



MS – 450

VI Semester B.Com. Examination, May 2016
(Semester Scheme) (Freshers + Repeaters)
(2014 – 15 & Onwards)
Paper – 6.3 : COMMERCE
Income Tax – II

Time : 3 Hours

Max. Marks : 100

Instruction : Answers should be written **completely** in **English** or in **Kannada**.

SECTION – A

Answer **any ten** sub questions. **Each** sub question carries **two** marks. (10×2=20)

1. a) What is vocation ?
- b) What is short term capital gains ?
- c) What is meant by carry forward and set off of losses ?
- d) What is meant by cost of improvement ?
- e) State any four transactions included under the term transfer.
- f) What is meant by cash system of accounting ?
- g) How do you treat bad debt recovered earlier written off ?
- h) What is gross total income ?
- i) What is grossing up and why it should be done ?
- j) State the provisions U/s 80U.
- k) What are listed and unlisted securities ?
- l) How do you treat family pension received by the family members of a deceased person ?

P.T.O.



SECTION – B

Answer **any four** questions. **Each** question carries **eight** marks.

(4×8=32)

2. State the provisions of Section 54 EC and 54 F.
3. Mr. Vakil has the following receipts and payments for the year ended 31-3-2015.
Compute his Professional Income :

| Receipts | Rs. | Payments | Rs. |
|-------------------|----------|---------------------|----------|
| Consultation fee | 2,00,000 | Office rent | 1,20,000 |
| Drafting charges | 1,50,000 | Salary to | |
| Dividend received | 60,000 | juniors and staff | 84,000 |
| Lectures in | | Car expenses | |
| law institutes as | | (25% personal) | 40,000 |
| guest faculty | 20,000 | Books (annual) | 10,000 |
| Gift from clients | 30,000 | Contribution to PPF | 15,000 |

4. Calculate the aggregate gifts received by Mr. Govind during the previous year ended 31-3-2015
- Gift received from mother in the form of jewellery Rs. 2,00,000/-
 - Gift from elder brother in cash Rs. 60,000/-
 - Gift of cash from uncle Rs. 60,000/-
 - Gift from colleagues on the occasion of his marriage in cash Rs. 35,000/-
 - Gift of a portable colour T.V. received from his cousin worth Rs. 8,000/-
 - Gift of Rs. 45,000 in cheque from non-resident friend.
 - Gift of site from non-relative by will Rs. 12,00,000/-



5. Calculate the total taxable capital gains for the A.Y. 2015 – 16 in respect of the following transfers.

- a) Sale of goodwill which is self generated in April 2014 Rs. 1,50,000/-.
- b) Sale of rights shares in July 2014 for Rs. 28,000/-. These were allotted at a cost of Rs. 9,000/- during P.Y. 2012 – 13.

(CII : 2012 – 13 : 852 & 2014 – 15 : 1024)

- c) Sale of personal vehicle for Rs. 90,000 and its cost Rs. 1,20,000/-
- d) Machinery sold in October 2014 for Rs. 1,96,000. Its cost on the date of purchase was Rs. 1,60,000/- and W.D.V. on 1-4-2014 was Rs. 1,44,000/-

6. Mr. Ajit has a GTI of Rs. 7,00,000/- for the previous year 2014 – 15 and the following particulars are given :

- a) LIP on own life Rs. 70,000/-.
- b) Amount invested in mutual funds of UTI Rs. 45,000/-
- c) Interest on loan taken for the higher education of his daughter Rs. 30,000/-
- d) He has maintained his younger brother dependent on him with specified disability. Maintenance expense Rs. 2,00,000 p.a.
- e) The G.T.I. has included Rs. 20,000 received as Royalty as an author and net value of books sold is Rs. 4,30,000/-.
- f) The assessee himself is physically handicapped.

Calculate Net Total Income.



SECTION – C

Answer any three questions. Each question carries sixteen marks. (3×16=48)

7. Information about assessee

a) Composite rent of building along with machinery Rs. 2,50,000/-.

The following are the expenses on machinery : Depn : Rs. 8,000/-

Repairs Rs. 4,000/-

b) He earned a Royalty of Rs. 40,000/- from stone quarry and the expenses to earn this income Rs. 3,000/-.

c) Salary as M.P. Rs. 35,000/-.

d) Income from bank fixed deposits Rs. 45,000/-

e) He earned a dividend from foreign companies grossing Rs. 65,000/- of which Rs. 15,000/- was deducted as T.D.S. in that country and the balance was received in India.

f) Winnings from Horse Race Rs. 2,10,000/- (Net).

g) Remuneration as examiner from a University Rs. 48,000 and incidental expenses Rs. 6,000 of which 50% expenses were reimbursed by University.

h) Unexplained expenditure Rs. 10,000/-

i) He has taken a house on rent for 21,000/- p.m. He has sub-letout $\frac{1}{3}$ of the house @ Rs. 15,000 p.m. and the expenses relating to the entire house incurred by him : Municipal Tax : 15,000/-

Repairs : 6,000/-

Compute the income from other sources for the A.Y. 2015 – 16.

8. The following is the Receipt and Payment Account of Mr. Ramki a Chartered Accountant for the P.Y. ended on 31-3-2015.

| | Rs. | | Rs. |
|---|-----------------|---------------------------------|-----------------|
| To Balance b/d | 1,50,000 | By Staff salary | 3,00,000 |
| " Audit fee | 2,00,000 | " Stipend to Audit Clerks | 1,00,000 |
| " Tax consultancy fee | 2,50,000 | " Office rent | 90,000 |
| " Project report fee | 2,50,000 | " Software development expenses | 10,000 |
| " Accounting software charges | 50,000 | " Office Exp. | 1,25,000 |
| " Guest lectures in CA Institute | 25,000 | " Books Annual | 30,000 |
| " Bank interest | 25,000 | Non-Annual | 30,000 |
| " Remuneration as member tax reforms commission | 20,000 | " Car expenses | 65,000 |
| | | " CA institute membership fee | 5,000 |
| | | " Contribution to PPF | 50,000 |
| | | " Balance c/d | 1,65,000 |
| | 9,70,000 | | 9,70,000 |

Other Information :

- a) $\frac{1}{4}$ car usage is personal.
- b) Depn. on car Rs. 10,000/-.
- c) Depn. on office furniture Rs. 7,000/-

Compute income from profession taxable for the A.Y. 2015 – 16



9. Mr. Amar gives you the following P & L Account for the P.Y. 2014 – 15 and compute his taxable business income

| | Rs. | | Rs. |
|--------------------------------------|------------------|-------------------------------|------------------|
| To salaries | 1,80,000 | By GP | 10,00,000 |
| " Rent and rates | 1,20,000 | " Commission | 1,00,000 |
| " Establishment expenses | 2,70,000 | " Refund of VAT | 25,000 |
| " Provision for bad debts | 5,000 | " Refund of excise penalty | 50,000 |
| " Publicity | 30,000 | " Interest | 25,000 |
| " Patent purchased | 1,00,000 | " Rent from H. property | 1,20,000 |
| " Technical know-how [on 1-1-15] | 1,00,000 | " Profit on sale of shares | 30,000 |
| " Depn. | 70,000 | " Share of income from HUF | 1,00,000 |
| " Excise duty provision | 80,000 | | |
| " Donation to National Laboratory | 50,000 | | |
| " NP | 4,45,000 | | |
| | 14,50,000 | | 14,50,000 |

Other Information :

- a) Establishment expenses include Rs. 10,000 for repairs to house property.
 - b) Salary includes Rs. 30,000 to owners son, and I.T.O. points out Rs. 5,000 is excessive.
 - c) Establishment expenses also included Rs. 5,000/- expenditure paid out of India without T.D.S. in India.
 - d) 40% of excise duty provision was paid before last date for filing return and the balance still unpaid.
 - e) Depreciation allowable as per IT provision Rs. 50,000 [Excluding patent and technical know-how purchased].
10. Mr. Ramanand inherited 20 acres of agricultural land in urban limits from his father during 1979. The FMV on 1-4-1981 was Rs. 38,000/- per acre. He made improvements during the P.Y. 1985 – 86 at a cost of Rs. 3,000 per acre (CII 133). On 17-8-2014 he sold 10 acres at Rs. 12,50,000 per acre and expenditure on transfer was 4%. He made the following appropriations.
- a) Purchased another of 10 acres of agricultural land at Rs. 1,90,000 per acre.
 - b) Purchased a residential house for Rs. 24,00,000/-
 - c) Paid Rs. 9,00,000/- for a bank loan taken for private purpose.

Compute taxable capital gain.

(CII 1981 – 82; = 100 2014 – 15 = 1024)