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BCMCMC 317

**Credit Based V Semester B.Com. Degree
Examination, October/November 2017
(2016 – 17 Batch Onwards) (Semester Scheme)
COMMERCE
Business Taxation – III (Elective)**

Time : 3 Hours

Max. Marks : 120

Instruction : Provide working notes *wherever* necessary.

SECTION – A

Answer **any four** of the following questions.

(4×6=24)

1. Explain the provisions relating to deduction under Section 80U.
2. Write an explanatory note on Carry forward of losses.
3. Explain the rules governing the working partners remuneration.
4. Total income of Mr. Mohan Das (age 58 years) is ₹ 12,80,200. It includes Agricultural Income ₹ 40,000, Short Term Capital Gains amounting to ₹ 30,000; Long Term Capital Gains ₹ 50,000 and Winning from U.P. State Lottery ₹ 1,00,000 (Gross). Find out his tax liability.
5. Mr. Pavan (suffering from severe disability) is a self employed person doing Tax practice in Mangaluru. He furnishes the following particulars of his income and investments for P.Y. 2016 – 17. Compute amount deductible U/s 80GG and the taxable income for the A.Y. 2017 – 18. If he or his wife do not own a house at working place.

Particulars

₹

Income from Profession	6,00,000
Long term capital gain	35,000
Income from other sources	20,000
Rent paid ₹ 7,000 p.m.	

P.T.O.

10. Mr. Vaman Rao, a resident individual, submits the following information :

- a) Income from salary ₹ 4,50,000
- b) Income from House Property A ₹ 30,000
- c) Loss from house property B ₹ 34,000
- d) Income from interest on securities ₹ 20,000
- e) Loss from a Cycle business ₹ 20,000
- f) Profit from Steel business ₹ 10,000
- g) Profit from speculation business ₹ 25,000
- h) Loss from short-term capital asset ₹ 6,000
- i) Long-term capital loss ₹ 25,000
- j) Long-term capital gain ₹ 21,000
- k) Income from crossword puzzles (TDS ₹ 9,000) ₹ 21,000.

Compute Gross Total Income.

11. Compute the income of the firm from business in the following cases :

Conditions u/s 184 and 40 (b) fulfilled :

- a) Book Profit ₹ 5,90,000.

Remuneration paid to working partners ₹ 1,70,000.

- b) Book Loss ₹ 34,000.

Remuneration paid to working partners ₹ 1,45,000.

- c) Book Profit ₹ 2,72,000.

Remuneration paid to working partners ₹ 1,60,000.

- d) Book Loss ₹ 57,000.

Remuneration paid to working partners ₹ 1,88,000.



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

- 1) Income from weaving with the aid of power ₹ 70,000.
 - 2) Income from collective disposal of labour of its members ₹ 17,000.
 - 3) Interest from Co-operative Society ₹ 32,000.
 - 4) Interest on deposit with Central Co-operative Bank ₹ 18,000.
 - 5) Income from house property (computed) ₹ 75,000.
 - 6) Income from other business ₹ 70,000.
 - 7) Dividend from shares of Vijaya Bank ₹ 15,000.
 - 8) Long Term Capital Gains ₹ 22,000.
 - 9) Donation to Udupi Municipality for renovation of hospital building ₹ 10,000.
- Compute total income and tax liability.

SECTION – C

Answer **any two** of the following questions.

(2×24=48)

13. Mr. Adithyanath (48 years) submits the following information relevant for the Assessment Year 2017 – 18 :

- 1) Business Income ₹ 3,00,000
- 2) Rent from House Property ₹ 80,000. Interest on housing loan ₹ 40,000.
- 3) Long-term Capital Gains ₹ 60,000.
- 4) Short-term Capital Gains u/s 111A ₹ 40,000.
- 5) Interest on Saving Bank Deposit ₹ 8,000.
- 6) Interest on Fixed Deposit ₹ 20,000.
- 7) Income from units of Mutual Fund ₹ 6,000.
- 8) Share of Profit from Partnership Firms ₹ 6,900.
- 9) Remuneration from Partnership Firm ₹ 40,000.
- 10) Income from Lottery (net) ₹ 42,000.

During the year he made the following payments :

- 1) Medical insurance premium for self and family ₹ 28,800.
- 2) Interest on education loan ₹ 20,000.
- 3) Engineering College tuition fee of his daughter aged 21 years ₹ 15,000.
- 4) Life Insurance premium ₹ 30,000.
- 5) ₹ 40,000 for the treatment of his mother (69 years) suffering from specified disease. ₹ 20,000 received from the insurance company.

During the year he made the following donations :

- 1) Swatch Bharath Abhiyan (Kosh) ₹ 10,000.
- 2) Clean Ganga Fund ₹ 11,000.
- 3) Prime Minister National Drought Relief Fund ₹ 12,000.
- 4) Books donated to an approved college ₹ 8,000.
- 5) Promotion of family planning ₹ 15,000.
- 6) To a school (in cash) ₹ 12,000.
- 7) BJP Party ₹ 20,000.

Compute total income and tax liability for the Assessment Year 2017 – 18.

14. Disha, Roopa and Dreema are partners in a firm (with Roopa and Dreema working partners) and share profit and losses in the ratio of 1 : 2 : 2. Their P & L for the year is given below :

	₹		₹
To Salaries	2,00,000	By Gross Profit b/d	5,20,000
To Rent	72,000	By Bank Interest	5,000
To Advertisement	5,000	By Dividend	8,000
To Bad Debts	7,000	By Bad debts recovered	6,000
To Sale Tax	8,000	By Interest on drawings by Disha	4,000
To Reserve for doubtful debtors	8,000	By Rent from letout property	20,000
To Income Tax	10,000	By Long-term, Capital Gains	29,500
To Sundry expenses	30,000		
To Depreciation	25,000		
To Municipal tax of letout property	4,000		
To Interest on capital @ 16 % p.a.			
Disha	6,000		
Roopa	9,000		
Dreema	18,000		
To Outstanding sales tax	7,000		
To Donations	30,000		
To Trading expenses	28,000		
To Commission to Roopa	10,000		
To Net Profit	1,15,500		
	5,92,500		5,92,500



- i) Salary include Disha's salary ₹ 20,000, Roopa ₹ 22,000 and Dreema ₹ 22,000.
- ii) Bad debts found to be excess by ₹ 3,000.
- iii) Furniture purchased by Disha for personal use ₹ 8,000, has been debited to Sundry Expenses A/c.
- iv) Trading expenses include Bonus to Roopa ₹ 5,000, to Dreema ₹ 5,500.
- v) Out of bad debts recovered ₹ 4,000 was allowed earlier.
- vi) Out of O/S Sales Tax ₹ 7,000, ₹ 4,000 was paid in August 2017 (before filing the returns).

Compute the total income of the firm, its tax liability and share of income of the partners exempt u/s 10(2A).

15. Vaidehi Ltd. is engaged in the business of manufacture of garments. The following Profit and Loss Account of the company is given for the year ended 31st March, 2017 :

Particulars	₹	Particulars	₹
To Salaries and Wages	4,00,000	By Gross Profit	54,00,000
To Entertainment expenditure	40,000	By Agricultural Income	11,00,000
To Traveling Expenses	70,000	By Rent from let out property	2,00,000
To Income Tax	5,50,000	By Transfer from General Reserve	1,00,000
To Outstanding custom duty	30,000	By Rent from staff quarters	1,00,000
To Provision for unascertained liability	1,20,000	By LTCG [exempt u/s 10(38)]	2,00,000
To Proposed dividend	1,00,000		
To Provision for loss of subsidiary company	40,000		
To Repairs of let out property	60,000		
To Municipal Tax on let out property	40,000		
To Agriculture expenses	5,00,000		
To Fines and Penalties	10,000		
To R.B.D.	30,000		
To Depreciation	8,00,000		
To Other expenses	4,00,000		
To Net Profit	39,10,000		
	71,00,000		71,00,000

**Additional information :**

- 1) Excise duty of 2015 – 16 paid during the year 2016 – 17 is ₹ 1,30,000. However, this is not debited to Profit and Loss Account given above.
- 2) Depreciation allowable as per Income Tax Rules is ₹ 9,20,000.
- 3) The following losses are to be set off :

	For Tax Purpose ₹	For Accounting Purposes ₹
Brought forward Business loss of 2014 – 15	22,00,000	18,00,000
Unabsorbed depreciation		6,00,000

You are required to compute :

- a) Total income of the company
- b) The book profit as per Section 115JB and
- c) The tax liability of the company for the Assessment Year 2017 – 18.

16. Given below is the P/L A/C of Javara Co. Ltd. for the year ending 31-03-2017.

To Establishment charges	1,20,000	By Gross Profit b/d	5,24,500
" Entertainment Expenses	23,000	" Dividends from Co-operative Societies	10,000
" Municipal tax on commercial complex	9,000	" Profit on sale of Investments (STCG)	20,000
" Fire Insurance Premium	5,000	" Refund of customs duty	11,000
" Legal charges	10,000	" Refund of sales tax	9,000
" General Expenses	90,000	" Rent from commercial complex	60,000
" Interest paid	35,000	" Commission	7,500
" Provision for Bad Debts	7,000		
" Bad Debts	6,000		
" Provision for Taxation	70,000		
" Advertising	15,000		
" Loss of goods due to fire	6,000		
" Provision for Depreciation	45,000		
" Sales Tax paid	30,000		
" Reserve Fund	25,000		
" Proposed Dividends	80,000		
" Net profit	66,000		
	6,42,000		6,42,000



Additional informations :

- 1) Legal expenses include ₹ 4,000 in connection with issue of second series of Debentures.
- 2) Fire insurance premium includes ₹ 2,000 insurance premium paid in respect of commercial complex.
- 3) General expenses include ₹ 10,000 paid to approved charitable institutions as donation.
- 4) Interest includes ₹ 5,000 interest on loan borrowed to pay sales tax liability.
- 5) Depreciation allowable as per I.T. Act is ₹ 48,000/-

Compute the total income and tax liability of the company for AY 2017 – 18.

(c) The tax liability of the company for the Assessment Year 2017 - 18 is:

Particulars	Amount (₹)
Provision for Taxation	27,000
Bad Debts	6,000
Provision for Bad Debts	7,000
Interest paid	36,000
Profit from commercial complex	62,000
General Expenses	30,000
Legal charges	10,000
Fire Insurance Premium	8,000
(STCG)	8,000
Profit on sale of investments	8,000
Municipal Tax on Commercial	
Entertainment Expenses	23,000
Dividends from Companies	
To Establishment charges	1,20,000
By Gross Profit	62,4500

18. Given below is the P&L A/c of Jayate Co. Ltd. for the year ending 31-03-2017.