HOW TO CALCULATE MANAGERIAL REMUNERATION IN COMPANY ACCOUNTS

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Indian company laws makes the provision regarding maximum amount given to directors , managers and managing directors . The rules and regulations are mentioned in section 349, 350, 351 of Indian company law 1956. Here we are explaining simple steps for calculating managerial remuneration special for commerce students and accountants.

In case of nil profit

If any company earns nil profit, then and managerial remuneration is more than 10%, then managerial remuneration will limited up to Rs. 75000 to Rs. 200000

Where the effective capital of company	Monthly remuneration payable , shall not exceed
1. Less than Rs. 1 crore	Rs. 75000
2. Rs. 1 to Rs. 5 crores	Rs. 100000
3. Rs. 5 crores to Rs. 25 crores	Rs. 125000
4. Rs. 25 crores to Rs. 50 crores	Rs. 150000
5. Rs. 50 crores to Rs. 100 crores	Rs. 175000
6. Rs. 100 crores or more	Rs. 200000

(**Disclaimer:** *Please check new amendments of company law 1956 regarding this amount*)

Schedule X111and its part 11 has directed with following way.

(**Note :** *Managerial persons include managing or whole time directors and managers .*)

In above managerial remuneration following items will not included :-

Contribution to provident fund + gratuity + encashment of leave at the end of the tenure +children's education allowance + leave travel concession

Definition of effective capital of company

Effective capital of company means paid up capital excluding revolution reserve .

In case of Company earns profit

At that time managerial remuneration is calculated on net profit . For this net profit is calculated with following way:-

Gross profit + Add following

1. Subsidies received by company from govt.
2. Profit on sale of fixed asset but not include capital revenue of issue of shares , sale of business , etc.

- Less the following items

1. Usual working charges
2. Bonus or commission paid or payable to company staff .
3. Tax liability by central govt. except income tax liability
4. Interest on mortgage
5. Repair expenses
6. Normal depreciation
7. Liability of legal charges / damages
8. Bad debts

Following items will not deduct

1. Remuneration payable to other directors, managerial directors and managers .
2. Income tax charges
3. Capital losses
4. Unpaid losses and penalties

After calculating net profit, the following chart showing the rate of remuneration which is charged on calculated net profit.

Different categories of managerial personnel entitled to remuneration	Maximum percentage of net profit
1. Total managerial remuneration to all directors , managerial directors or whole time directors	11% and if there are no profit
2. All directors when there is no manager or managing director or whole time director	3%
3. All directors when there is a manager or managing director or whole time director	1%
4. Whole time director (When there is only one such director)	5%
5 Managing director (When there is only one such director)	5%
6. . Managing director and whole time directors taken together or when number of whole time directors or managing directors is tow or more than two	10%
7. Manager (there is no provision of having more than one manager	5%