

Business Income – Advance Aspects – Question 01

Tedi Ltd is a company in to roofing manufacturing. The below details were extracted from the financial statements of Tedi for year ended 31.03.2022.

Profit before tax Rs. 13,000,000.

Below expenses were deducted when deriving the above profit.

Depreciation Rs. 650,000.

Gratuity provision Rs. 230,000.

Lease rental of delivery van Rs. 450,000.

Finance cost Rs. 550,000.

Entertainment Rs. 330,000.

R&D expenses Rs. 1,000,000. (For a market research done through Sri Lanka Research Institute)

Finance cost comprises the below.

Lease interest on delivery van Rs. 100,000.

Overdraft interest on working capital Rs. 300,000.

Interest on bank loan obtained for personal consumption of the directors Rs. 250,000.

Other income

Interest income Rs. 220,000.

Dividend income Rs. 440,000.

Gain on disposal of delivery van Rs. 250,000.

Extraction from the Statement of Financial Position.

Stated capital Rs. 500,000.

Retained earnings Rs. 1,500,000.

Revaluation reserve Rs. 3,000,000.

Overdraft Rs. 10,000,000.

Breakup of the non-current assets

Asset	Year of Purchase	Amount	Remarks
Constructed Building	2015/16	8,000,000	
Purchased Building	2017/18	7,000,000	Complex situated in Biyagama free trade zone
Computers	2018/19	5,000,000	
Lorry	2019/20	15,000,000	
Rented Building	2017/18	9,000,000	Constructed

Company has purchased a delivery van for a finance lease in year 2017/18 for a monthly rental of Rs. 37,500 for a tenor of 6 years. During the year Tedi Ltd has paid a down payment of Rs. 300,000 to the leasing company and sold it for Rs. 2,500,000.

During the year company has purchased a new set of machineries on a 3-year lease. Lease rental was Rs. 75,000 per month and the cost of the asset was Rs. 4,000,000. No repayment made yet.

Required

Calculate the business income of Tedi Ltd for the year of assessment 2021/22.