

**Credit Based V Semester B.Com. Degree Examination, Nov./Dec. 2018  
(2016-17 Batch Onwards)**

**COMMERCE  
Business Taxation – III**

Time : 3 Hours

Max. Marks : 120

**Note : Provide working notes wherever necessary.**

**SECTION – A**

Answer **any four** of the following :

**(4×6=24)**

1. Write an explanatory note on deduction under Section 80DD.
2. State the rules governing carry forward and set off of losses.
3. What are the incomes taxable in the hands of individual partner from the firm under Section 28.
4. The gross total income of Ms. Ashalatha is Rs. 8,60,000 which includes long term capital gain Rs. 2,00,000. She donated Rs. 15,000 to Swatch Bharath Kosh, paid Rs. 35,000 towards medical insurance premium including preventive health check-up bill of Rs. 8,000; deposited Rs. 75,000 in PPF. She paid a rent of Rs. 5,000 per month for the house. Assuming that conditions for allowing deductions under Section 80GG are satisfied, compute her total income.
5. The total income of Smt. Janaki is Rs. 3,82,000. It includes long term capital gains Rs. 28,000 and lottery income (gross) Rs. 50,000. Find out the tax liability for the A.Y. 2018-19.



6. Rahu and Ketu are equal working partners in a firm which showed a Net loss of Rs. 50,000 for the year after providing for the following :

- i. Interest on capital :
  - Rahu @ the rate of 20%      6,000
  - Ketu @ the rate of 20%      4,000
- ii. Commission to Ketu      3,000
- iii. Salary to Rahu      6,000
- iv. Rent paid to Ketu      10,000

The net loss was arrived at after considering Rs. 5,000 being dividend received and Rs. 2,000 as interest on drawings by Rahu. 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. Ashok Rao submits the following information of the net incomes and losses :
  - a) Salary income      1,24,000
  - b) Income from house property :
    - House A (income)      10,000
    - House B (income)      30,000
  - c) Income from business :
    - Cloth business (profit)      30,000
    - Hardware business (loss)      12,000
    - Unabsorbed depreciation B/F      5,000
    - Speculation (profit)      12,000
    - Speculation (loss)      17,000



d) Capital gains :

Short-term (gain)	8,000
Short-term (loss)	24,000
Long-term (gain)	8,000

e) Other sources :

Income from betting	12,000
Loss from card games	6,000
Income from card games	9,000
Interest on securities (gross)	8,000

Compute his gross total income.

10. The gross total income of Mr. Ashrith for the Assessment Year 2018-19 is Rs. 25,00,000, which included long term capital gain of Rs. 2,50,000. He made the following donations.

- 1) Indian Naval benevolent fund Rs. 10,000.
- 2) National fund for control of drug abuse Rs. 40,000.
- 3) Central fund for technology development and application Rs. 1,00,000.
- 4) Indira Gandhi Memorial Trust Rs. 30,000.
- 5) To local College for the construction of auditorium Rs. 15,000.
- 6) Approved charitable institution Rs. 1,00,000.
- 7) State government fund for medical relief to poor Rs. 50,000.
- 8) To primary health centre for promotion of family planning Rs. 10,000.

During the year he paid Rs. 26,000 as medical Insurance Premium. Compute Total Income.



11. Nandini Co-operative milk society Karkala provides the following details of its income for the Assessment Year 2018-19 :

- a) Income from supply of milk to federal society and to government Rs. 2,30,000.
- b) Income from letting godowns for commercial purposes Rs. 20,000.
- c) Income from other business Rs. 55,000.
- d) Income from sale of cattle feed Rs. 8,000.
- e) Dividend on shares of Central Co-operative Bank Mangaluru Rs. 35,000.
- f) Interest on deposit with other Co-operative Societies Rs. 12,000.
- g) Short term capital gains taxable at 15% Rs. 25,000.
- h) Long term capital gains (indexed) Rs. 30,000.
- i) Donation to Prime Ministers Drought Relief Fund Rs. 15,000.
- j) Interest on income tax refund Rs. 2,000.

Compute Total Income and Tax Liability.

12. Compute the taxable income of the firm from business in the following cases assuming that conditions u/s 184 and 40 (b) are fulfilled :

- a) Book profit Rs. 7,50,000.

Remuneration paid to working partners Rs. 1,50,000.

- b) Book loss Rs. 45,000.

Remuneration paid to working partners Rs. 1,25,000.

- c) Book profit Rs. 3,12,000.

Remuneration paid to working partners Rs. 1,62,000.

- d) Book loss Rs. 65,000.

Remuneration paid to working partners Rs. 1,80,000.



SECTION – C

Answer any two of the following questions :

(2×24=48)

13. Prakash submits the following particulars, compute his taxable income and tax liability for the assessment year 2018-19.

- 1) Gross salary income Rs. 2,50,000, professional tax paid Rs. 2,400.
- 2) Rent from house property Rs. 6,000 per month; Municipal tax paid there on Rs. 3,000 p.a.
- 3) Income from business before allowing the following deductions Rs. 1,50,000.
  - a) Salary to staff Rs. 3,000.
  - b) Interest on capital Rs. 2,000.
  - c) Salary to proprietor Rs. 25,000.
  - d) Income tax Rs. 10,000.
  - e) Bad debts Rs. 2,000.
- 4) Long term capital gain from the sale of shares of State Bank of India Rs. 5,000.
- 5) His other incomes are :
  - a) Interest on Post Office SB Account Rs. 4,000.
  - b) Interest on Bank deposits Rs. 5,000.
  - c) Interest on Bank SB Account Rs. 12,000.
  - d) Amount withdrawn from PPF Rs. 50,000.
- 6) He made the following payments during the previous year :
  - a) Donation to Mangalore University Rs. 10,000.
  - b) Medical insurance premium paid by cheque Rs. 3,000.
  - c) LIC premium paid on his life Rs. 10,000 and his married daughter's life Rs. 8,000.
  - d) Tuition fees paid for two childrens Rs. 10,000.



14. Nani, Venka and Sheena are equal partners with Nani as a non-working partner. The profit and loss account for the year ended March 31<sup>st</sup> 2018 is as follows :

Particulars	Amount	Particulars	Amount
Salaries	2,50,000	Gross profit	11,00,000
Office expenses	10,000	Dividend from Indian company	25,000
Rent	30,000	Rent from house property	24,000
Advertisement	25,000	Ground rent received	30,000
Donation	20,000	Interest on government securities	5,000
Sundry expenses	30,000		
Reserve for bad debts	20,000		
Bad debts	10,000		
Depreciation reserve	40,000		
Interest on capital :			
Nani	1,00,000		
Venka	60,000		
Sheena	<u>40,000</u>	2,00,000	
Commission :			
Nani	20,000		
Venka	15,000		
Sheena	<u>5,000</u>	40,000	
Bonus :			
Nani	15,000		
Venka	<u>15,000</u>	30,000	
Net profit		4,79,000	
		<b>11,84,000</b>	<b>11,84,000</b>

**Additional Informations :**

- 1) Salary includes salary of Venka Rs. 35,000 and Sheena Rs. 15,000.
- 2) Donation includes Rs. 10,000 to NDF and the balance to a recognised college.
- 3) Depreciation allowable as per income tax rules Rs. 30,000.
- 4) Capital accounts of partners stood at Nani Rs. 4,00,000, Venka Rs. 2,40,000 and Sheena Rs. 1,60,000 as on 1-4-2017.
- 5) Sundry expenses include a payment made in cash Rs. 25,000 and Rs. 10,000 to a recognised political party.

Compute the Book profit, Total income of the firm and share of income of partners from the firm taxable under Section 28.



15. Given below is the P and L A/c of Poornima Ltd. for the year ending 31 March, 2018.

Particulars	Amount	Particulars	Amount
To Establishment charges	4,80,000	By Gross profit B/D	21,10,000
To Entertainment expenses	92,000	By Commission	40,000
To Municipal tax on Commercial complex	36,000	By Dividend from Co-operatives	18,000
To Fire insurance premium	20,000	By Long term capital gain	80,000
To Legal charges	40,000	By Refund of custom duty	44,000
To General expense	3,60,000	By Refund of GST	36,000
To Interest paid	1,40,000	By Rent from commercial complex	2,40,000
To Provision for bad debts	28,000		
To Bad debts	24,000		
To Provision for depreciation	1,80,000		
To Advertising	60,000		
To Loss of goods due to fire	24,000		
To Provision for taxation	2,80,000		
To GST paid	1,20,000		
To Reserve fund	1,00,000		
To Proposed dividends	3,20,000		
To Net profit	2,64,000		
	<b>25,68,000</b>		<b>25,68,000</b>

**Additional information :**

- a) Establishment charges include amount paid towards National Laboratory Rs. 75,000.
- b) Legal expenses include Rs. 16,000 in connection with issue of debentures.
- c) Fire insurance includes Rs. 8,000 Insurance premium paid in respect of commercial complex.
- d) General expenses include Rs. 1,60,000 paid to an approved charitable institution as donation.
- e) Interest includes Rs. 20,000 as interest on loan borrowed to pay GST liability.
- f) Depreciation allowable as per IT Act Rs. 1,60,000.

Compute Total income and Tax Liability of the company for the AY 2018-19.



16. Following particulars are furnished by Bhumi Works Ltd. a domestic company.

**Trading and Profit And Loss A/c**

Particulars	Amount	Particulars	Amount
Purchases	6,50,000	Sales	77,72,000
Entertainment expense	70,000	Amount withdrawn	
Travelling expenses	1,40,000	from general reserve	6,00,000
Depreciation	16,00,000	Long term capital gain	2,40,000
Income tax	7,90,000	Sundry income	10,000
Outstanding GST	60,000	Profit on sale of motor car	50,000
Provision for unascertained liability	1,20,000	Interest on tax free Govt. securities	40,000
Proposed dividend	3,60,000		
Tax consultation fee	40,000		
Provision for loss of subsidiary company	90,000		
Salaries	4,00,000		
Sundry expenses	3,00,000		
Net profit	40,92,000		
	<b>87,12,000</b>		<b>87,12,000</b>

**Additional information :**

- Value of plant and machinery (excluding car) as on 1<sup>st</sup> April of P.Y. was Rs. 1,20,00,000 and Building Rs. 20,00,000. Depreciation allowable is 15% on plant and machinery and 10% on Building.
  - Sundry expense include an item of Rs. 80,000 paid in cash.
  - Unabsorbed business loss brought forward is Rs. 12,00,000 for income tax purpose and Rs. 9,00,000 for accounting purpose.
  - Unabsorbed depreciation brought forward is Rs. 6,00,000 for accounting purpose.
  - Motor car was sold during the year for Rs. 2,80,000. Its written down value on 1<sup>st</sup> April of P.Y. was Rs. 2,30,000.
- Compute Book profit, Total income and Tax liability of the company. Apply MAT.