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BCMCMC 263



Credit Based IV Semester B.Com. Examination, April/May 2017
(Semester Scheme)
(2015-16 Batch Onwards)
COMMERCE
Business Taxation – II (Elective)

Time : 3 Hours

Max. Marks : 80

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

SECTION - SA
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Answer **any four** questions.

(4×4=16)

1. Define capital asset and state any four exceptions to the capital assets.
2. How to determine the Gross Annual Value of let out property under Section 23(1) ?
3. From the following, compute the depreciation allowable for the Assessment Year 2016-17.

Written down value of assets as on 1-4-2015 :

Machinery (15%) ₹ 8,50,000

One Motor Truck (30%) ₹ 3,00,000

Purchases during the year :

Machinery (15%) on 1-9-2015 ₹ 1,30,000

Machinery (15%) on 1-11-2015 ₹ 3,00,000

Following assets were sold during the year :

Machinery on 20-10-2015 ₹ 60,000

Truck on 1-3-2016 ₹ 2,50,000

Assessee is entitled to additional depreciation on machinery.

P.T.O.



4. Mr. Shashank is a resident of Mumbai. He did not own any house and lived in a rented house. He had purchased jewellery for ₹ 1,00,000 in April 1981. He sold this jewellery in July 2015 for ₹ 30,00,000 and incurred ₹ 15,000 as cost of transfer. He invested ₹ 15,00,000 in Aug. 2015 in the purchase of one residential house in Bangalore and deposited ₹ 1,00,000 in a bank.

Determine the taxable Capital Gain of Mr. Shashank.

Cost Inflation Index : 1981-82 : 100. 2015-16 : 1081

5. From the following particulars of incomes of Mr. Ganesh, compute his Income from Other Sources.
- a) 12.5%, ₹ 20,000 tax-free debentures (listed) ABC Steel Co. Ltd.
 - b) ₹ 30,000 units of UTI (Dividend received ₹ 8,500).
 - c) Gift from foreign friend on the occasion of wedding anniversary ₹ 65,000.
 - d) Winning from lottery ₹ 4,20,000 (net).
6. How to treat the following items while computing Business Income ?
- a) Expenditure on patent rights.
 - b) Amortization of preliminary expenses.
 - c) Expenditure on Income Tax proceedings.
 - d) Payment exceeding ₹ 25,000 in cash on one payment.

SECTION – B

Answer **any four** questions.

(4×8=32)

7. What is Grossing up of interest ? State the rules for Grossing up of interest.
8. Distinguish between Long term and Short term Capital Gains.



9. Dr. Bijli is a registered medical practitioner. From the following Income and Expenditure Account for the year ending 31st March 2016, prepare a Statement showing his Income from Profession.

Income and Expenditure A/c

	₹		₹
Household expenses	20,000	Consultation fees	10,000
Car purchased	30,000	Visiting fees	20,000
Travelling expenses (personal)	4,000	Race winnings	10,000
Charity and donations	1,000	Sale proceeds of an	
Income Tax	2,000	ancestral house	24,000
Salaries	8,000	Profit on sale of shares	16,000
Gift to daughter	7,000	Dividend on shares	15,000
Establishment expenses	1,000	Interest on POSB A/c	6,000
Surgical equipment	4,000	Presents from patients	2,000
Books	1,200	Bad debts recovered	
Life Insurance Premium	2,000	(Previously disallowed)	2,600
Fines and penalties	1,000	Interest on Fixed deposits	15,300
Interest on capital	1,000		
Surplus	38,700		
	1,20,900		1,20,900

Rate of depreciation allowable on car and surgical equipment is 15% and on books 60%.

10. Mr. Balu owns a big house, the construction of which was completed in May 2011. 60% of the floor area is let out for residential purpose on a monthly rent of ₹ 12,800. However this portion remained vacant for one month during the previous year and it was used by him for his residence. 20% of the floor area is used by him for the purpose of his profession, while remaining 20% of the floor area is used for the purpose of his residence. Other particulars of the house are as follows :

- Municipal Valuation ₹ 3,00,000.
- Standard Rent ₹ 3,60,000.
- Municipal Tax paid ₹ 48,000.
- Fire Insurance premium ₹ 12,000.
- Interest on capital borrowed for repairs ₹ 1,12,000.

Compute the taxable Income from House Property.



11. From the following information provided by Mr. Gopal, compute his taxable Income from Capital Gains.

- Agricultural land in Mangaluru costing ₹ 3,00,000, which was acquired in Dec. 1990, was sold for ₹ 50,00,000 on 5th March 2016. He purchased new agricultural land on 30th March 2016 for ₹ 18,00,000.
- Household furniture costing ₹ 50,000 in March 2003 was sold in March 2016 for ₹ 75,000.
- House at Mangaluru : Let out for residential purposes. It was purchased by him in August 1978 for ₹ 90,000. Fair Market Value as on 1-4-1981 ₹ 1,50,000. Sale price on 1st Aug. 2015 ₹ 25,50,000. Cost of improvements made during 1989-90 ₹ 35,000. Expenses of transfer ₹ 25,000. He invested ₹ 3,00,000 in specified bonds on 1st October 2015.
- Motor Car (used for professional purposes) was sold on 1st Oct. 2015 for ₹ 68,000 (purchased for ₹ 1,50,000). Its W.D.V. on 1-4-2015 was ₹ 42,000.
- Jewellery costing ₹ 2,00,000 which was purchased in December 2013 was sold for ₹ 3,50,000 in March 2016.

C.I.I. : 1981-82 : 100, 1989-90 : 172, 1990-91 : 182, 2002-03 : 447, 2012-13 : 852, 2015-16 : 1081.

12. From the following information compute depreciation allowable to a firm for the Assessment Year 2016-17.

Assets	W.D.V. as on 1-4-2015 (₹)	Rate
1) Office Building	13,00,000	10%
2) Office Furniture	3,00,000	10%
3) Typewriters	2,00,000	15%
4) Computers	8,00,000	60%
5) Purchased new computers for ₹ 3,00,000 on 31-12-2015.		
6) Sold office buildings for ₹ 3,00,000 and purchased a new building for ₹ 60,00,000 on 1-2-2016.		
7) Purchased books for professional use ₹ 1,00,000 on 1-12-2015 (60%) (out of this ₹ 30,000 worth are annual publications).		
8) Purchased office furniture for ₹ 1,20,000 on 10-2-2016.		



SECTION – C

Answer **any two** questions.

(2×16=32)

13. Explain the rules regarding exemption of Capital Gains under Section 54, 54 B, 54 EC and 54 F.

14. Mr. Shinoji owns four houses. The details of which are as follows :

	I	II	III	IV
Annual Municipal Value	₹ 20,000	16,000	24,000	30,000
Fair rental value	₹ 24,000	30,000	20,000	24,000
Rent received	₹ 30,000	14,400	Self Occupied	Self Occupied
Standard rent	₹ 27,200	36,000	30,000	30,000
Municipal taxes paid	₹ 1,600	1,200	Nil	2,400
Municipal taxes due	₹ –	–	2,000	–
Repairs	₹ –	24,000	8,000	12,000

For the construction of the IV house, he had borrowed ₹ 1,00,000 at 15% p.a. on 1-1-2012. The house was completed on 1-9-2014. The loan outstanding as on 1-4-2015 was ₹ 80,000. During the year he recovered unrealised rent of ₹ 2,000, which was claimed as deduction in 2014-15. Compute his taxable Income from House Property.

15. Following is the Profit and Loss A/c of Mr. Harish for the Assessment Year 2016-17.

	₹		₹
To Purchases	6,28,000	By Sales	58,07,500
To Salaries and Wages	2,00,000	By Interest on FD	10,500
To Rent	1,20,000	By Bad debts recovered	
To Advertisement	3,00,000	(not allowed earlier)	20,000

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To Travelling Exps.	2,00,000	By Refund of Income Tax	30,000
To Bad debts	52,000	By Interest on Income	
To General Exps.	3,00,000	Tax Refund	3,000
To Provision for Taxation	3,00,000	By Rent received	80,000
To Addition to office building	3,00,000	By Winnings from lottery (Net)	49,000
To Fines and Penalties	1,00,000	By Profit on sale of shares (Long term)	2,00,000
To Sales tax paid	2,50,000	By Dividend from Infosys Ltd.	1,00,000
To Income tax paid	1,50,000		
To Net Profit	34,00,000		
	63,00,000		63,00,000

Additional Information :

- Purchases include ₹ 30,000 paid in cash.
- Advertisement expenses include cost of neon sign board ₹ 50,000.
- Sales tax of ₹ 30,000 for P.Y. 2014-15 was paid on 20-01-2016 but not included in the above Profit and Loss Account.
- Actual bad debts amounted to ₹ 60,000.
- General expenses include ₹ 50,000 drawn by the assessee.

Compute his Gross Total Income.

- Mr. Virat has the following Investments and Incomes in the Previous Year ended 31st March 2016.
 - ₹ 20,000 10% Central Govt. securities.
 - ₹ 36,000, 12% tax-free commercial securities.
 - ₹ 40,000 12% debentures of TATA industries.



- d) ₹ 25,000, 13.5% debentures of Bhakta Chemicals (listed).
- e) ₹ 30,000 in POSB A/c which earns interest at 6%.
- f) ₹ 40,000 units of U.T.I. (dividend received ₹ 3,000).
- g) ₹ 9,000 as interest received on Debentures of a Local Authority.
- h) ₹ 8,000 as interest received on Karnataka Govt. bonds.
- i) ₹ 12,000 interest on tax-free, Govt. of India bonds.
- j) ₹ 5,000 dividend received from a co-operative society.
- k) Interest on deposits under National Deposit Scheme ₹ 10,000.

On 1st August 2015, he sold debentures of TATA Ltd. at a profit of ₹ 3,000 and purchased ₹ 60,000, 9% Indian Railway Bonds. For this purpose he borrowed ₹ 30,000 from his friend at 12% p.a. The bank commission for collecting the interest was ₹ 400 and for buying and selling the securities is ₹ 1,000. Interest is payable on 1st July and 1st January every year.

Compute his Income from Other Sources.

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