6. BUSINESS INCOME AND ALLOWABLE EXPENSES

ASSIGNMENT SOLUTIONS

PROBLEM NO.1

Computation of depreciation allowance under section 32 for the A.Y. 2019-20

Particulars	Rs.	Plant & Machinery (15%) (Rs.)	Plant & Machinery (40%) (Rs.)
Opening WDV as on 01.04.2018		5,78,000	
Add: Plant and Machinery acquired during the year			
- Second hand machinery	2,00,000		
- Machinery Y	8,00,000		
- Air conditioner for office	3,00,000		
- Machinery Z	3,25,000	16,25,000	
- Air pollution control equipment		-	2,50,000
		22,03,000	2,50,000
Less: Asset sold during the year		3,10,000	Nil
Written down value before charging depreciation		18,93,000	2,50,000
Normal depreciation			
40% on air pollution control equipment		-	1,00,000
Depreciation on plant and machinery put to use for less than 180 days@ 7.5% (i.e., 50% of 15%)			
- Second hand machinery (Rs. 2,00,000 × 7.5%)	15,000		
- Machinery Z (Rs.3,25,000 x 7.5%)	24,375	39,375	
15% on the balance WDV being put to use for more than 180 days (Rs. 13,68,000 × 15%)		2,05,200	
Additional depreciation			
- Machinery Y (Rs. 8,00,000 × 20%)	1,60,000		
- Machinery Z (Rs. 3,25,000 × 10%)	32,500	1,92,500	Nil
- Air pollution control equipment (Rs. 2,50,000 × 20%)	50,000	Nil	50,000
Total depreciation		**4,37,075**	**1,50,000**

Notes:

1. Power generation equipments qualify for claiming additional depreciation in respect of new plant and machinery.
2. Additional depreciation is not allowed in respect of second hand machinery.
3. No additional depreciation is allowed in respect of office appliances. Hence, no depreciation is allowed in respect of air conditioner installed in office premises.

PROBLEM NO.2

Computation of deduction under section 35 for the A.Y.2019-20

Particulars	Rs.	Section	% of weighted deduction	Amount of deduction (Rs.)
Payment for scientific research				
Indian Institute of Science	1,00,000	35(1)(ii)	150%	1,50,000
IIT, Delhi	2,50,000	35(2AA)	150%	3,75,000
X Ltd.	4,00,000	35(1)(iia)	100%	4,00,000
Expenditure incurred on in-house research and development facility				
Revenue expenditure	3,00,000	35(1)(i)	100%	3,00,000
Capital expenditure (excluding cost of acquisition of land Rs. 5,00,000)	2,50,000	35(1)(iv)	100%	2,50,000
Deduction allowable under section 35				**14,75,000**

Note: Only company assessees are entitled to weighted deduction @ 150% under section 35(2AB) in respect of in-house research and development expenditure incurred. However, in this case, the assessee is an individual. Therefore, he would be entitled to deduction @ 100% of the revenue expenditure incurred under section 35(1)(i) and 100% of the capital expenditure incurred under section 35(1)(iv) read with section 35(2), assuming that such expenditure is laid out or expended on scientific research related to his business.

PROBLEM NO.3

Computation of deduction allowable under section 35

Particulars	Amount (Rs.in lakhs)	Section	% of weighted deduction	Amount of deduction (Rs.in lakhs)
Payment for scientific research				
Approved Agro Research Association	25	35(1)(ii)	150%	37.5
RR University, an approved University	15	35(1)(ii)	150%	22.5
XY College **[See Note 1]**	17	-	NIL	NIL
IIT Madras (under an approved programme for scientific research)	10	35 (2AA)	150%	15
In-house research [See Note 2]				
Capital expenditure - Purchase of Machinery	20	35 (1) (iv) / 35 (2)	100%	20
Revenue expenditure - Salaries to research staff engaged in in-house scientific research	14	35(1)(i)	100%	14
Deduction allowable under section 35				**109**

Notes:

1. **Payment to XY College:** Since the question clearly mentions that only Agro Research Association and RR University (mentioned in item (i) and (ii), respectively) are approved research institutions, it is logical to conclude that XY College mentioned in item (iii) is not an approved research institution. Therefore, payment to XY College would not qualify for deduction under section 35.
2. **Deduction for in-house research and development:** Only company assessees are entitled to weighted deduction @150% under section 35(2AB) in respect of expenditure on scientific research on in-house research and development facility. However, in this case, the assessee is an individual. Therefore, he would be entitled to deduction@100% of the revenue expenditure incurred under section 35(1)(i) and 100% of the capital expenditure incurred under section 35(1)(iv) read with section 35(2), assuming that such expenditure is laid out or expended on scientific research related to his business.

PROBLEM NO.4

1. The amount of deduction allowable to the amalgamating co-operative bank (i.e. Alpha Co-operative bank, in this case) under section 32 has to be determined in accordance with the following formula -

   $$A \times \frac{B}{C}$$

   A = the amount of deduction allowable to the predecessor co-operative bank (i.e. Alpha Co-operative bank, in this case) if the business reorganization had not taken place. In this case, the amount of deduction is Rs. 2,40,000.

   B = the number of days comprised in the period beginning with the 1st day of the financial year (i.e. 01.04.2018, in this case) and ending on the day immediately preceding the date of business reorganization (i.e. 30.11.2018, in this case); and

   C = the total number of days in the financial year in which the business reorganization has taken place (i.e. 365 days).

2. The amount of deduction allowable to the amalgamated co-operative bank (i.e. Beta Cooperative bank, in this case) under section 32 has to be determined in accordance with the formula: $A \times \frac{B}{C}$

   A = the amount of deduction allowable to the predecessor co-operative bank (i.e. Alpha Co-operative bank, in this case) if the business reorganization had not taken place. In this case, the amount of deduction is Rs. 2,40,000.

B = the number of days comprised in the period beginning with the date of business reorganization (i.e. 01.12.2018, in this case) and ending on the last day of the financial year (i.e. 31.03.2019); and

C = the total number of days in the financial year in which the business reorganization has taken place (i.e. 365 days).

3. In this case, the deduction that would have been allowable under section 32 to Alpha cooperative bank had the business reorganization had not taken place is Rs. 2,40,000 and the business re-organization took place on 01.12.2018. Therefore, the deduction allowable to Alpha co-operative bank under section 32 would be Rs. 1,60,438 i.e., Rs. 2,40,000 x 244/365. The deduction allowable to Beta co-operative bank would be Rs. 79,562 i.e., Rs. 2,40,000 x 121/365.

PROBLEM NO.5

Computation of written down value of Plant and Machinery of M/s. Dollar Ltd. As on 31-03-19

Particulars	Rs.
Opening written down value (as on 01.04.2018)	5,00,000
Add: Purchase of plant and machinery during the previous year	2,00,000
	7,00,000
Less: Sale proceeds of obsolete plant and machinery sold during the year	5,000
Closing Written Down Value (as on 31.03.2019)	**6,95,000**

Computation of Depreciation and Additional Depreciation for A.Y. 2019-20 as per section 32 of the Income-tax Act, 1961

Particulars	Rs.
Normal Depreciation (Rs. 6,95,000 x 15%)	1,04,250
Additional Depreciation (Refer Note 2) (Rs. 2,00,000 - Rs. 20,000 - Rs. 20,000) x 20%	32,000
Depreciation on Plant and Machinery	**1,36,250**

Notes:

1. Since the new plant and machinery was purchased and put to use before 1.10.2018, it was put to use for more than 180 days in the year. Hence, full depreciation is allowable for A.Y. 2019-20.
2. In view of the above provisions, additional depreciation cannot be claimed in respect of -
   a) Plant and machinery of Rs.20,000 used previously for the purpose of business by the seller.
   b) Plant and machinery of Rs.20,000, installed in office.

   Therefore, in the given case additional depreciation has to be provided only on Rs.1,60,000 (i.e., Rs.2,00,000 - Rs.40,000).

PROBLEM NO.6

Computation of depreciation under section 32 for A.Y.2019-20

Particulars	Rs.	Rs.
Normal Depreciation		
Depreciation @ 15% on Rs. 51,00,000, being machinery (put to use for more than 180 days) [Opening WDV of Rs. 42,00,000 + Purchase cost of imported machinery of Rs. 9,00,000]	7,65,000	
Depreciation @ 7.5% on Rs. 10,00,000, being new machinery put to use for less than 180 days	75,000	
	8,40,000	
Depreciation @ 40% on computers purchased Rs. 2,00,000	80,000	9,20,000
Additional Depreciation (Refer Note below)		
Additional Depreciation @ 10% of Rs. 10,00,000 [being actual cost of new machinery purchased on 12-10-2018]	1,00,000	
Additional Depreciation @ 20% on new computer installed in generation wing of the unit [20% of Rs. 2,00,000]	40,000	1,40,000
Depreciation on Plant and Machinery		**10,60,000**

Note: The benefit of additional depreciation is available to new plant and machinery acquired and installed in power sector undertakings. Accordingly, additional depreciation is allowable in the case of any new machinery or plant acquired and installed by an assessee engaged, inter alia, in the business of generation or generation and distribution of power, at the rate of 20% of the actual cost of such machinery or plant.

Therefore, new computer installed in generation wing of the unit is eligible for additional depreciation @ 20%.

Since the new machinery was purchased only on 12.10.2018, it was put to use for less than 180 days during the previous year, and hence, only 10% (i.e., 50% of 20%) is allowable as additional depreciation in the A.Y. 2019-20. The balance additional depreciation would be allowed in the next year.

However, additional depreciation shall not be allowed in respect of, inter alia, any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person. Therefore, additional depreciation is not allowable in respect of imported machinery, since it was used in Colombo, before its installation by the assessee.

PROBLEM NO.7

Computation of written down value of block of assets of Venus Ltd. as on 31.03.2019

Particulars	Plant & Machinery (Rs.in lacs)	Computer (Rs.in lacs)
Opening written down value (as on 01.04.2018)	**20**	**Nil**
Add: Actual cost of new assets acquired during the year		
New machinery purchased on 1.9.2018	10	-
New car purchased on 1.12.2018	8	-
Computer purchased on 3.1.2019	-	4
	38	4
Less: Assets sold/discarded/destroyed during the year	Nil	Nil
Closing Written Down Value (as on 31.03.2019)	**38**	**4**

Computation of Depreciation for A.Y. 2019-20

	Particulars	Plant & Machinery (Rs.in lacs)	Computer (Rs.in lacs)
I.	**Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation**		
	Normal Depreciation:		
	- Opening WDV of plant and machinery (Rs.20 lacs x 15%)	3.00	-
	- New Machinery purchased on 1.9.2018 (Rs.10 lacs x 15%)	1.50	-
	(A)	4.50	-
	Additional Depreciation		
	New Machinery purchased on 1.9.2018 (Rs.10 lakhs x 20%)	2.00	-
	Balance additional depreciation in respect of new machinery purchased on 31.10.2017 and put to use for less than 180 days in the P.Y. 2017-18 (Rs.10 lakhs x 20% x 50%)	1.00	
	(B)	3.00	
II.	**Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation, if any**		
	Normal Depreciation:		
	New car purchased on 1.12.2018 [Rs.8 lacs x 7.5% (i.e., 50% of 15%)]	0.60	-
	Computer purchased on 3.1.2019 [Rs.4 lacs x 20% (50% of 40%)]	-	0.80
	(C)	0.60	0.80
	Total Depreciation (A + B + C)	**8.10**	**0.80**

Notes:

1. As per section 32(1)(iia), additional depreciation is allowable in the case of any new machinery or plant acquired and installed after 31.3.2005, by an assessee engaged, *inter alia,* in the business of manufacture or production of any article or thing, at the rate of 20% of the actual cost of such machinery or plant.

However, additional depreciation shall not be allowed in respect of, inter alia,-

i) any office appliances or road transport vehicles;

ii) any machinery or plant installed in, inter alia, office premises.

In view of the above provisions, additional depreciation cannot be claimed in respect of -

i) Car purchased on 1.12.2018 and

ii) Computer purchased on 3.1.2019, installed in office.

2. As per third proviso to section 32(1)(ii), balance 50% of additional depreciation on new plant or machinery acquired and put to use for less than 180 days in the year of acquisition which has not been allowed in that year, shall be allowed in the immediately succeeding previous year.

Hence, in this case, the balance 50% additional depreciation (i.e., Rs.1 lakhs, being 10% of Rs.10 lakhs) in respect of new machinery which had been purchased during the previous year 2017-18 and put to use for less than 180 days in that year can be claimed in P.Y. 2018-19 being immediately succeeding previous year.

PROBLEM NO.8

In the case of conversion of sole proprietary concern into a company as per section 47(xiv), the depreciation should be first calculated for the whole year assuming that no succession had taken place. Thereafter, the depreciation should be apportioned between the sole proprietary concern and the company in the ratio of the number of days for which the assets were used by them. It is assumed that in this case, the conditions specified in section 47(xiv) are satisfied.

Computation of depreciation allowable to Sidhant & Co. for A.Y.2019-20

Particulars	Rs.	Rs.
Building		
WDV as on 1.4.2018	3,50,000	
Depreciation @ 10%		35,000
Furniture		
WDV as on 1.4.2018	50,000	
Depreciation @ 10%		5,000
Plant and Machinery		
WDV as on 1.4.2018	2,00,000	
Add: Additions during the year (purchased on 15.10.2018)	1,00,000	
	3,00,000	
Less: Depreciation for the year (15% of Rs. 2,00,000 + 50% of 15% of Rs. 1,00,000) (Rs.30,000 + Rs.7,500) (Depreciation on new machinery is restricted to 50% of eligible depreciation, since the asset is put to use for less than 180 days in that year)		37,500
Total depreciation for the year		**77,500**
Proportionate depreciation allowable to Sidhant & Co. for 242 days		
On existing assets (i.e. 1.4.2018 to 28.11.2018) (i.e. 242/365 x Rs. 70,000)	46,411	
On new machine for 45 days i.e., 45/168 × Rs. 7,500	2,009	**48,420**

Computation of depreciation allowable to Sidhant Co. Ltd. for A.Y.2019-20

Particulars	Rs.
i) Depreciation on the assets on conversion Proportionately for 123 days i.e. after conversion period (123/365 x Rs. 70,000) + (123/168 × Rs. 7,500) = Rs. 23,589 + Rs. 5,491	29,080
ii) Depreciation @ 50% of normal rate of 15% on Rs. 50,000, being the value of plant purchased after conversion, which was put to use for less than 180 days	3,750
Depreciation allowable to Sidhant Co. Ltd.	**32,830**

Note: Since it has not been specifically mentioned that M/s Sidhant & Co. and Sidhant Co. Ltd. are manufacturing concerns or companies engaged in the business of generation or generation and distribution of power, additional depreciation is not provided for.

PROBLEM NO.9

Computation of depreciation in the case of transfer of business:

Depreciation is to be calculated as if there is no succession	Rs.
WDV as on 1st April	3,00,000
Add: Additions made before succession	1,20,000
	4,20,000
Less: Sale consideration of the asset sold	Nil
	4,20,000
Depreciation @ 15%	63,000

Allocation of depreciation between sole proprietary concern and the successor company:

The depreciation of Rs. 63,000 is to be allocated in the ratio of number of days the assets were used by the sole proprietary concern and the company.

Ex-sole proprietary concern:

1st April to 31st August = 153 days Rs. 63,000 x 153 / 365 = **Rs. 26,408**

Successor company:

Rs. 63,000 - Rs. 26,408 = **Rs. 36,592** (i.e. Rs. 63,000 x 212 /365)

The depreciation of Rs. 12,000 [50% of 15% on Rs. 1,60,000] in respect of asset purchased by the successor company on 1st January is fully allowable in the hands of the successor company.

Note: Since it has not been specified that the company is a manufacturing company or a company engaged in the generation or generation and distribution of power, additional depreciation has not been provided for.

PROBLEM NO.10

Computation of depreciation for Gopi chand Industries for A.Y.2019-20

Particulars	Rs.	Rs.
Block I: Plant & machinery (Rate of depreciation - 15%)		
WDV as on 1st April (10 looms)	5,00,000	
Add: Additions during the year - 5 looms acquired on 5th July - 2 looms acquired on 10th January	 4,00,000 3,00,000 12,00,000	
Less: Assets sold during the year - 15 looms sold on 7th December	 10,00,000	
W.D.V. as on 31st March (2 looms)	2,00,000	
Depreciation on Rs. 2 lakhs @ 15% (limited to 50%)		15,000
Block II: Buildings (Rate of depreciation - 10%)		
WDV as on 1st April (3 buildings)	12,50,000	
Depreciation on Rs. 12,50,000 @ 10%		1,25,000
Total depreciation for the year		**1,40,000**

Notes:

1. Closing balance of Block 1: Plant and machinery represents the looms acquired on 10th January. These looms have been put to use or less than 180 days during the previous year, and therefore, only 50% of normal depreciation is permissible.
2. No additional depreciation @ 20% of the cost of new plant and machinery is provided for assuming that all conditions contained in the section 32(1)(iia) have not been fulfilled.

PROBLEM NO.11

Computation of depreciation allowable to Honest Industry for the A.Y. 2019-20

Particulars	Plant & Machinery	Building	Intangible assets (Patents)	Total (Rs.)
Rate of depreciation:	**15%**	**10%**	**25%**	
Opening Balance as on 1.04.2018	14,50,000	25,00,000	15,00,000	
Add: Assets acquired during the year	16,00,000	15,00,000	5,00,000	
	30,50,000	40,00,000	20,00,000	

Less: Moneys payable in respect of asset sold or destroyed	50,000	-	3,00,000	
W.D.V as on 31.03.2018	30,00,000	40,00,000	17,00,000	
Asset held for less than 180 days	**4,00,000**	**15,00,000**	**-**	
Depreciation @ 50% of applicable rate	30,000	75,000	-	1,05,000
Asset held for more than 180 days	**26,00,000**	**25,00,000**	**17,00,000**	
Depreciation at the applicable rates	3,90,000	2,50,000	4,25,000	10,65,000
Total Depreciation allowable				**11,70,000**

Note: Land is not a depreciable asset. Therefore, Rs.3 lakh being the value of land, has been reduced from Rs.18 lacs, being the value of building acquired during the year, for the purpose of computing depreciation.

PROBLEM NO.12

Under section 35AD, 100% of the capital expenditure incurred during the previous year, wholly and exclusively for the specified business, which includes the business of building and operating a hotel of two-star or above category anywhere in India which commences its operations on or after 1.4.2010, would be allowed as deduction from the business income. However, expenditure incurred on acquisition of any land, goodwill or financial instrument would not be eligible for deduction.

Further, the expenditure incurred, wholly and exclusively, for the purpose of specified business prior to commencement of operation would be allowed as deduction during the previous year in which the assessee commences operation of his specified business. A condition has been inserted that such amount incurred prior to commencement should be capitalized in the books of account of the assessee on the date of commencement of its operations.

Accordingly, the deduction under section 35AD for the A.Y.2019-20 in the case of Win Ltd. would be calculated as follows, assuming that the expenditures were capitalized in the books of the company on 1.4.2018, being the date of commencement of operations-

Particulars	Rs. (in lakhs)
Cost of land (not eligible for deduction under section 35AD)	Nil
Cost of construction of hotel building (Rs. 30 lakhs + Rs. 150 lakhs)	180
Cost of plant and machinery	30
Deduction under section 35AD	**210**

Note:

1. For A.Y.2019-20, the loss from specified business of operating a three star hotel would be Rs.130 lakhs (i.e. Rs.210 lakhs - Rs.80 lakhs). As per section 73A, any loss computed in respect of the specified business referred to in section 35AD shall be set off only against profits and gains, if any, of any other specified business. The unabsorbed loss, if any, will be carried forward for set off against profits and gains of any specified business in the following assessment year.
2. Since the entire cost of plant and machinery and building qualifies for deduction under section 35AD, the same does not qualify for deduction under section 32.

PROBLEM NO.13

Computation of profits and gains of business or profession for A.Y. 2019-20

	Particulars	Rs. (in lakhs)
1.	Profits from the specified business of new hotel in Madurai (before providing deduction under section 35AD)	25
2.	**Less: Deduction under section 35AD** **i)** Capital expenditure incurred during the P.Y.2018-19 (excluding the expenditure incurred on acquisition of land) = Rs. 200 lakh - Rs. 150 lakh **ii)** Capital expenditure incurred prior to 1.4.2018 (i.e., prior to commencement of business) and capitalized in the books of account as on 1.4.2018	 50 50
	Total deduction u/s 35AD for A.Y.2019-20	**100**
3.	**Loss from the specified business of new hotel in Madurai**	**(75)**
4.	Profit from the existing business of running a hotel in Coimbatore	120
5.	**Net profit from business after set-off of loss of specified business against profits of another specified business under section 73A**	**45**

PROBLEM NO.14

Computation of profits and gains of business of Mr. Anirudh for A.Y.2019-20

Particulars	Rs. (in lakhs)
Profit from business of setting up of warehouse for storage of edible oil (before providing for depreciation under section 32)	25
Less: Depreciation under section 32 10% of Rs.60lakh, being (Rs.70lakh - Rs.20lakh + Rs.10lakh)	6
Income chargeable under "profits and gains from business or profession"	**19**

Computation of loss from specified business to be carried forward as per section 73A

	Particulars	Rs. (in lakhs)
A.	Profits from the specified business of setting up warehousing facility for storage of pulses (before providing deduction under section 35AD)	14
B.	**Less: Deduction under section 35AD** Capital expenditure incurred prior to 1.4.2018 (i.e., prior to commencement of business) and capitalized in the books of account as on 1.4.2018 (excluding the expenditure incurred on acquisition of land) = Rs.20 lacs (Rs.50 lacs - Rs.30 lacs)	20
C.	Capital expenditure incurred during the P.Y.2018-19	20
D.	Total capital expenditure (B + C)	40
E.	Deduction under section 35AD 100% of capital expenditure	40
F.	**Total deduction u/s 35AD for A.Y.2019-20**	**40**
G.	**Loss from the specified business of setting up and operating a warehousing facility (after providing for deduction under section 35AD) to be carried forward as per section 73A (A-E)**	**(26)**

Notes:

1. Weighted deduction @ 100% of the capital expenditure is available under section 35AD for A.Y.2019-20 in respect of specified business of setting up and operating a warehousing facility for storage of agricultural produce which commences operation on or after 01.04.2017. Pulses constitute agricultural produce and therefore, the capital expenditure incurred for setting up a warehousing facility for storage of pulses is eligible for weighted deduction@100% under section 35AD.

2. However, since setting up and operating a warehousing facility for storage of edible oils is not a specified business, Mr. Anirudh is not eligible for deduction under section 35AD in respect of capital expenditure incurred in respect of such business.

3. Mr. Anirudh can claim depreciation @ 10% under section 32 in respect of the capital expenditure incurred on buildings. It is presumed that the buildings were put to use for more than 180 days during the P.Y.2018-19.

4. Loss from a specified business can be set-off only against profits from another specified business. Therefore, the loss of Rs. 26 lakh from the specified businesses of setting up and operating a warehousing facility for storage of pulses cannot be set-off against the profits of Rs. 19 lakh from the business of setting and operating a warehousing facility for storage of edible oils, since the same is not a specified business. Such loss can, however, be carried forward indefinitely for set-off against profits of the same or any other specified business.

PROBLEM NO.15

S.No.	Particulars	Rs.
1.	Skill development project (Rs.75,000 x 150%)	1,12,500
2.	Agricultural extension project (Rs.50,000 X 150%)	75,000
3.	Building under section 35(1)(iv) (note-1)	5,00,000
4.	Purchase of building for setting up and operating a warehousing facility	20,00,000
5.	Payment to its employees with a scheme of voluntary retirement(note-2)	4,00,000
	Total amount allowed as a deduction:	**30,87,500**

Note 1: Z Ltd. would not be eligible for weighted deduction@150% under section 35(2AB), since the in-house research and development expenditure is incurred on land and building. However, it would be eligible for deduction of actual expenditure of Rs.5 lakh incurred on building under section 35(1)(iv) read with section 35(2).

Note 2: Under section 35DDA, expenditure incurred on payment of any sum to the employees in accordance with a scheme of voluntary retirement is allowable as deduction in five equal installments over a period of five years, commencing from the previous year in which the payment was made.

Therefore, Rs.4 lakh, being one-fifth of Rs.20 lakh, would be allowable as deduction under section 35DDA, while computing the business income of Y Ltd. for A.Y.2019-20.

PROBLEM NO.16

Statement showing computation of depreciation allowable to Sai Ltd. & Shirdi Ltd. for A.Y. 2019-20

Particulars	Rs.
Written down value (WDV) as on 1.4.2018	40,00,000
Add: Addition during the year (used for less than 180 days)	14,40,000
	54,40,000
Depreciation on Rs. 40,00,000 @ 15%	6,00,000
Depreciation on Rs. 14,40,000 @ 7.5%	1,08,000
Total depreciation for the year	**7,08,000**
Apportionment between two companies:	
a) Amalgamating company, Sai Ltd.	
Rs. 6,00,000 × 275/365	4,52,055
Rs. 1,08,000 × 61/151	43,629
	4,95,684
b) Amalgamated company, Shirdi Ltd.	
Rs. 6,00,000 × 90/365	1,47,945
Rs. 1,08,000 × 90/151	64,371
	2,12,316

Notes:

i) The aggregate deduction, in respect of depreciation allowable to the amalgamating company and amalgamated company in the case of amalgamation shall not exceed in any case, the deduction calculated at the prescribed rates as if the amalgamation had not taken place. Such deduction shall be apportioned between the amalgamating company and the amalgamated company in the ratio of the number of days for which the assets were used by them.

ii) The price at which the assets were transferred, i.e., Rs.60 lacs, has no implication in computing eligible depreciation.

THE END