



Credit Based IV Semester B.Com. Degree Examination, May/June 2016
(2015 – 16 Batch Onwards)
COMMERCE (Elective)
Business Taxation – II

Time : 3 Hours

Max. Marks : 80

Instruction : Support your answer with working notes **wherever** necessary.

SECTION – A

Answer any four questions :

(4×4=16)

1. Mention any four exceptions to the income from house property.
2. State the rules for grossing up of interest on securities.
3. State whether the following items are deductible under the head business income :
 - Penalty paid for illegal import of goods
 - Expenses incurred in connection with income tax proceedings
 - Compensation paid to an undesirable employee for the retrenchment of his services
 - Legal expenses incurred for curing any defect in the title to goods
4. Bharath was holding a plot of land which was purchased by him for Rs. 60,000 in 1978 – 79. The land was inherited to his son Laxman after his death in June 1988. Laxman sold the land for Rs. 21,30,000 in February 2015 and incurred an expense of Rs. 30,000 towards brokerage. He purchased a residential house in March 2015 for Rs. 5,00,000. He owned a house on the date of sale. Fair market value of the land on 1-4-1981 was Rs. 80,000. Compute the taxable capital gains for the A.Y. : 2015 – 16. The CII for 1981 – 82 : 100, 1988 – 89 : 161, 2014 – 15 : 1024.



5. From the following information, compute depreciation allowable for the P.Y. 2014 – 15 :

	Rs.
WDV of plant 'A' and 'B' on 1-4-2014	: 4,00,000
Purchased plant 'P' in July 2014	: 1,00,000
Purchased plant 'Q' in January 2015	: 60,000
Sold plant 'B' in March 2015	: 2,00,000
Rate of depreciation 15%	

The plant is eligible for additional depreciation.

6. Sri Vivek has a big house, 25% of which is used for Own profession, 25% is Self – occupied, and 50% is let out for business purpose at a monthly rent of Rs. 6,000. The annual municipal value of this house is Rs. 60,000 whereas standard rent is Rs. 80,000. Municipal taxes are levied at 10% and Vivek bears 50% of the same. Compute income from House Property for the A.Y. 2015 – 16. If he paid an interest of Rs. 48,000 during the year on the loan borrowed to construct the house.

SECTION – B

Answer **any four** questions :

(4x8=32)

7. Explain the mode of computation of depreciation and additional depreciation on block of assets.
8. Distinguish between Long Term Capital Gains and Short Term Capital Gains.
9. Following is the Receipts and Payments Account of Dr. Uday for the year ending 31-3-2015 :

	Rs.		Rs.
Receipts		Payments	
To Balance b/d	70,000	By Clinic rent	10,000
" Visiting fees	35,000	" Salary	30,000
" Consultation fees	45,000	" Taxes	1,500
" Sale of medicines	35,000	" Electricity	5,000
" Honorarium from hospital	10,000	" Medical books	4,500
" Bank interest	5,000	" Audit fees	5,000



" Dividends	4,000	" Surgical equipments	20,000
		" Car expenses	10,000
		" Association fees	2,000
		" Staff welfare expenses	2,000
		" Diwali expenses	1,000
		" Cost of medicine	35,000
		" Donation	8,000
		" Balance c/d	70,000
	2,04,000		2,04,000

Additional Information :

- 1) A patient gifted Rs. 5,000 for his medical services, which was not included in the books of accounts.
- 2) The WDV of Motor car on 1-4-2014 is Rs. 40,000. $\frac{1}{4}$ of the use of the car relates to Personal use.
- 3) Depreciation on car – 15% and surgical equipment 15%.

Compute professional income.

10. During the year Sri Gajanan sold the following assets :

- a) Residential house purchased for Rs. 7,60,000 in December 2012 sold for Rs. 8,00,000 in March 2015.
- b) Residential house purchased in July 1988 for Rs. 45,000 sold for Rs. 20,00,000 in January 2015 of which he purchased a new house for Rs. 8,00,000 and Rs. 50,000 were invested in NABARD Bonds.
- c) Self cultivated agricultural land in Patna purchased on 1-1-1999 for Rs. 1,20,000 sold on 1-2-2015 for Rs. 5,50,000. He bought new agricultural land for Rs. 1,50,000.
- d) Machinery purchased in 2007 for Rs. 20,000 of the WDV on 1-4-2014 Rs. 6,000, sold in January 2015 for Rs. 6,000.
- e) Machinery purchased in July 2014 for Rs. 10,000, sold for Rs. 12,000 in February 2015.



- f) Motor Truck purchased during the year for Rs. 1,30,000, sold for Rs. 1,20,000 in February 2015.
- g) Shares of a Steel Co. Ltd. purchased on 1-1-2014 for Rs. 12,000, sold for Rs. 27,000 in March 2015, brokerage paid for the sale Rs. 500, S.T.T. paid Rs. 34.
- h) Household furniture purchased in July 2014 for Rs. 1,40,000, sold for Rs. 1,80,000 in March 2015.

CII: 1981-82: 100, 1988-89: 161, 1998-99: 351, 2007-08: 551, 2012-13: 852, 2013-14: 939 and 2014-15: 1024.

Compute Taxable Capital Gains.

11. From the following particulars compute depreciation allowable to Shenoy & Co., a firm of Chartered Accountants :

Assets	WDV on 1-4-2014 (Rs.)	Rate
1) Computers	2,40,000	60%
2) Typewriters	50,000	15%
3) Office furniture	80,000	10%
4) Office building	4,00,000	10%
5) Truck	3,00,000	30%
6) Motor Car	2,00,000	15%

- 7) Purchased new computer during the year for Rs. 80,000.
- 8) Sold office building for Rs. 12,00,000 and purchased a new building for Rs. 30,00,000 in December 2014.
- 9) Purchased books for professional use Rs. 20,000 in November 2014.
- 10) Truck was fully damaged by accident. Insurance claim received Rs. 1,50,000.

12. Ms. Namratha gives the following information from which compute the Income from Other Sources :

- a) Received Rs. 9,000 as interest on debentures of Reliance Co.
- b) Dividend received from Co-operative Society Rs. 8,500.
- c) Purchased 10%, Rs. 1,80,000 tax free debentures of Tata Steel Ltd. on 10-10-2014.
- d) Invested Rs. 50,000, in 10% UP Govt. Bonds, on 1-6-2014.



- e) Received Rs. 63,000 from Maharashtra State Lottery.
 f) Interest received on POSB A/c Rs. 6,500.
 g) Dividend received Rs. 5,000 on shares of Wipro Ltd.
 h) Invested in the bonds of Konkan Railway Corporation Rs. 90,000 at 10%, on 1-11-2014.

Interest on all securities becomes due on 30th June and 31st December every year.

Namratha incurred Rs. 100 as collection charges on interest.

SECTION – C

Answer **any two** questions :

(2×16=32)

13. Briefly explain the income tax provisions relating to the determination of cost of acquisition.
14. Compute income from house property from the following information :

	House I	House II	House III	House IV
Municipal value	80,000	75,000	92,000	92,000
Fair rent	88,000	81,000	88,000	90,000
Standard rent	82,000	88,000	91,000	88,000
Monthly rent	9,000	–	7,000	9,000
Vacancy	3 months	–	1 month	1 month
Repairs	10,000	12,000	6,000	14,000
Municipal Taxes :				
Paid	3,000	1,500	–	–
Due	–	–	1,200	1,600

- In respect of House I, an unrealised rent of Rs. 5,000 was recovered during the year relating to 2012 – 13.
- House II was self-occupied.
- The assessee had borrowed on 1-8-2010 Rs. 2,50,000 at 12% p.a. for the construction of the House III which was completed on 31-10-2012. As on 1-4-2014, Rs. 1,50,000 was outstanding.
- In respect of House IV one month rent was unrealised, the claim was genuine and satisfied the conditions.



15. Following is the Profit & Loss A/c of Mr. Anish. Compute his Gross Total Income for the A.Y. 2015 – 16 :

Particulars	Rs.	Particulars	Rs.
To Salaries	1,20,000	By Gross profit	8,81,000
To Rent & Taxes	1,00,000	By Bad debts recovered	
To Advertisement	48,000	(Not allowed earlier)	2,000
To Interest on capital	12,000	By Rent from	
To Depreciation	36,000	house property	1,24,000
To Bad debts	8,000	By Interest on fixed deposit	8,000
To Local tax on LOHP	10,000	By Dividend from	
To Sales tax	6,000	units of mutual funds	5,000
To Income tax	29,000	By Winnings from	
To Wealth tax	18,000	horse race (Net)	14,000
To Patents acquired on 1-12-2014	40,000		
To Donations	15,000		
To Provision for bad debts	2,000		
To Interest on loan	12,000		
To Net profit	5,78,000		
	10,34,000		10,34,000

Following information is available :

- 1) Salary includes Rs. 16,000 to Anish.
- 2) Advertisement includes Rs. 8,000 spent on Neon Sign Board.
- 3) Depreciation allowable is Rs. 30,000 excluding patents.
- 4) An excise duty of Rs. 10,000 for the P.Y. 2013 – 14 was paid during the year which is not yet debited.
- 5) Actual bad debts amounted to Rs. 6,000.
- 6) The opening stock Rs. 80,000 was under valued by 20%.
- 7) Interest on loan included an interest of Rs. 4,000 paid in respect of housing loan taken to acquire LOHP.
- 8) Rent and taxes include a rent of Rs. 30,000 paid in cash.



16. From the following information compute income from other sources of Mr. David for the A.Y. : 2015 – 16 :

- a) Rent from sub-letting the house Rs. 36,000. He paid a rent of Rs. 48,000 for the entire portion. $\frac{1}{3}$ of the house was sublet.
- b) Agricultural income from Patna Rs. 18,000.
- c) Royalty received by publishing a book on management Rs. 1,60,000. He paid salary to the Clerk Rs. 10,000 for the typing and proof reading work.
- d) He received a family pension of Rs. 75,000.
- e) He published articles in journals and received Rs. 25,000.
- f) He received Rs. 48,000 salary as MLC and Rs. 16,000 as daily allowance for attending the sessions.
- g) He received interest on tax-free Govt. of India Bonds Rs. 12,000.
- h) Gift received from friends Rs. 80,000.
- i) As a cricketer he played one test match in India for which he received a remuneration Rs. 80,000.
- j) Directors fees received Rs. 12,000.
- k) Examinership remuneration Rs. 3,000.
- l) Income from guest talks Rs. 16,000.
- m) He held 7% capital investment bonds worth Rs. 80,000.
- n) He had 12%, taxfree bonds of Agra municipality worth Rs. 60,000, which he sold on 1-9-2014. On the same date he purchased, 10% debentures worth Rs. 50,000, of ABC Ltd. Interest on these securities becomes due on 30th June and 31st December each year.
- o) He won Rs. 84,000 from lottery.

He paid a commission of Rs. 200 for the collection of interest on securities. The cost of lottery ticket was Rs. 100.
