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BCMCMC 263

Sl.No. : 11623

**Credit Based IV Semester B.Com. Degree Examination,  
May 2018**

**(2015 - 16 Batch Onwards)**

**COMMERCE**

**Business Taxation - II (Elective)**

Time : 3 Hours

Max. Marks : 80

**Instruction :** Show working notes wherever necessary.

**SECTION - A**

Note : Answer any four questions :

(4 × 4 = 16)

**Q1)** Give the meaning of the terms :

- a) Fair rent &
- b) Unrealised rent.

**Q2)** What do you mean by the term 'depreciation'? Mention the conditions for the levy of depreciation on business assets.

**Q3)** How will you treat the following items in the computation of Business / Profession Income?

- a) Expenses incurred on Income Tax Appeal.
- b) Membership fees paid by a Chartered Accountant to CA Institute.
- c) Capital expenditure on family planning.
- d) Donation to National Fund for Rural Development.

**Q4)** Show the format for computation of Short Term Capital Gain including the exemptions available for a Short Term Capital Asset.

Q5) Write a note on Bond Washing Transaction.

Q6) From the following information, compute the depreciation allowable for the Assessment year 2017-18:

WDV of assets as on 01-04-2016 :

Machinery (15%) ₹ 12,40,000

Books (60%) ₹ 48,000

Purchases during the year 2016-17 :

Machinery (15%) ₹ 4,00,000

(09.05.16)

Books (60%) ₹ 1,10,000

(08.10.16)

Assets sold during the year 2016-17 :

Machinery ₹ 2,10,000

Additional depreciation 20%.

### SECTION - B

Note : Answer any four questions :

(4 × 8 = 32)

Q7) Sunita owns a house property in Mangaluru whose Municipal value is ₹ 1,20,000 and the Fair Rental value is ₹ 1,40,000. It was self occupied from 01-04-16 to 31-5-16. With effect from 01-06-16, it was let out at ₹ 10,500 p.m. Municipal taxes paid during the year was ₹ 15,000. Also an amount of ₹ 5,50,000 was the outstanding loan on such house property on which interest was levied at 10% p.a.

Compute taxable income from House property for the P.Y. 2016-17.

Q8) Mention any four blocks of asset with relevant depreciation rates. Also, write a short note on the concept of 'Additional Depreciation'.

Q9) Mr. Kiran carries on his own business. For the year ending 31-3-2017 his Trading & Profit & Loss Account was as follows :

Opening Stock	2,20,000	Sales	1,62,89,000
Purchases	1,36,09,000	Closing stock	2,52,000
Salaries	2,56,000	Interest on debentures	2,000
Rent	5,61,000	Discount received	6,000
Bonus	3,000	Rent of staff quarters	20,000
Printing & Stationery	4,000		
Miscellaneous Exp.	4,000		
Advertising	22,000		
Drawings	12,000		
LIC Premium	5,000		
<u>Car Expenses :</u>			
Drivers salary	6,000		
Petrol & Repairs	12,000		
Property Tax	4,000		
Medical Insurance of family	6,000		
Net profit	18,45,000		
	<u>1,65,69,000</u>		<u>1,65,69,000</u>

Additional information :

- Advertisement expenses included cost of 20 gift packs of ₹ 1,100 each presented to leading esteemed customers on occasion of Deepavali.
- The car was used for both business & personal purpose.  $\frac{2}{3}$ rd is used for business purpose.
- The property tax of ₹ 4,000 is in respect of his self-occupied house whose rental value is ₹ 18,000.
- Closing stock is undervalued by 10%.

Compute his business income.

Q10) Show a detailed note on section 54 of Income Tax Act.

Q11) Ms. Sheryl purchased an agricultural land in the PY 2003-04 for ₹ 2,00,000 and paid brokerage of 1% on the same. On 10<sup>th</sup> April 2016, she transferred this land for ₹ 27,00,000 and incurred 0.75% brokerage. In August 2016, she purchased agricultural land in rural area for ₹ 6,80,000 and paid commission @ 1%. In March 2017, this agricultural land was sold for ₹ 9,00,000.

Compute taxable Capital Gain for the AY 2017-18.

CII for 2003-04 : 463, 2016-17 : 1125.

Q12) The following incomes are received by Mr. Chetan during the PY 2016-17.

	₹
a) Directors fees	30,000
b) Income from Agricultural land in Nepal	12,000
c) Income from Agricultural land in Punjab	16,000
d) Ground rent for land in Bhopal	28,000
e) Dividend from a foreign company	16,000
f) Rent earned from Sub-letting the house	24,000
g) Rent paid for the house to the landlord ( $\frac{2}{3}$ rd portion was sublet)	30,000
h) Winnings from Horse race (net)	56,000

Compute taxable income from other sources for the AY 2017-18.

SECTION - C

Note : Answer any two questions :

(2 × 16= 32)

Q13) Mr. Ashwin owns 3 houses whose details are as follows :

<u>Particulars</u>	<u>House 1</u>	<u>House 2</u>	<u>House 3</u>
Fair Rental value	85,000	2,20,000	3,60,000
Annual Municipal value	80,000	2,50,000	4,00,000
Standard Rent	70,000	-	3,90,000
Actual Rent per month	-	-	45,000
Purpose	Self occupied	Self occupied	Let out
Vacancy period (months)	2	1	2
Municipal value	10% of AMV	8% of AMV	10% of AMV
Municipal Tax paid in the PY 2016-17	16,000	20,000	35,000
Collection charges	-	-	14,000
Ground Rent	1,800	4,000	11,000
Interest on loan borrowed and its purpose	38,000	1,28,000	2,30,000
	(Repairs)	(Construction)	(Construction)

Compute his taxable income from House property for the AY 2017-18.

Q14) Praveen Ltd. is a manufacturing concern. It provides the details of its assets as given below :

<u>Assets</u>	<u>WDV as on 1-4-16</u>	<u>Rate</u>
Furniture	2,00,000	10%
Plant & Machinery	5,10,000	15%
Trucks	6,35,000	30%
Land & Buildings	11,10,000	10%
Books	80,000	60%
Patents	12,000	25%

Following assets were purchased during the PY 2016-17.

<u>Assets</u>	<u>Date of Purchase</u>	<u>Date of putting to use</u>	<u>Cost</u>
Furniture	10-06-16	12-06-16	1,00,000
Plant & Mach.	02-10-16	09-10-16	12,10,000
Truck	11-05-16	01-06-16	4,50,000
Books	12-12-16	13-12-16	90,000

Following assets were sold during the year.

<u>Assets</u>	<u>Date of Sale</u>	<u>Sale proceeds</u>
Furniture	06-08-16	60,000
Land & Bldgs	12-12-16	12,50,000
Plant & Mach.	11-01-17	1,30,000

Compute depreciation for the AY 2017-18.

Q15) Dr. Kalpana is a renowned medical practitioner who maintains books of account on cash basis.

The following is the Receipts & Payments A/c for the PY 2016-17.

Balance b/f	44,000	<u>Rent of clinic :</u>	
<u>Consultation fees :</u>		2015-16	12,000
2015-16	15,000	2016-17	1,20,000
2016-17	1,80,000	2017-18	24,000
Visiting fees	60,000	Water & Electricity bill	6,000
Loan from Bank	2,10,000	Purchase of professional	
Sale of Medicine	75,000	books	60,000
Gifts & Presents	5,000	Household exp.	50,000
Royalties from articles		Collection charges of	
published in journals	10,000	Dividend Income	250
Dividend	10,000	Municipal tax paid	
Interest on Govt. securities	10,000	(House Property)	8,000
Rent from house property	2,40,000	Motor car purchased	2,50,000
Profit on sale of Jewellery	1,85,000	Surgical equipment purchased	1,20,000
(LTCA)		Income Tax	21,000
Lottery price (net)	21,000	Office expenses	7,000
		Staff salary	36,000
		Life Insurance	18,000
		Gift to son	5,000
		Int. on bank loan	18,000
		Car expenses	24,000
		Purchase of medicine	65,000
		Balance c/f	2,20,750
	<u>10,65,000</u>		<u>10,65,000</u>

Additional information :

- a) Books worth 25,000 were purchased on 30-6-16 and these were annual publication and the balance was purchased on 1<sup>st</sup> November which were books other than annual publications.
- b) Car was purchased on 1-1-17 and surgical equipment on 10-09-17 and the rate of depreciation being 15% on both assets.
- c) It is estimated that  $\frac{1}{3}$ rd of the use of car is for her personal purpose.
- d) Loan from bank is taken for professional purpose.
- e) Gifts & presents include ₹ 2,000 from patients in appreciation of her medical service and ₹ 3,000 as birthday gifts.
- f) Int. on loan taken for let out house property ₹ 75,000 is outstanding.

Compute her gross total income for the AY 2017-18.

**Q16)** Define capital asset. Explain the exemptible capital gains under section 54, 54B, 54D and 54F.

