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MS – 405

VI Semester B.Com. Examination, May/June 2013
(Semester Scheme)
COMMERCE
Paper 6.2 : Income Tax – II

Time : 3 Hours

Max. Marks : 90

Instruction : Answer should be **completely** either in **English** or in **Kannada**.

SECTION – A

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

1. a) What are tax-free government securities ?
- b) How do you treat daily allowance given to a Member of Parliament ?
- c) Mention the Provisions of Sec. 80 GGC.
- d) Mention the rules for carry forward of speculation business loss.
- e) What is Re-assessment ?
- f) Mention the Income Tax Exemption limit for women below 60 years of age.
- g) Mention the provisions of Sec. 80 D.
- h) Who is an Inspector of Income Tax ?
- i) Define the term business.
- j) What is cash system of book keeping ?
- k) What is Long-term Capital Asset ?
- l) What is cost inflation index ?

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SECTION – B

Answer **any five** questions. **Each** question carries **5** marks

(5×5=25)

2. What are the provisions governing the set off of inter-source losses ?
3. Mention the 5 powers of Central Board of Direct Taxes.
4. Shri Ganesha (age 46 years) a businessman from Bangalore wants your advise regarding the admissibility or otherwise of the following expenses and losses under the provisions of the Income Tax Act 1961.
 - i) Penalty paid to customs authorities for importing prohibited goods from Australia Rs. 1,80,000
 - ii) Loss of Rs. 1,20,000 snatched away from the cashier's possession while going to bank to deposit the amount.
 - iii) Brokerage paid for raising a loan of Rs. 10,00,000.
 - iv) Commission of Rs. 50,000 paid to secure a business order.
 - v) Compensation of Rs. 2,00,000 paid to an employee for premature termination of his services.
5. Smt. Latha (age 56 years) an entrepreneur from Mumbai bought a Diamond Stud in August 1964 for Rs. 36,000. She sold this diamond stud for 3,60,000 in January 2012. The Fair Market Value on 1-4-1981 was Rs. 40,000. CII for 1981-82=100, 2011-12=785.

Determine Capital Gain for the Assessment Year 2012-13.

6. Srirangam (age 49 years), a Resident of Bangalore has earned the following incomes for the year ending 31st March 2012 :
 - i) Rent from plot of agricultural land in Sri Lanka Rs. 60,000.
 - ii) Srirangam, being a Management Expert gave managerial advise to six entrepreneurs who paid him Rs. 7,50,000.
 - iii) He owns a quarry in Bellary, which he has let-out on a Royalty of Rs. 60 per ton of stone raised. During the previous year 9000 tons of stones were raised. He spent Rs. 900 for collecting Royalty.
 - iv) Dividend received from Sir M.V. Co-operative Society Rs.1,600.

Compute taxable income from other sources for the Assessment year 2012-13.



7. Sairam (age 51 years), a Resident of Bangalore, who runs an Agency Business does not own a house. He lives in a rented house by paying Rs. 15,000 monthly rent. His Gross Total Income is Rs. 6,60,000 and he is eligible for a deduction of Rs. 60,000 u/s 80C.

Compute the amount deductible (for the Assessment Year 2012-13) u/s 80GG.

8. State the conditions u/s 54 for claiming exemption from Capital Gains.
9. Smt. Chamundeshwari (age 51 years), a Resident of Mysore runs a cloth business. Her Profit and Loss Account for year ending 31st March 2012 was as follows :

Dr.		Cr.	
Particulars	Amount ₹	Particulars	Amount ₹
To Salary to staff	10,00,000	By Gross Profit	30,00,000
" Rent, rates and taxes	6,00,000	" Interest on Post Office SB A/c	40,000
" General Expenses	8,00,000		
" Net profit	6,40,000		
	30,40,000		30,40,000

Salary includes Proprietor's Salary Rs. 1,20,000 and General Expenses includes Rs. 2,00,000 spent for daughter's wedding.

Compute taxable income from Business for the Assessment Year 2012-13.

SECTION – C

Answer **any three** questions. **Each** question carries **15** marks. (3×15=45)

10. Mrs. U.R. (age 50 years), a Resident of Bangalore, purchases a Residential House in Bangalore on 17th October 1970 for Rs. 2,26,000. She constructed a room on the ground floor in July 1981 at a cost of Rs. 40,000 and two more rooms on the first floor in August 1993 at a cost of Rs. 92,000.

She sold this property on 13th March 2012 for Rs. 30,45,000 after incurring 1% brokerage. The FMV as on 1-4-1981 was Rs. 1,80,000. Find out Capital Gain for the Assessment Year 2012-13 if she purchases a Residential flat in Bangalore on 25th March 2012 for Rs. 32,00,000.

CII for 81-82=100, 93-94=244 and 2011-12=785.



11. Shri Narayan Rao (age 54 years), an eminent Chartered Accountant and a Resident of Bangalore. His receipts and payments account for the year ending 31st March 2012 was as given below :

Dr.			Cr.
Particulars	Amount ₹	Particulars	Amount ₹
To Balance b/d	1,60,000	By Office rent	90,000
" Audit fee	5,40,000	" Printing and stationery	20,000
" Examiner's fee	60,000	" Newspapers and magazines	15,000
" Long-term capital gain	1,40,000	" General expenses	2,00,000
" Dividend on shares of MRF Ltd. (Gross)	50,000	" Subscription to CA Institute	25,000
		" Car Expenses	40,000
		" Professional books (Annual publication)	60,000
		" Laptop bought and put to use on 17-10-11	50,000
		" Electricity and water	10,000
		" Telephone expenses	30,000
		" Donation to NDF (National Defence Fund)	50,000
		" Donation to Rajiv Gandhi foundation	50,000
		" Approved Charitable Institution	40,000
		" Municipality for family planning	40,000
		" Balance c/d	2,30,000
	9,50,000		9,50,000

Compute Total Income for the Assessment Year 2012-13.



12. Shri Govinda (age 55 years), a Resident of Mumbai submits the following Profit and Loss Account for the year ending 31st March 2012.

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
	₹		₹
To Opening stock	1,10,000	By Sales	36,00,000
" Purchases	14,00,000	" Closing stock	2,20,000
" Wages	3,00,000		
" Gross profit	20,10,000		
	38,20,000		38,20,000
" Advertisement	2,00,000	" Gross profit b/d	20,10,000
" Salary to staff	6,60,000	" Rent	2,40,000
" Govinda's salary	1,20,000	" Commission	1,50,000
" Audit fees	60,000	" Bad Debts recovered	
" Bad Debts	40,000	(earlier disallowed)	70,000
" Reserve for Bad Debts	50,000	" Dividend on SRM Ltd.,	
" General Expenses	2,50,000	Shares (Gross)	30,000
" Municipal Tax	24,000		
" Fire Insurance			
Premium on goods	26,000		
" Depreciation	78,000		
" Patent rights	1,60,000		
" Staff welfare fund	40,000		
" Employees R.P.F.	50,000		
" Sales Tax	1,90,000		
" Donation to NDF	1,00,000		
" Premium on Govinda's			
Life Insurance	36,000		
" Net profit	4,16,000		
	25,00,000		25,00,000

**Other information :**

- i) Opening Stock and Closing Stock were over valued by 10%.
- ii) Advertisement includes Rs. 1,00,000, being cost of permanent sign board.
- iii) Business Income of Rs. 70,000 was not recovered in the P and L A/c.
- iv) General Expenses include Rs. 50,000 paid for securing business orders and Rs. 60,000 spent on Govinda's birthday.
- v) Depreciation allowable on all assets including permanent sign board but excluding patent rights as per IT Rules was Rs. 90,000.
- vi) Patent rights were acquired on 11-10-2011 on which depreciation allowable at 25%.

Compute Taxable Income from business for the Assessment Year 2012-13.

13. Mr. Pushkaran (age 46 years) a Resident of Bangalore provides the following information for the year ending 31st March 2012.

- a) He holds the following investments :
 - i) Rs. 2,00,000, 9 % tax free commercial securities.
 - ii) Rs. 1,00,000, 8 % listed debentures of SRM Ltd.
 - iii) Rs. 81,000, 10 % tax-free debentures of NRM Ltd.
 - iv) Rs. 40,000, 10 % BESCO, Bonds.
- b) He lives in a rented house for which he pays Rs. 12,000 p.m. He has sub-let $\frac{1}{3}$ portion of the house on a monthly rent of Rs. 6,000. He incurred Rs. 7,200 for Repairs and Rs. 6,000 for Municipal tax of this house.
- c) Received Dividend on T.C.S. Ltd. (Gross) Rs. 30,000.
- d) Received interest on Post Office Savings Banks, Rs. 12,000.
- e) Received Dividend from U.T.I. Rs. 8,000.
- f) Income from letting out plot of land in Mysore for Rs. 36,000.
- g) Winnings from Karnataka State Lottery (Net) Rs. 70,000.
- h) Income from letting out plant and machinery under lease Rs. 1,20,000, the allowable depreciation is Rs. 12,000, Repairs Rs. 7,000 and Fire Insurance Premium Rs. 1,000.

Compute Taxable Income from other sources for the Assessment Year 2012-13.



14. Dr. Usharani (age 46 years), a physician and resident of Mumbai submits the following receipts and Payments Account for the year ending 31st March 2012.

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
	₹		₹
To Balance b/d	1,40,000	By Rent of clinic	
" Consultation fees		2010-11	36,000
2010-11	25,000	2011-12	<u>1,44,000</u>
2011-12	5,25,000	" Surgical Equipments	1,00,000
2012-13	30,000	" Computer	50,000
	<u>5,80,000</u>		
" Visiting fees	1,60,000	" Interest on loan (for profession)	40,000
" Winnings from Lottery (gross)	1,00,000	" Electricity and water	18,000
" Interest on Post Office Savings Bank A/c	60,000	" Newspaper and magazine	12,000
" Gifts from patients	80,000	" Professional books (Annual publication)	30,000
" Share from HUF	50,000	" Purchase of medicines	1,00,000
" Sale of Medicines	2,40,000	" Household expenses	25,000
" Loan from Bank	3,00,000	" Income tax	25,000
		" Life Insurance Premium	36,000
		" Gift to mother	24,000
		" Subscription to AIMA	20,000
		" Subscription to professional journals	10,000
		" Car expenses	60,000
		" Telephone expenses	30,000
		" Lottery Tickets	50,000
		" Staff salary	2,40,000
		" Balance c/d	6,60,000
	17,10,000		17,10,000

- Written down value of car on 31-3-2011 was Rs. 2,00,000 on which 15% depreciation to be charged. Car is used 60% for profession and 40% for private purpose.
- Visiting fee due but not received for 2011-12 Rs. 36,000.
- Closing stock of medicines Rs. 30,000.
- Surgical equipments and computers were bought and put to use on 10-9-2011.

Determine taxable income from profession of Dr. Usharani for the Assessment Year 2012-13.