

CORRECTION IN INCOME TAX VOLUME 2 (51st Edition) PAGE NO. 190
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Answer = Tax Liability: Nil

Problem 34: Mr. X submits his profit & loss account for year ending 31st March 2025.

	₹
Computed net profit after debiting the following amounts to	87,000
1. Provisions for doubtful debts	16,000
2. Depreciation reserve	21,000
3. Household expenses	20,000
4. Donations to poor persons and	10,000
5. Other charitable donations	20,000
6. Cash payment for purchases	80,000
7. Advertisement expenses ₹ 5,000 spent on a neon sign board purchased and put to use on 01.07.2024 and advertisement gifts to 50 customers at a cost of ₹ 100 each.	
8. Audit fee charged ₹5,000, including expenses on income-tax proceedings ₹3,000.	
9. Patents purchased for ₹70,000 (paid by account payee cheque) on 01.10.2024 and put to use on 07.10.2024.	
10. Preliminary expenses covered under section 35D: Market survey expenses ₹5,000; feasibility report expenses ₹10,000. Project cost ₹10,00,000.	

Incomes credited to profit and loss account were:

(i) Interest on company deposit ₹ 50,000.

(ii) Opening stock is valued at cost plus 15% basis, whereas closing stock was valued at cost minus 15% basis. Opening stock valued was ₹1,15,000; closing stock valued was ₹1,70,000.

Compute his Tax Liability for the Assessment Year 2025-26.

Answer = Tax Liability: Nil

Problem 35: The profit and loss account of Mr. X for the previous year ending 31st March, 2025 is as follows:

Particulars	Amount ₹	Particulars	Amount ₹
Cost of Goods Sold	105,45,000	Sales	109,70,000
Remuneration to Prop.	3,00,000	Dividend from Indian Company	30,000
Remuneration to Employees	1,70,000	Long term capital gain	1,90,000
Interest to proprietary	40,000		
Other Expenses	1,00,000		
Income Tax Paid	10,000		
Net Profit	25,000		
	111,90,000		111,90,000

Additional information is given below:

(1) Other expenses include the following:

(i) Entertainment expenses incurred for business purpose ₹20,000

(ii) V.I.P bags, Costing ₹1,500 each, given to ten dealers who exceeded the sales target under the sales promotion scheme.

(iii) Employer's contribution to recognized provident fund amounting to ₹10,000 was paid on 20.04.2024.

(iv) ₹30,000 paid in cash to a supplier who refused to accept payment by a cheque.

(2) Other income of Mr. X is under the head house property of ₹90,000.

Mr. X has not opted for presumptive taxation of Income u/s 44AD. You are required to compute Tax Liability for the Assessment Year 2025-26.

Answer = Tax Liability: Nil

Problem 36: ABC Ltd. has net profits of ₹7,00,000 after debiting municipal taxes of ₹12,000 relating to the previous year 2024-25, which were paid on 20.09.2025. Municipal taxes are related to a building which is owned by the company, the ground floor and first floor (which is 2/3rd of the complete building) was being used by company. The company has debited market rent of ₹ 20,000 p.m. to the profit & loss account for using