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**V Semester B.Com. Degree Examination,
October/November 2019**

(Credit Based Semester Scheme)

(Common to all Batches)

Business Taxation — III (Elective)

Time : 3 Hours]

[Max. Marks : 120

Instructions : Provide working notes wherever necessary.

SECTION – A

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College of Business Management Library
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Answer **any four** of the following :

(4 × 6 = 24)

1. Write an explanatory note on deduction under Section 80D.
2. State the rules governing carry forward and set off of losses.
3. The gross total income of Mr. Punith is Rs. 7,60,000, which includes long term capital gain Rs. 3,00,000. He donated Rs. 5,000 to PMNRF; paid Rs. 25,000 towards medical insurance premium including preventive health check-up bill of Rs. 9,000; paid life insurance premium of Rs. 20,000 for his life.
He paid a rent of Rs. 6,000 per month for the house. Assuming that conditions for allowing deductions under Section 80 GG are satisfied, compute his total income.
4. Explain the rules governing the working partners remuneration.
5. Total income of Mr. Adhitya Varma (age 59 years) is Rs. 1,02,80,200. It includes agriculture income Rs. 50,000; short term capital gain taxable at 15% Rs. 50,000; and winning from lottery Rs. 5,00,000 (gross). Find out his tax liability.



6. Rama and Soma are equal working partners in a firm which showed a net loss of Rs. 1,20,000 for the year ending after providing for the following :•

- (a) Interest on capital at 2% :
 Rama – Rs. 5,000
 Soma – Rs. 4,000
- (b) Commission to Soma – Rs. 4,000
- (c) Salary to Rama – Rs. 6,000
- (d) Rent paid to Rama – Rs. 12,000

The net loss was arrived at after considering Rs. 7,000 being dividend received and Rs. 2,000 as interest on drawings by Soma. Compute the total income of the firm.

SECTION - B

Answer **any four** from the following :

(4 × 12 = 48)

- 7. Write an explanatory note on Section 80P.
- 8. Explain the provisions of Section 115JB relating to minimum alternate tax.
- 9. Mr. Karthik Rao submits the following information of the net incomes and losses:
 - (a) Salary income – Rs. 3,50,000
 - (b) Income from house property :
 House A (Income) – Rs. 30,000
 House B (Loss) – Rs. 80,000
 - (c) Income from business :
 Cycle business (Loss) – Rs. 15,000
 Unabsorbed depreciation B/F – Rs. 5,000
 Speculation profit – Rs. 3,00,000
 - (d) Income from capital gain :
 Long term gain – Rs. 70,000
 Short term gain – Rs. 5,000
 Short term loss – Rs. 90,000



(e) Other source income :

Income from betting – Rs. 30,000

Interest on security (Gross) – Rs. 9,000

Loss from card games – Rs. 40,000

Compute Gross Total Income.

10. Ms. Shayana gives the following particulars for the previous year. Gross total income Rs. 12,00,000. This includes LTCG Rs. 1,00,000 and STCG taxable at 15% Rs. 50,000.

She paid Rs. 26,000 medical insurance premium for self and Rs. 15,000 (interest) to SBI towards education loan of her daughter.

She made the following donations during the previous year :

(a) Rajiv Gandhi Foundation Rs. 4,000.

(b) NDF Rs. 5,000.

(c) National Foundation for Communal Harmony Rs. 6,000.

(d) Swatch Bharath Abhiyan Rs. 7,000.

(e) Govt. for construction of Hospital Building Rs. 9,000.

(f) Books for Local School Rs. 3,000.

(g) Local Temple for renovation Rs. 3,000.

(h) Govt. Health Centre for Family Planning Rs. 15,000.

(i) Renovation of Taj Mahal Rs. 10,000.

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 Rs. 1,00,000. Remuneration paid to working partners Rs. 1,00,000.

(b) Book loss Rs. 1,60,000. Remuneration paid to working partners Rs. 2,00,000.

(c) Book profit Rs. 2,50,000. Remuneration paid to working partner Rs. 75,000.

(d) Book profit Rs. 6,50,000. Remuneration paid to working partner Rs. 1,45,000.



12. Weavers Co-operative Society Udupi derives income from the following sources :

- (a) Income from weaving with the aid of power Rs. 96,000.
- (b) Income from weaving without power Rs. 30,000.
- (c) Income from collective disposal of labour of its members Rs. 15,000.
- (d) Interest from co-operative societies Rs. 20,000.
- (e) Interest on deposit with Central Co-operative Bank Rs. 9,000.
- (f) Income from letting of godown Rs. 40,000.
- (g) Income from other business Rs. 75,000.
- (h) Long term capital gain Rs. 10,000.
- (i) Donation to PMNRF Rs. 20,000.

Compute Total Income and Tax Liability.

SECTION - C

Answer **any two** of the following questions : **(2 × 24 = 48)**

13. Ms. Shravya (38 years) submits the following information relevant for the Assessment year.

- (a) Income from salary Rs. 1,20,000.
- (b) Income from business Rs. 6,00,000.
- (c) Rent from house property Rs. 1,20,000. Interest on housing loan Rs. 35,000.
- (d) Long term capital gain Rs. 80,000.
- (e) Short term capital gain U/S III A Rs. 30,000.
- (f) Interest on Saving Bank deposit Rs. 7,000.
- (g) Interest on POSB Rs. 4,000.
- (h) Interest on Fixed deposit Rs. 20,000 (Gross).
- (i) Income from units of Mutual Fund Rs. 35,000.
- (j) Share of profit from partnership firm Rs. 30,000.
- (k) Remuneration from partnership firm Rs. 40,000 (Working partner).
- (l) Income from lottery (Net) Rs. 42,000.



(iii) During the year she made following payments :

- (i) Medical insurance premium for self Rs. 28,000. It includes preventive medical bill of Rs. 7,000.
- (ii) Interest on education loan Rs. 10,000.
- (iii) Life insurance premium Rs. 30,000.
- (iv) Rs. 38,000 for the treatment of her mother (61 years) suffering from specified disease. Rs. 35,000 received from insurance company.

During the year she made following donations :

- (1) PMNRF Rs. 5,000
- (2) PMDRF Rs. 11,000
- (3) Promotion of family planning Rs. 10,000
- (4) BJP party Rs. 30,000
- (5) To school (in cash) Rs. 14,000
- (6) State govt. fund for medical relief to poor Rs. 10,000.
- (7) National fund for control of drug abuse Rs. 12,000.

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Compute her total income and tax liability.

14. 'X', 'Y' and 'Z' are partners in a firm (with 'Y' and 'Z' working partners) and share profits and losses in the ratio of 1 : 2 : 2. Their P and L for the year is given below:

Particulars		Rs.	Particulars		Rs.
To	Salary:		By	Gross profit b/d	7,00,000
	X - 30,000		By	Bank interest	8,000
	Y - 60,000		By	Dividend	7,000
	Z - 60,000	1,50,000	By	Interest on drawings by 'X'	5,000
To	Rent	70,000	By	Income from house property	30,000
To	Advertisement	10,000	By	LTCG	20,000
To	Bad debts	8,000			
To	GST	18,000			
To	RBD	7,000			
To	Income tax	11,000			
To	Sundry expenses	25,000			
To	Depreciation	30,000			



	Particulars	Rs.	Particulars	Rs.
To	Interest on capital at 18% p.a.			
	X - 4,500			
	Y - 9,000			
	Z - 9,000	22,500		
To	Outstanding customs duty	6,000		
To	Donation	17,000		
To	Commission to 'Y'	18,000		
To	Net profit	3,77,500		
		<u>7,70,000</u>		<u>7,70,000</u>

Additional informations :

- (a) Bad debts found to be excess by Rs. 3,000.
- (b) Sundry expenses include bonus to - X - Rs. 5,000, Y - Rs. 6,000.
- (c) Out of outstanding customs duty Rs. 6,000, Rs. 5,000 was paid before filing the returns.

Compute the total income of the firm, its tax liability and share of income of the partners under Section 28 and U/S 10(2A).

15. Raymond Ltd. is engaged in the business of manufacture of garments. The following Profit and Loss Account of the company is given for the year.

	Particulars	Rs.	Particulars	Rs.	
To	Salary and wages	5,00,000	By	Gross profit	40,00,000
To	Travelling expenses	70,000	By	Agriculture income	7,00,000
To	Income tax	5,00,000	By	Income from house	
To	O/S customs duty	30,000		Property	2,00,000
To	Provisions for unascertained liability	1,00,000	By	Transfer from general Reserve	1,50,000
To	Proposed dividend	1,20,000	By	Rent from staff quarters	80,000
To	Provision for loss of Subsidiary company	50,000	By	LTCG	2,00,000
To	Agriculture expenses	4,00,000			
To	Fines and penalties	8,000			
To	RBD	40,000			
To	Other expenses	4,00,000			
To	Net profit	31,12,000			
		<u>53,30,000</u>			<u>53,30,000</u>



Additional information :

- (a) O/S customs duty of 2017-18 paid during the year Rs. 50,000. However, this is not debited to Profit and Loss Account given above.
- (b) The following losses are to be set-off.

	For Tax purpose (Rs.)	For Accounting purposes (Rs.)
B/F business loss 2017-2018:	10,00,000	18,00,000
Unabsorbed depreciation:	10,00,000	7,00,000

You are required to compute:

- (i) Total income of the company.
 (ii) The book profit as per Section 115 JB.
 (iii) The tax liability.

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16. Given below is the Profit and Loss Account of Vignesh Co. Ltd. for the year:

Particulars	Rs.	Particulars	Rs.
To Establishment charges	4,50,000	By Gross profit b/d	20,00,000
To Expenses of National Laboratory	1,00,000	By Commission	1,40,000
To Municipal tax on let out house property	30,000	By Dividend from co-operatives	30,000
To Fire insurance premium	20,000	By LTCG	70,000
To Legal charges	45,000	By STCG	30,000
To Interest paid	1,40,000	By Refund of GST	35,000
To Provision for bad debts	30,000	By Rent from let out House property	2,80,000
To Bad debts	35,000		
To Provision for depreciation	70,000		
To Advertising	60,000		
To Provision for income tax	2,00,000		
To GST paid	1,00,000		
To Reserve fund	80,000		
To Proposed dividend	3,00,000		



Particulars	Rs.	Particulars	Rs.
To Depreciation	5,00,000		
To Sundry expenses	90,000		
To Loss of goods due to fire	30,000		
To Net profit	<u>3,05,000</u>		
	<u>25,85,000</u>		<u>25,85,000</u>

Additional informations :

- (a) Legal expenses include Rs. 16,000 in connection with issue of debentures.
- (b) Fire insurance include Rs. 5,000 insurance premium paid in respect of let out house property.
- (c) Interest include Rs. 40,000. Interest paid in respect of let out house property.
- (d) Value of the Plant and machinery as on 1st April of P.Y. was Rs. 10,00,000 and Building Rs. 5,00,000. Depreciation allowable is 15% on Plant and machinery and 10% on building.
- (e) Sundry expenses include an item of Rs. 30,000 paid in cash and donation to NDF Rs. 20,000.

Compute Total income and Tax liability of the company.