



**Credit Based Fifth Semester B.Com. Degree Examination,
November/December 2015
Commerce (Elective)
BUSINESS TAXATION – III**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes wherever necessary.

SECTION – A

Answer any four :

(4×6 = 24)

1. Write an explanatory note on deduction U/s 80 DDB.
2. Explain the term 'asset' under Wealth Tax Act.
3. Explain the rules governing the working partners Remuneration.
4. Mr. Suresh is the karta of HUF, whose Gross Total Income is ₹ 15,45,000. This includes ₹ 2,00,000 LTCG from the sale of land. During the previous year he made the following payments :
 - a) Medical Insurance Premium ₹ 24,000.
 - b) Donation to National Children Fund ₹ 40,000 and to the Govt. for the promotion of family planning ₹ 50,000.
 - c) Expenditure incurred on treatment of physically handicapped sister ₹ 75,000, Insurance company re-embursed ₹ 20,000.Compute the tax liability of the family for the A.Y. 2014-15.
5. The Profit and Loss A/c of a partnership firm showed a net profit of ₹ 2,50,000 for the previous year. Following items were found to be debited,
 - a) Salaries to X, Y and Z (all working partners) ₹ 30,000, ₹ 20,000 and ₹ 15,000 respectively.
 - b) Commission to Y ₹ 18,000.
 - c) Bonus to Z ₹ 25,000.
 - d) Interest on capital calculated at 18%, ₹ 6,000, ₹ 9,000 and ₹ 12,000 to X, Y and Z respectively.



e) Rent of the business premises to Z ₹ 10,000.

The net profit was arrived at after considering ₹ 10,000 being the dividend received and ₹ 5,000/- as interest on drawings by Mr. Y.

Compute the business income of the above firm.

6. Total income of Smt. Kusuma is ₹ 15,50,000/-. It includes short-term capital gain taxable at 15%, ₹ 70,000/- and winnings from lotteries (Gross) ₹ 80,000/-. Find out her tax-liability for the A.Y. 2014 – 2015.

SECTION – B

Answer any four :

(4x12 = 48)

7. Explain the provisions relating to deductions under Section 80 DD and 80 TTA.
8. Write a note on 'deemed asset' under Section 4 of the Wealth Tax Act.
9. Explain the provisions of Section 115 JB relating to Minimum Alternate Tax (MAT).
10. Mr. Shantharam gives the following particulars for the previous year 2013-14.
Gross Total Income ₹ 10,00,000/- this includes LTCG ₹ 1,00,000 and STCG taxable at 15% ₹ 40,000.
He paid ₹ 22,000 medical insurance premium for self and ₹ 30,000 to SBI towards education loan of his daughter (Interest ₹ 20,000, Principal ₹ 10,000). He made the following donations during the P.Y.
 - a) Rajiv Gandhi Foundation ₹ 30,000.
 - b) N.D.F. ₹ 25,000/-
 - c) National Foundation for Communal Harmony ₹ 20,000.
 - d) Indian Institute of Science (National eminence) ₹ 30,000.
 - e) Govt. for construction of Hospital building ₹ 20,000.
 - f) Books for local school ₹ 50,000.
 - g) Local temple for renovation ₹ 18,000.
 - h) Govt. health center for family planning ₹ 15,000.
 - i) Renovation of Taj Mahal ₹ 15,000.

Compute the total income.

11. Compute the income of the firm from business in the following cases assuming that the condition under Section 184 and 40 (b) are fulfilled.
 - a) Book Loss ₹ 80,000. Remuneration paid to working partners ₹ 2,00,000/-
 - b) Book loss ₹ 1,60,000/- Remuneration to working partners ₹ 2,50,000.
 - c) Book profit ₹ 1,80,000/- Remuneration paid to working partners ₹ 1,50,000.
 - d) Book profit ₹ 6,00,000. Remuneration to working partners ₹ 4,10,000/-



12. From the following particulars furnished by Mr. Sukhesh, compute the value of the property built on free-hold land.

Annual value as per Municipal records ₹ 1,00,000. Rent received from tenant ₹ 96,000 P.A. Repair expenses fully borne by the tenant ₹ 30,000. Refundable deposit carrying interest of 8% ₹ 80,000/-.

The difference between un built area and specified area is 12%. Municipal taxes paid during the year amounted to ₹ 12,000/-. Cost of construction of the house in January 2006 was ₹ 8,00,000.

SECTION – C

Answer any two :

(2×24 = 48)

13. A, B and C are equal partners in a firm with A being a non-working partner. The P/L A/c for the year ended 31.3. 2014 is as under :

	₹		₹
Rent	20,000	Gross Profit	4,05,000
Office expenses	25,000	Discount	10,000
Salaries	1,00,000	Bad debt recovered	2,000
Advertisement	15,000	Bank Interest	3,000
Sales tax	30,000		
Charity and donations	5,000		
Bad-debt Reserve	10,000		
Bad-debts	15,000		
Sundry Expenses	20,000		
Depreciation	25,000		
Interest on Capital A	50,000		
	B		
	25,000		
	C		
	25,000		
Commission A	15,000		
	B		
	10,000		
	C		
	5,000		
Net Profit	25,000		
	4,20,000		4,20,000



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Bad-debt Reserve	10,000		
Bad-debts	15,000		
Sundry Expenses	20,000		
Depreciation	25,000		
Interest on Capital A	50,000		
B	25,000		
C	25,000		
Commission A	15,000		
B	10,000		
C	5,000		
Net Profit	25,000		
	4,20,000		4,20,000



Additional information :

- 1) Salaries include Partner's salaries, B – ₹ 15,000, C – ₹ 10,000.
 - 2) Bad debts admissible by the department ₹ 12,500/-.
 - 3) Furniture purchased by 'A' for personal use ₹ 10,000/- has been debited to sundry expenses.
 - 4) Donation includes, donations to a local school ₹ 3,500, to a club ₹ 1,000 and subscription to trade association ₹ 500.
 - 5) Capital accounts of the partners at the beginning of the previous year as on 1-4-2013 were as follows :
 - A : ₹ 2,00,000
 - B : ₹ 1,00,000
 - C : ₹ 1,00,000.
 - 6) Office expenses include bonus to partners :
 - A – ₹ 1,000, B – ₹ 2,500, C – ₹ 1,500.
 Compute the profit from the business and the total income of the firm for the A.Y. 2014-15 and also calculate share of each partner in the firm.
14. Bharath Ltd. is a company carrying on business in the construction and sale of residential flats. It gives the following data, compute net wealth and wealth tax payable for the A.Y. 2014-2015.
- 1) Land in rural area ₹ 15,00,000.
 - 2) Land in urban area ₹ 23,00,000. (Construction not permitted)
 - 3) Land in urban area (held as stock in trade since 2010) ₹ 40,00,000.
 - 4) Motor cars, not held as stock in trade ₹ 11,50,000.
 - 5) Guest House ₹ 18,00,000.
 - 6) Air-craft ₹ 1,58,00,000.
 - 7) Bank balance ₹ 3,10,000.
 - 8) Cash in hand as per cash book ₹ 1,70,000.
 - 9) Farm house located with in 5 kms of Municipality ₹ 8,00,000.
 - 10) Residential flats of identical size provided to 6 employers for their use. (Salary of one of them exceeds ₹ 10 lakh) ₹ 15,00,000.
 - 11) Residential house provided to Managing Director (Salary exceeds ₹ 10,00,000), ₹ 10,00,000.
 - 12) Flats constructed and remained unsold (held as stock in trade) ₹ 30,00,000.



13) Half constructed flats ₹ 15,00,000.

14) Residence provided to a whole time director (salary ₹ 15 lakh) ₹ 17,00,000.

The company has taken a loan of ₹ 6,00,000, ₹ 7,00,000 and ₹ 3,00,000 for acquiring property numbers (1), (3) and (9) respectively.

Find out net wealth and tax liability.

15. Thribhuvan Brothers is an HUF of which Bhuvan is the Karta. On the basis of the following information, compute the total income of the family and tax-liability.

a) Salary received by Vikram for services in a public company ₹ 10,000 P.M.

b) Salary received by Pavan and Bhuvan from HUF business ₹ 50,000 P.A. and ₹ 60,000 P.A. respectively. Pavan's salary is found excessive by ₹ 20,000.

c) Family income : Net income after charging the above salary ₹ 8,50,000/-.
It includes the following loss from speculation ₹ 10,000/- Winnings from horse-race (gross) ₹ 10,000, loss from lottery ₹ 5,000, LIC premium on the lives of members ₹ 30,000/-, Contribution to ULIP ₹ 5,000/-, Donation to National Sports Fund ₹ 5,000, Family Planning donation ₹ 15,000/-, Mediclaim ₹ 15,000/-.

d) Income from other sources :

i) Interest on F.D. ₹ 8,000.

ii) Interest accrued on N.S.C ₹ 12,000.

iii) Directors fees (Karta's personal exertion) ₹ 15,000.

e) Income from House Property :

i) Self occupied house, AMV ₹ 20,000/-, Municipal Taxes paid ₹ 3,000/-, Interest on housing loan ₹ 36,000/-.

ii) Let out house : AMV is ₹ 24,000, Rent received ₹ 4,000 P.M. Municipal taxes paid ₹ 2,000. Which includes ₹ 1,000 related to 2012-2013 ?

f) Interest on capital from a partnership firm at 20% ₹ 40,000.

g) The senior most member of the family is of 68 years of age.



16. From the following particulars of 'S' Ltd., compute

- a) Total income of the company.
- b) Book profit for MAT.
- c) Tax-liability.

	₹		₹
To Purchases	4,95,000	By Sales	39,00,000
To Entertainment Expenses	30,000	By Amount with drawn from Gen. Reserve	2,00,000
To Travelling Expenses	50,000	By Rent from letout property	1,00,000
To Depreciation	6,50,000	By Commission	1,500
To Income Tax	4,10,000		
To Wealth Tax	15,000		
To Customs Duty Due	23,000		
To provision for un ascertained liability	80,000		
To Tax consultation fees	25,000		
To Contribution to staff-welfare fund	15,000		
To Loss from subsidiary Company	42,000		
To Salary to M.D.	1,80,000		
To Municipal Tax on let out property	15,000		
To Net Profit	21,71,500		
	42,01,500		42,01,500



Additional information :

- 1) The company gets a long term capital gain ₹ 1,00,000
 - 2) Excise duty of 2013-14, paid during the year ₹ 50,000/-, not debited to the above P/L A/c.
 - 3) Depreciation allowable under Section 32 is ₹ 6,20,000.
 - 4) Unabsorbed business loss is ₹ 9,50,000 for Income Tax purposes and ₹ 11,50,000 for Accounting purpose.
 - 5) Unabsorbed Depreciation for accounting purpose is ₹ 3,40,000 and for Income Tax purpose ₹ 11,00,000/-.
 - 6) Out of Customs Duty due, ₹ 10,000 remained unpaid till the last date of filing the returns.
 - 7) The purchases include one bill ₹ 30,000 was paid in cash under one payment.
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