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BCMCMC 263

**Credit Based IV Semester B.Com. Degree Examination, September 2022
(2019 – 20 and Earlier Batches)
COMMERCE
Business Taxation – II (Paper – II)**

Time : 3 Hours

Max. Marks : 80

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

SECTION – A

Answer **any four** :

(4×4=16)

1. Explain briefly about the deductions permissible while computing income from house property.
2. How do you treat the following items under the head business income ?
 - a) Commission paid for securing order for the business.
 - b) Cash credit u/s 68.
 - c) Litigation expenses incurred for curing any defect in the title of assets.
 - d) Embezzlement of cash by an employee during office hours.
3. Define 'transfer' of capital assets u/s 2 (47).
4. Mr. Panduranga's investments during the year ended 31st March, 2021 consisted of the following :
 - 1) ₹ 25,000, 7% Government Securities.
 - 2) ₹ 15,000, 8% Agra Municipal Bonds.
 - 3) ₹ 20,000, 9% Bombay Port Trust Bonds.
 - 4) ₹ 10,000, 7-Year Post Office N.S.C.
 - 5) ₹ 15,000, 6% Securities issued by a foreign government.
 - 6) ₹ 3,600 received as interest on the securities of a company (not listed).Find out his income from other sources.

P.T.O.



5. Calculate the depreciation allowable for the A.Y. 2021 – 22 :

Block of Assets	WDV on 01-04-2020	Rate
	₹	
Machinery A	10,00,000	15%
Machinery B	6,00,000	15%

During the year, a new machinery C was purchased for ₹ 50,000 on 20-09-2020. The assessee is entitled to additional depreciation at 20%.

6. X purchased a residential house at Udipi for ₹ 2,15,000 on 01-04-1998. On 01-04-2001 its Fair Market Value was ₹ 3,00,000. He gifted this house to his daughter Z on her marriage which took place on 01-08-2009. Then its fair market value was ₹ 6,80,000. Z sold the house on 01-10-2020 for ₹ 35,00,000.

Compute the taxable gains in the hands of Z, if a sum of ₹ 5,00,000 is deposited by Z on 25-07-2021 under Capital Gain Accounts Scheme. The CII for 2001-02 : 100, 2009 – 10 : 148, 2020 – 21 : 317.

SECTION – B

Answer any four :

(4×8=32)

7. Explain the kinds of securities.

8. Mr. Sudhamsha Rao furnishes the particulars of the three houses used by him for his own residence :

	I	I	III
Municipal Valuation	80,000	1,76,000	2,40,000
Fair rent	1,44,000	2,24,000	3,00,000
Standard rent under Rent Control Act	1,20,000	2,40,000	2,80,000
Municipal taxes paid	4,000	6,000	8,000
Repairs	Nil	4,000	8,600

All the houses were completed in Dec. 2018. He has mortgaged all the houses for raising loan at 10% p.a. as under :

- a) House I is mortgaged in favour of a firm for raising a loan of ₹ 80,000 in order to finance his daughter’s marriage.
- b) House II, mortgaged with HDFC for ₹ 2,00,000 for its construction.
- c) House III mortgaged in favour of his non-resident friend for ₹ 50,000. The money was utilized for its construction. The interest for the previous year (payable outside India) is still unpaid. No tax has been deducted at source. There is no person in India who may be treated as the agent of the lender. Compute the income from house-property.



9. Mr. Naresh has the following investments/Incomes in the P.Y. ended 31st March 2021.

- 1) ₹ 15,000, 10% Central Govt. securities.
- 2) ₹ 36,000, 10% tax-free commercial securities.
- 3) ₹ 30,000, 13.5% debentures of Reliance industries.
- 4) ₹ 20,000 units of UTI (dividend received ₹ 2,000).
- 5) ₹ 9,000 as interest received on debentures of local authority.
- 6) ₹ 5,000 as interest received on Karnataka Govt. bonds.
- 7) ₹ 6,000 interest on tax-free Govt. of India bonds.
- 8) ₹ 5,000 dividend received from a co-operative society.

On 15th November, 2020 he sold debentures of Reliance Industries at a profit of ₹ 2,000 and purchased ₹ 50,000, 9% Indian railway Bonds for ₹ 48,000. For this purpose he borrowed ₹ 20,000 from his friends at 10% p.a. Interest is payable on 1st July and 1st January every year.

Compute his income from other sources.

10. The following is the Profit and Loss Account of the Raj Oil Mills for the financial year 2020-21. Compute its business income on the basis of additional information.

Profit and Loss Account

	₹		₹
Office Salaries	45,000	Gross Profits	2,40,000
General Expenses	21,000	Profit on sale of car	45,000
Bad Debts	3,000	Recovery of bad debts	15,000
Advertising expenses	11,100	Interest on Govt. Securities	10,500
Insurance Premium (fire)	4,500	Dividends	10,500
Depreciation	15,000	Gifts on the occasion of grihapravesam	15,000
Reserve for bad debts	9,000		
Donation to a school	7,500		
Car Expenses	6,000		
Net Profit	2,13,900		
	3,36,000		3,36,000



Additional information :

- a) General expenses include :
 - i) ₹ 7,500 as compensation paid to an Accountant who had to be removed from service in the interest of business, and
 - ii) ₹ 8,300 as contribution paid to the Govt. for laying electric cables for the company's plant.
- b) Depreciation as regards the relevant blocks of assets under the Income Tax Act ₹ 9,500.
- c) In the assessment year 2020 – 21 the Assessing Officer had refused to allow deduction for the bad debts of ₹ 5,000 now recovered.
- d) Car expenses include ₹ 1,500 attributable to use of car for personal work.

11. Compute allowable depreciation from the following :

Block of Assets	WDV on 01-04-2020 ₹	Rate
1) Building	30,00,000	10%
2) Plant and Machinery	20,00,000	15%
3) Furniture	1,00,000	10%
4) Computer	2,00,000	40%

The assets purchased during the year were :

- Building on 24th July for ₹ 9,00,000
- Plant on 28th August for ₹ 10,00,000
- Machinery on 4th December for ₹ 15,00,000
- A computer (cost ₹ 40,000) was sold for ₹ 20,000 in Jan. of P.Y.

12. Abhay sold the following properties :

- 1) Jewellery costing ₹ 75,000 in 6th January 2017, sold for ₹ 2,00,000 in December 2020.
- 2) House at Mangalore let out for residence, sold on 30-11-2020 for ₹ 21,00,000. It was inherited by him in 1994 and its FMV on 01-04-2001 was ₹ 1,60,000. His father had acquired it for ₹ 1,00,000 in 1990. He purchased another house in Jan. 2021 for ₹ 3,00,000.



- 3) Agricultural land in Mysore sold for ₹ 6,25,000. It had cost him ₹ 85,000 in December 2010. He purchased agricultural land for ₹ 1,20,000 in July 2021.
- 4) Machinery purchased in July 2020 for ₹ 10,000 sold for ₹ 12,000 in February 2021.
- 5) Motor Truck Purchased during the year for ₹ 1,30,000 sold for ₹ 1,20,000 in February 2021.

Compute his taxable capital gains. CII for 2001-02 : 100, 2010-11 : 167, 2020-21 : 317.

SECTION – C

Answer **any two** :

(2×16=32)

- 13. What do you mean by Cost of Acquisition ? Explain the provisions governing the determination of cost of acquisition.
- 14. Compute income from house from property from the following particulars.

	I	II	III	IV
Municipal Value	90,000	75,000	60,000	72,000
Fair Rental Value	84,000	1,05,000	90,000	1,20,000
Rent received	81,000	80,000	75,400	1,02,000
Standard Rent	96,000	90,000	1,01,000	1,08,000
Vacancy period (months)	3	–	1	1
Repairs	10,000	12,000	6,000	14,000
Municipal Taxes :				
Paid	3,000	1,500	–	–
Due	–	–	1,200	1,600

The assessee had borrowed on 01/08/15 ₹ 2,50,000 at 12% p.a. for the construction of the III house which was completed on 31/10/2018. As on 01/04/2020 ₹ 2,00,000 was outstanding. In respect of the IV house one month rent was unrealized, the claim was genuine and satisfied the conditions: and the rent received was for 10 months.



15. From the following Receipts and Payments A/c for the year ending 31st March, 2021 of Mr. Vikas C.A., Mangalore, compute the income from profession and Gross Total Income for the A.Y. 2021 – 22. He keeps his account on cash basis.

	₹		₹
To Balance b/d	50,000	By Office expenses	60,000
To Audit fees		By Salary to staff	
2019 – 20	75,000	2019 – 20	40,000
2020 – 21	50,000	2020 – 21	30,000
2021 – 22	25,000	By Institute membership fees	7,000
	1,50,000	By Professional Books	8,000
To Tax consultancy fees	60,000	By Stipend to article clerks	45,000
To Arbitration fees	40,000	By Computers	40,000
To Examination Investigation fees	20,000	By Repairs to computer	2,000
To Accountancy work	1,00,000	By Car expenses	8,000
To Financial consulting fees	60,000	By Interest on loans	12,000
To Project and feasibility report fees	20,000	By Income tax	6,000
To Presents and gifts	40,000	By Purchase of car	1,00,000
To Winning from lotteries	20,000	By Household expenses	8,000
To Rent from LOP	75,000	By balance c/d	2,89,500
To Share of income from firm	12,500		
To Dividends	8,000		
	6,55,500		6,55,500



Other information :

- 1) Half of the car services were used for personal purpose.
 - 2) 50% of the loan taken is used for private purpose.
 - 3) Dep. allowable on car ₹ 15,000 ; on books ₹ 3,200 and on computers ₹ 16,000.
 - 4) Office expenses O/s ₹ 3,000.
 - 5) Commission earned but not received amounted to ₹ 12,000.
 - 6) Out of the gifts ₹ 10,000 received on his marriage anniversary and remaining were received from clients.
16. Smt. Geeta submits following particulars of her income for year. Compute her income from other sources.
- 1) Royalty income from publication of articles ₹ 10,000.
 - 2) Income from sub-letting $\frac{1}{2}$ of house ₹ 50,000 p.a. She paid rent of ₹ 30,000 p.a. for this house.
 - 3) Gift from brother-in-law ₹ 20,000 gift from other persons ₹ 55,000.
 - 4) Winnings from cross-word puzzles ₹ 6,910.
 - 5) Examinership remuneration ₹ 5,000.
- She has also following investment and incomes.
- 6) ₹ 30,000, 6% tax free Govt. Securities.
 - 7) ₹ 11,000, 10% Karnataka State Govt. loan.
 - 8) ₹ 20,000, 13% less tax commercial securities.
 - 9) ₹ 36,000, 10% tax free listed debentures of X Ltd.
 - 10) ₹ 6,240, as interest on tax free debentures of a Steel Co. (listed).
 - 11) ₹ 3,200 dividend from UTI.
 - 12) ₹ 3,000 as interest on Govt. securities.
 - 13) ₹ 6,000 dividend received from TCS.
 - 14) Income from undisclosed source ₹ 10,000.
- In July she sold the above ₹ 36,000, 10% tax free debentures of a Co. In August, she inherited ₹ 40,000, 12% Pref. shares of XY Co. Ltd. from her father. Interest on above securities falls due on June 30th and Dec. 31st of every year.
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