

Unit 1.2 Professional Income:

COMPUTATION OF INCOME FROM PROFESSION:-

I. Proforma of Computation of Income incase of a Doctor or Medical Practitioner:-

<u>Professional Receipts:</u>	Rs	Rs
Consultation Fees		XXXX
Operation Fees		XXXX
Visiting Fees		XXXX
Sale of medicines		XXXX
Gift from Patients		XXXX
Value of any perquisites received		XXXX
Examiners Fees		XXXX
Nursing home receipts		XXXX
Any other professional receipts		XXXX

Total Receipts		XXXX
<u>Less: Professional Expenses:</u>		
Dispensary expenses	XXXX	
Light, Water, Rent, Salary, Telephone Bills etc.,	XXXX	
Cost of Medicines purchased (Opening stock+ Purchases - Closing stock)	XXXX	
Depreciation on Surgical equipments and X-Ray machines	XXXX	
Depreciation on Books used for Professional purposes	XXXX	
Motor car expenses for professional work	XXXX	
Depreciation on Motor car related to profession	XXXX	
Expenditure incurred to increase the professional knowledge	XXXX	
Nursing home expenses	XXXX	
Any other expenses incurred during the year related to profession	XXXX	----
PROFESSIONAL INCOME		XXXX

II. Proforma of Computation of Income incase of an Auditor or Chartered Account:-

<u>Professional Receipts:</u>	Rs	Rs
Audit Fees		xxxx
Income from Accountancy works		xxxx
Institute Fees		xxxx
Examiners Fees		xxxx
Gifts and presents from clients if any		xxxx
Consultancy services		xxxx
Any other professional receipts		xxxx

Total Receipts		xxxx
<u>Less: Professional Expenses:</u>		
Office expenses	xxxx	
Light, Water, Rent, Salary, Telephone Bills etc.,	xxxx	
Institute expenses	xxxx	
Membership Fees	xxxx	
Depreciation on Office equipments, Scooter, Furniture etc,	xxxx	
Depreciation on Books used for Professional purposes	xxxx	
Motor car expenses for professional work	xxxx	
Depreciation on Motor car related to profession	xxxx	
Expenditure incurred to increase the professional knowledge	xxxx	
Stipend to trainee's	xxxx	
Subscriptions	xxxx	
Any other expenses incurred during the year		
related to profession	xxxx	----

PROFESSIONAL INCOME		XXXX

III. Proforma of Computation of Income incase of a Lawyer or an Advocate:-

<u>Professional Receipts:</u>	Rs	Rs
Arbitration Fees		xxxx
Practicing Fees		xxxx
Legal Fees		xxxx
Examiners Fees		xxxx
Gifts and presents from clients if any		xxxx
Special Commission		xxxx
Any other professional receipts		xxxx

Total Receipts		xxxx
<u>Less: Professional Expenses:</u>		
Office expenses	xxxx	
Light, Water, Rent, Telephone Bills etc.,	xxxx	
Salary to Staff	xxxx	
Court Fees	xxxx	
Depreciation on Office equipments, Scooter, Furniture etc,	xxxx	
Depreciation on Books used for Professional purposes	xxxx	
Motor car expenses for professional work	xxxx	
Depreciation on Motor car related to profession	xxxx	
Expenditure incurred to increase the professional knowledge	xxxx	
Purchase of Stamp papers	xxxx	
Subscriptions	xxxx	
Travelling expenses	xxxx	
Any other expenses incurred during the year		
related to profession	xxxx	----
PROFESSIONAL INCOME		XXXX

Problems on Professional Income:-

Problem- 1. From the following statement, compute the income from profession of Dr.S.K.Kapoor.

Expenses	Amount	Incomes	Amount
Dispensary Rent	36,000	Visiting Fees	45,000
Electricity and Water	6,000	Consultation Fees	1,25,000
Telephone expenses	6,000	Sale of medicines	72,000
Salary to Nurse and Compounder	36,000	Dividends	5,000
Depreciation on Surgical Equipments	6,000		
Purchase of medicines	36,000		
Dep on x-ray machine	4,000		
Income tax	5,500		
Donation to Ramakrishna Mission	4,000		
Motor car expenses	9,600		
Dep. on car	4,800		
Net Income	93,100		
	2,47,000		2,47,000

- Notes: -**
1. Electricity and Water charges include domestic bill of Rs.2,500
 2. Half of motor car expenses are for professional use.
 3. Telephone expenses include 40% for personal use.
 4. Opening stock of medicines was Rs.6,000 and closing stock was Rs.4,000

Problem- 2. The following is the summary of cash transactions for the year ended 31-03-2019 of well known Lawyer.

To Opening balance	1,600	By Establishment expenses	25,000
To Professional fees	75,000	By Telephone expenses	3,500
To Arbitration fees	12,000	By Office rent	12,000
To Dividends from Co-operative society	1,200	By Printing charges	600
To Gift from father	4,000	By Car expenses	6,000
To Interest on POSB a/c	840	By Type writer purchased	6,000
To Prize won in Cross word Puzzles (TDS-2640)	3,360	By House hold expenses	26,900
		By Donation to political fund	1,250
		By Advance Income tax	8,750
		By Amount deposited in Post office	6,000
		By closing balance	2,000
	98,000		98,000

Notes: -

1. Establishment expenses includes Rs.1,000 being donation paid to Jawaharlal Nehru Memorial Fund and Rs.2,400 towards contribution to public provident fund.
2. Half of the car expenses were related to his private purpose.
3. Depreciation on car amounted to Rs.3,000 and on all other block assets Rs.1,100.

From the information given above compute taxable income from profession for the Assessment Year 2019-20.

Problem- 3. M/s D.D. Diwan and Co., Chartered accountants of Delhi have submitted the following Income and Expenditure a/c for the year 2018-19. Compute the income from profession.

Expenses	Amount	Incomes	Amount
To Drawings	48,000	By Audit fees	2,24,000
To Office rent	42,000	By Consultancy services	98,000
To Telephone installation		By Dividends from Indian	
Charges on OYT Scheme	15,000	Company (Gross)	6,000
To Electricity bill	4,200	By Dividends on units of UTI	4,000
To Salary to staff	66,000	By Accountancy works	24,000
To Charities	1,200		
To Gift given to relatives	9,600		
To Car expenses	21,000		
To Subscription for journals	2,500		
To Institute fees	1,200		
To Stipend to trainees	12,000		
To Net income	1,33,300		
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	3,56,000		3,56,000

- Notes: -**
- Depreciation on car during the year amounted to Rs.5,000.
 - 30% of the time car is used for personal purposes.

Problem- 4. Mr. Diwakar is an advocate in Hubli. He gives you the following Receipts and Payments a/c for the year ending 31-03-2019.

Receipts	Amount	Payments	Amount
To Balance b/d	26,000	By Salary to staff	24,000
To Professional fees	1,25,000	By Office rent	6,000
To Dividends from Indian Co.	8,000	By Magazines and Journals	6,000
To Presents from Clients	6,000	By Telephone charges	3,000
To Income from horse race	20,000	By Motor car expenses	8,000
To Share of income from HUF		By Office expenses	10,000
of which he is a member	12,000	By Purchase of new car	60,000
		By Household expenses	40,000
		By Advance income tax	10,000
		By Donation to NDF	5,000
		By Help to poor student	4,000
		By Balance c/d	21,000
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	1,97,000		1,97,000

Compute his income from profession for the year 2019-20, after taking into consideration the following information.

- 1 / 4 of the motor car expenses were relate to his personal use.
- Rate of depreciation on car is 20%.

Problem- 5. Dr. Sadashiva is a medical practitioner who maintains his books of accounts on cash basis, furnishes his Receipts and Payments a/c for the previous year 2018-19.

Receipts	Amount	Payments	Amount
To Balance b/d	16,000	By Rent of clinic	
To Consultation fees		2017-18	600
2017-18	3,000	2018-19	4,800
2018-19	25,000	2019-20	600
2019-20	2,000	By Electricity & water	2,000
To Visiting fees	30,000	By Purchase of Professional	
To Loan from bank	25,000	books	8,800
To Sale of medicines	60,000	By Household expenses	17,800
To Gift and presents	5,000	By Collection charges on	
To Remuneration from		dividends	100
articles published in		By Motor car purchased	30,000
professional journals	6,000	By Income tax	10,000
To Dividends	8,000	By Salary to staff	15,000
To Interest on post office		By LIC premium	15,000
Savings bank account	7,000	By Gift to wife	5,000
		By Interest on loan	2,000
		By Car expenses	15,000
		By Purchase of medicines	40,000
		By Balance c/d	20,300
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	1,87,000		1,87,000

Compute his taxable income from profession after taking into a/c the following information for the Assessment Year 2019-20.

- 1/3 of the use of car relates to personal purposes.
- Depreciation on motor car allowed at 20%. The car is purchased on 01-09-2018. Depreciation on books is 40%.
- Gifts and presents include Rs.3,000 from patients in appreciation of his medical service and Rs.2,000 as birth day gifts.
- Closing stock of medicines is Rs.5,500.

Problem – 6. From the following Income and Expenditure A/c and additional information of Dr. Darshan, 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		
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	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.