 12,000 and fees for drafting Memorandum of Association Rs. 10,000.

Payments:

Office rent Rs. 25,000; Stipend to Articled clerks Rs. 20,000; Professional books (not annual publications) purchased Rs. 12,000; Charitable donations Rs. 4,000 and Professional tax Rs. 2,000.

June – 2009.

Problem – 5. (15 Marks)

Mr. Gopal is a practicing lawyer at Delhi. He keeps his books on cash basis and his summarized Receipts and Payments A/c for the year ended 31-03-2019 is as under –

Particulars	Rs.	Particulars	Rs.
Balance b/d	2,150	Subscriptions to law journals	400
<u>Legal fees</u>		Law books purchased (1-1-19)	1,700
2017-18 25,000		<u>Rent</u>	
2018-19 1,00,000		2017-18 200	
2019-20 5,000	→ 1,30,000	2018-19 1,000	
Special commission fees	500	2019-20 300	→ 1,500
Salary as part time lecturer in law	24,000	Car expenses	7,000
Examiner's fee (professional)	400	Office expenses	5,000
Interest on fixed deposits	300	Electricity charges	1,000
Sale of property	81,400	House hold expenses	18,000
Dividends from co-op. society	1,000	Donations	1,000
Directors fees	100	Car purchased (01-07-2018)	80,000
Maturity value of ULIP	19,450	Life insurance premium	5,000
		Balance c/d	1,38,700
	-----		-----
	2,59,300		2,59,300

The following information is also given –

- 1/3rd of car expenses relate to his personal use of the car.
- He claimed Rs. 200 for books purchased for his employment and the remaining Rs. 1,500 for his profession. Rate of depreciation is 40%.
- Depreciation on car is @ 15%.

May/June 2010.

Problem – 6. (15 Marks)

Dr. Punitha submits the following particulars; calculate the income from profession for the Assessment Year 2019-20.

Particulars	Rs.	Particulars	Rs.
Opening balance b/d	25,000	Salary to staff	36,000
Consultation fees	75,000	Purchase of medicines	18,000
Visiting fees	62,500	Professional books	10,000
Agricultural income	40,000	Purchase of car	2,40,000
Interest on bank deposits	10,000	Car expenses	20,000
Gift from patients	15,000	Computer purchased	50,000
Rent from house property	48,000	Personal expenses	45,000
Loan from bank for profession	1,50,000	Income tax	15,000
Operation charges	90,000	LIC premium	10,000
Sale of medicines	32,500	Repayment of loan	35,000
		Municipal tax on HP	5,000
		Interest on loan	7,500
		Closing balance c/d	56,500
	-----		-----
	5,48,000		5,48,000
	-----		-----

Additional Information:

- 25% of car expenses relate to personal use.
- Rate of depreciation on professional books-40%, Car-15% and Computer-40%.
- A cash gift of Rs. 2,500 received from a patient was not recorded in the books.

May/June – 2011.

Problem – 7. (5 Marks)

From the following information of Dr. Manohar, compute his taxable income from profession for the Assessment Year 2019-20.

Receipts:

Consultation fees Rs. 50,000; Gifts from patients Rs. 20,000; Gifts from father-in-law Rs.30,000; Sale of medicine Rs. 12,000; Visiting fees Rs. 10,000.

Payments:

Clinic rent Rs. 25,000; Professional books purchased Rs. 12,000; Charitable donations Rs. 4,000.

Problem – 8 (15 Marks)

Mr. Ranganath is a leading tax consultant who maintains his books of accounts on cash basis furnish the following Receipts and Payments A/c for the previous year 2018-19, compute his professional income.

Dr. Receipts and Payments A/c for the year ending 31-03-2019. Cr.

Particulars	Rs.	Particulars	Rs.
Balance b/d	22,000	Books purchased (Annual publications)	12,000
Fees from clients for 2018-19	1,50,000	Computer purchased	30,000
for 2019-20	33,000	Car expenses	18,000
Gifts and presents	25,000	Office expenses	40,000
Interest free loan from a client for purchase of car	2,40,000	Salary to staff for 2018-19	32,000
Winning from lottery (Gross)	46,000	for 2019-20	8,000
Share from HUF	70,000	Car purchased	3,00,000
Bonus and commission from the partnership firm	14,000	Income tax	5,000
		Professional tax	3,000
		Medical insurance premium	2,000
		Balance c/d	1,50,000
	-----		-----
	6,00,000		6,00,000

Car is partly used for official purposes (40%) and partly for personal purposes (60%). Gifts and presents include Rs. 5,000 received from a client. Office expenses include Rs. 5,000 paid as salary to his wife who casually helps him in the office. Depreciate car 15%.

May/June – 2012.

Problem – 9. (15 Marks)

Dr. Karnad, a resident individual, is a medical practitioner. Her receipts and payments a/c for the previous year 2018-19 is as under –

Balance b/f	10,000	Purchase of commercial vehicles	4,00,000
Receipts from sale of medicines	2,50,000	Drawings	2,50,000
Consultation fees	2,00,000	Deposits in bank for 5 years	1,50,000
Visiting fees	50,000	Surgical instruments purchased before 30-09-2018	50,000
Lectures	5,000	Installment of loan paid	1,21,000
Family pension	2,80,000	Medical insurance premium	32,000
Savings bank interest	1,000	Installment of housing loan (principal component Rs. 48,000)	1,08,000
Loan from bank for vehicles	3,00,000	Advance tax paid	20,000
Share of HUF	50,000	Purchase of medicine	47,000
Agricultural income	1,00,000	Payment for medical journal	5,000
Income from lottery	35,000	Vehicle expenses	50,000
		Balance c/f	48,000
	-----		-----
	12,81,000		12,81,000

Other Information:

- She resides in her own house. $\frac{1}{4}$ portion of the house is used for clinic purpose.
- $\frac{1}{4}$ use of vehicle is estimated to be personal.
- Depreciation rates as per Income tax values for commercial vehicle and surgical equipment is 15% p.a.

Determine the Income under the head Profits and Gains of Business and Profession of Dr. Karnad for the Assessment Year 2019-20.

May/June – 2013.

Problem – 10. (15 Marks)

Dr. Usharani (age 46 years), a Physician and resident of Mumbai submits the following receipts and payments a/c for the year ending 31-03-2019.

Particulars	Rs.	Particulars	Rs.
Balance b/d	1,40,000	Rent of clinic	
Consultation fees		2017-18	36,000
2017-18	25,000	2018-19	1,44,000
2018-19	5,25,000	Surgical equipments	1,00,000
2019-20	30,000	Computer	50,000
Visiting fees	1,60,000	Interest on loan (profession)	40,000
Winnings from lottery (Gross)	1,00,000	Electricity and water	18,000
Interest on POSB A/c	60,000	News paper and Magazine	12,000
Gifts from patients	80,000	Professional books	
Share from HUF	50,000	(Annual publications)	30,000
Sale of medicines	2,40,000	Purchase of medicines	1,00,000
Loan from Bank	3,00,000	House hold expenses	25,000
		Income tax	25,000
		LIC premium	36,000
		Gift to mother	24,000
		Subscription to AIMA	20,000
		Subscription to professional journals	10,000
		Car expenses	60,000
		Telephone expenses	30,000
		Lottery tickets	50,000
		Staff salary	2,40,000
		Balance c/d	6,60,000
	-----		-----
	17,10,000		17,10,000

- Written down value of car on 31-03-2018 was Rs. 2,00,000 on which 15% depreciation to be charged. Car used 60% for profession and 40% for private use.
- Visiting fee due but not received for 2018-19 Rs. 36,000.
- Closing stock of medicines Rs. 30,000.
- Surgical equipments and computers were bought and put to use on 10-09-2018.

Determine taxable income from profession of Dr. Usharani for the A.Year 2019-20.

May/June – 2014.

Problem – 11. (5 Marks)

Dr. Chethan has provided the following information for the year ending 31-03-2019. Compute taxable income from profession for the assessment year 2019-20.

Receipts	Rs.	Payments	Rs.
Visiting fees	2,50,000	Salary to staff	1,20,000
Consultation fees	1,20,000	Clinic rent	36,000
Gift from patients	45,000	Purchase of medicines	70,000
Sale of medicines	65,000	Professional books (annual)	20,000
Operation theatre fees	75,000	Car expenses (½ personal)	5,000
Dividend received	5,000	Donation	6,000
		Life insurance premium	2,500

Problem – 12. (15 Marks)

From the following Receipts and Payments Account of Abhigna for the year ending 31-03-2019, Chartered Accountant - Mumbai, Compute income from profession for the Assessment Year 2019-20.

Particulars	Rs.	Particulars	Rs.
Opening balance	1,20,000	Office rent	82,500
Audit fees	5,12,000	Salaries to staff	1,84,000
Tax consultation fees	2,20,000	Institute membership fees	28,000
Arbitration fees	45,000	Subscriptions to journal	6,000
Financial consultancy service	1,50,000	Professional books (annual)	12,000
Presentation from clients	1,28,000	Car expenses	22,500
Rent from house property	1,80,000	Purchase of car	6,00,000
Dividend from X Ltd.	16,000	Computers purchased	1,20,000
Accounting work	1,35,000	Income tax	20,000
Lottery income	50,000	Interest on loan	30,000
		House hold expenses	12,000
		Balance c/d	4,39,000
	-----		-----
	15,56,000		15,56,000

Additional Information:

1. Half of the car services used for private use.
2. Office rent includes Rs. 12,500 rent paid to residential house.
3. 25% of the loan taken for private purpose.
4. Depreciation allowable:
 - a) Car 15%
 - b) Books 40%
 - c) Computers 40%
5. Out of presentations Rs. 28,000 received from her friends.

April/May – 2015.

Problem – 13. (16 Marks)

Dr. Rekha is a registered medical practitioner. She provides her Receipts and Payments Account for the year ended 31st March 2019.

	Rs.		Rs.
Balance b/d	1,30,000	Salaries	66,000
Visiting fees	1,40,000	Clinic rent	96,000
Consultation fees	4,76,000	Motor car expenses	70,000
Special medical camp remuneration	50,000	Driver's salary	60,000
Rent from house property	1,20,000	Medical books	30,000
Gifts	60,000	Motor car purchased	5,00,000
Dividend from Sum Pharma Ltd.	11,600	House hold expenses	92,000
Interest on debentures of Tata Power Ltd.	18,800	Telephone	29,000
		Travelling	20,000
		Surgical equipment	33,000
		Balance c/d	10,400
	10,06,400		10,06,400

Additional Information:

- 1) Remuneration received for special medical camp was donated to an orphanage.
- 2) 30% of motor car usage, 20% of travelling expenses and 25% of telephone bills relate to personal use.
- 3) Allow depreciation as per IT rules.
- 4) 50% of gifts are from patients.
- 5) Medical books include annual publication worth Rs.10,000 remaining are general medical books.

Compute taxable professional income for the Assessment Year 2019-20.

May – 2016.

Problem – 14. (8 Marks)

Mr. Vakil has the following receipts and payments for the year ended 31-3-2019. Compute his Professional Income:

Receipts	Rs.	Payments	Rs.
Consultation fee	2,00,000	Office rent	1,20,000
Drafting charges	1,50,000	Salary to juniors and staff	84,000
Dividend received	60,000	Car expenses (25% personal)	40,000
Lectures in Law institute as guest faculty	20,000	Books (annual)	10,000
Gift from clients	30,000	Contribution to PPF	15,000

Problem – 15. (16 Marks)

The following is the Receipts and Payment Account of Mr. Ramki a Chartered Accountant for the previous year ended on 31-3-2019.

	Rs.		Rs.
Balance b/d	1,50,000	Staff salary	3,00,000
Audit fee	2,00,000	Stipend to Audit Clerks	1,00,000
Tax consultancy fee	2,50,000	Office rent	90,000
Project report fee	2,50,000	Software development exp.	10,000
Accounting software charges	50,000	Office expenses	1,25,000
Guest lectures in CA Institute	25,000	Books	
Bank interest	25,000	Annual	30,000
Remuneration as member		Non-Annual	30,000
tax reforms commission	20,000	Car expenses	65,000
		CA Institute membership fee	5,000
		Contribution to PPF	50,000
		Balance c/d	1,65,000
	-----		-----
	9,70,000		9,70,000
	-----		-----

Other Information:

- ¼ car usage is personal.
- Depreciation on car Rs.10,000.
- Depreciation on furniture Rs.7,000.

Compute income from profession taxable for the Assessment year 2019-20.

May – 2017.

Problem – 16. (6Marks)

Ms. Devaki is a Chartered Accountant in Bangalore. Her Income and Expenditure A/c for the year 2018-19 is as follows. Compute Income from Profession for the A. Y. 2019-20.

Expenditure	Rs.	Income	Rs.
To Office rent	30,000	By Audit fees	3,00,000
To Staff salaries	55,000	By Financial consultancy services	60,000
To Charities	5,000	By Interest on deposits in a Bank	22,000
To Gifts to relatives	6,000	By Dividends from UTI	6,000
To Drawings	16,000		
To Car expenses (1/2 personal)	24,000		
To Net Income	2,52,000		
	3,88,000		3,88,000

Problem – 17. (14 Marks)

Mrs. Rao, a physician and resident of Chennai submits the following receipts and payments account for the year ending 31-3-2019.

Receipts	Rs.	Payments	Rs.
To Balance b/d	70,000	By Rent of Clinic	
To Consultation fees		2017-18	80,000
2017-18	25,000	2018-19	1,20,000
2018-19	2,50,000	By Surgical equipments	1,00,000
2019-20	30,000	By Computers	50,000
To Visiting fees	80,000	By Interest on loan (profession)	12,000
To Winning from lottery (gross)	50,000	By Professional books purchased (annual publication)	15,000
To Interest on post office savings a/c	30,000	By Purchase of Car	1,50,000
To Gift from patients	40,000	By House hold expenses	20,000
To Share from HUF	20,000	By Income tax	5,000
To Sale of Medicine	90,000	By Life insurance premium	18,000
To Loan from Bank	1,50,000	By Gift to mother	12,000
		By Car expenses	30,000
		By Lottery ticket	25,000
		By Staff salary	1,20,000
		By Balance c/d	78,000
	-----		-----
	8,35,000		8,35,000

Additional Information:

- 1) WDV of car on 31-3-2018 was Rs.1,00,000. On which 15% depreciation to be charged. Car is used 60% for profession and 40% for private purpose.
 - 2) Visiting fee due but not received for 2018-19 is Rs.18,000.
 - 3) Consultation fees due but not received for 2018-19 is Rs.8,000.
 - 4) Surgical equipments and computers were purchased and put to use on 10-09-2018.
- Determine Taxable Income from Profession for Assessment Year 2019-20.

May – 2018.

Problem – 18. (14 Marks)

Shri Yativarya is a leading advocate at Bangalore. He keeps his books on cash basis and his summarized receipts and payments account for the year ended 31-3-2019 was given below:

Receipts and Payment Account for the year ended 31-3-2019

Receipts	Rs.	Payments	Rs.
To Balance b/d	8,000	By Car expenses	1,500
To Legal fee		By Office expenses	20,000
2018-19	1,05,000	By Salary to attender	9,000
2017-18	20,000	By Subscription to law journal	500
2019-20	6,000	By Purchase of law books	12,000
To Fee from consultancy work	18,000	By Donation to an approved	
To Special commission fees	1,500	College	4,000
To Salary as part time lecturer in law	16,000	By Rent of chamber	
To Examiner's fees from law university	600	2019-20	2,000
To Sale proceeds of furniture used in the profession	6,000	2018-19	24,000
To Director's fee from the company	200	2017-18	3,000
To Dividend from Indian company	64,000	By Electric lighting	2,500
To Remuneration from an article published in law journal	400	By LIC premium	1,000
To Maturity amount of LIC	48,000	By Car purchased	74,000
To Gifts from clients	5,000	By House hold expenses	5,000
		By Income tax appeal expenses	1,300
		By Purchase of land for office	1,30,000
		By Balance c/d	8,900
Total	2,98,700	Total	2,98,700

Notes:

- Rent and electric lighting were in respect of the building used for profession.
- 30% of the car expenses are in respect of office use.
- Car was purchased on 24-10-2018 and rate of depreciation is 15% p.a.
- Depreciation on law books is @ 40% p.a.

Calculate the taxable income from profession for the assessment year 2019-20.