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**BCMCMC 281**

**Choice Based Credit System IV Semester B.Com. Examination, September 2022  
(2020 – 21 Batch Onwards)  
COMMERCE  
Direct Tax – II (Elective)**

Time : 3 Hours

Max. Marks : 80

**SECTION – A**

Answer **any four** questions.

**(4×4=16)**

1. Explain briefly about the deductions permissible while computing income from house property.
2. Write a short notes on bond washing transaction.
3. How do you treat the following expenses while computing income from business or profession ?
  - i) Expenditure incurred on raising loan.
  - ii) Legal expenses incurred to defend against criminal liability.
  - iii) Expenses incurred in connection with income tax proceedings.
  - iv) Payment exceeding Rs. 25,000 in cash on one payment.
4. From the following information, compute depreciation allowable for the PY 2020 – 21.

	<b>Rs.</b>
WDV of plant A and B on 1-4-2020	4,00,000
Purchased Plant 'X' in July 2020	1,00,000
Purchased Plant 'Y' in January 2021	60,000
Sold Plant 'B' in March 2021	2,00,000
Rate of depreciation 15% p.a.	
The plant purchased is eligible for additional depreciation.	

**P.T.O.**



5. Mr. Swamy's investments during the year ended 31<sup>st</sup> March 2021 consisted of the following.

- i) Rs. 70,000 – 10% govt. securities.
- ii) Rs. 40,000 – 12% Bangalore Municipal Bonds.
- iii) Rs. 20,000 – 7 year Post Office NSC.
- iv) Rs. 20,000 – 9% securities issued by foreign government.
- v) Rs. 45,000 – 7% Government Bonds.
- vi) 7% National Plan Certificates 50,000.

He paid Rs. 2,500 as commission for collecting the interest taxable and Rs. 2,400 as interest on loan taken for the purpose of purchasing Bangalore municipal bonds. Compute the income from other sources.

6. Mr. Ravi is a resident of Mumbai. He did not own any house and lived in a rented house. He had purchased jewellery for Rs. 1,00,000 in April 2001. He sold this jewellery for Rs. 40,00,000 on July 2020 and incurred Rs. 25,000 as selling expenses.

He purchased one residential house for Rs. 30,00,000 in August 2020.

Determine his taxable capital gain if Cost Inflation Index (CII) for 2001 – 02 = 100 and 2020 – 21 = 301.

### SECTION – B

Answer **any four** questions.

**(4×8=32)**

7. Ranjith owns a big house, the construction of which completed in May 2019. Details are as follows.

- i) 60% of the floor area is letout for residential purposes on a monthly rent of Rs. 15,000 per month.
- ii) 20% of the floor area is used by him for the purpose of his profession.
- iii) 20% of the floor area is used for his own residence.

Other particulars of the house are as follows.

- a) Municipal valuation of entire house Rs. 3,00,000
- b) Standard rent of the entire house Rs. 3,60,000
- c) Total Municipal tax paid Rs. 48,000
- d) Fire insurance premium Rs. 12,000
- e) Interest on capital borrowed for the construction the house Rs. 1,60,000.

Compute taxable income from house property.



8. Dr. Chandana is a registered medical practitioner. From the following information income and expenditure account relating to the year ending 31<sup>st</sup> March 2021, Compute taxable income from profession.

<b>Income and Expenditure A/c</b>			
<b>Expenses</b>	<b>Amount (Rs.)</b>	<b>Incomes</b>	<b>Amount (Rs.)</b>
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 old house	24,000
Income tax	2,000	Dividend	30,000
Salaries	8,000	Interest on Post Office SB A/c	7,000
Gift to Daughter	7,000	Gifts from patients	2,000
Establishment expenses	1,000	Interest on FD	17,900
Surgical equipments purchased	4,000		
Books	1,200		
Life insurance premium	2,000		
Fines and Penalties	1,000		
Interest on capital	1,000		
Surplus	38,700		
	<b>1,20,900</b>		<b>1,20,900</b>

9. Sharadhi gives the following particulars of her income for the previous year 2020 – 21. Compute her income from other sources.
- i) Income from letting on hire of building and machinery under on composite lease Rs. 50,000.
  - ii) Dividend on preference shares 12,000.
  - iii) Interest on fixed deposit in a Bank Rs. 6,000.
  - iv) Income from undisclosed source Rs. 10,000.
  - v) Winnings from lottery (net) Rs. 21,000.
  - vi) Gift from father Rs. 60,000.
  - vii) Interest on Post Office SB A/c Rs. 5,000.
  - viii) Interest received from National Development Bond Rs. 15,000.
- She claimed following deductions.
- a) Collection charges of dividend Rs. 300.
  - b) Allowable depreciation on building and machinery Rs. 6,000.



10. From the following information compute depreciation allowance allowable to Pai and Co., a Chartered Accountants concern, for the AY 2020 – 21.

<b>Assets</b>	<b>Rate of Dep. (in percentage)</b>	<b>WDV on 1-4-2019 (Rs.)</b>
1) Computers	40	1,40,000
2) Type writers	15	30,000
3) Furniture and fittings	10	1,00,000
4) Office Building	10	5,00,000
5) Staff quartress	5	15,00,000

- 6) Purchased a new computer during the previous year Rs. 60,000.
- 7) Sold office building for Rs. 15,00,000 and purchased a new office building for Rs. 40,00,000 in December 2020.
- 8) Purchased books (annual publication) Rs. 40,000 (Rate of depreciation 40%).

- 11. How to compute annual value of both letout and self occupied house property ?
- 12. Explain the provisions relating to computation of depreciation on plant and machinery and additional depreciation on plant and machinery.

SECTION – C

Answer **any two** questions.

**(2×16=32)**

13. Compute income from house property from the following information.

	<b>House I</b>	<b>House II</b>	<b>House III</b>	<b>House IV</b>
Municipal value	80,000	75,000	92,000	92,000
Fair rent	88,000	81,000	88,000	90,000
Standard rent	82,000	88,000	91,000	88,000
Monthly rent	9,000	–	7,000	9,000
Vacancy	3 months	–	1 month	1 month
Repairs	10,000	12,000	6,000	14,000
Municipal taxes Paid	3,000	1,500	–	–
Due	–	–	1,200	1,600



In respect of House I, an unrealised rent of Rs. 5,000 was recovered during the year which was belonging to earlier years.

House II was self occupied.

On House III, the assessee had borrowed on 1-8-2016 Rs. 2,50,000 at 12% p.a. for the construction of the house. Construction was completed on 1-4-2019.

As on 1-4-2020 Loan outstanding was Rs. 1,50,000.

In respect of House IV one month rent was unrealised, the claim was genuine and satisfied the conditions.

14. Following is the Profit and Loss Account of Mr. Gowtham, compute his gross total income for the AY 2021 – 22.

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
	<b>(Rs.)</b>		<b>(Rs.)</b>
To Salaries	1,50,000	By Gross profit	9,56,000
To Rent	70,000	By Bad debts recovered	
To Advertisement	50,000	(Not allowed earlier)	2,000
To Interest on capital	10,000	By Rent from House	
To Depreciation	36,000	property	1,50,000
To Bad debts	8,000	By Interest on fixed	
To Local tax on LOHP	10,000	deposits	12,000
To Sales Tax	12,000	By Dividend on shares	14,000
To Income Tax	23,000	By Winnings from lottery	21,000
To Wealth Tax	15,000		
To Donations	18,000		
To Provision for Bad debts	2,000		
To Interest on Loan	12,000		
To Net profit	7,39,000		
	<b>11,55,000</b>		<b>11,55,000</b>

**Additional Information :**

- 1) Salary includes Rs. 24,000 to Gowtham, the proprietor.
  - 2) Depreciation allowable is Rs. 30,000.
  - 3) An excise duty of Rs. 10,000 of P.Y. 2018 – 19 was paid during the year which is not shown in the above profit and loss account.
  - 4) Actual bad debts allowed is Rs. 6,000.
  - 5) Interest on loan included an interest of Rs. 4,000 paid in respect of housing loan taken to acquire letout house property.
  - 6) The opening stock Rs. 80,000 was undervalued by 20%.
  - 7) Rent and taxes include a rent of Rs. 28,000 paid in cash.
15. a) Mr. Siddarth sold the following assets during the Previous Year 2020 – 21.
- i) Gold ornaments acquired in July 2019 for Rs. 1,50,000 were sold for Rs. 2,80,000 in June 2020.
  - ii) Self cultivated land was sold for Rs. 12,00,000 in January 2021 and its purchase price in 2001 – 2002 was Rs. 50,000. He purchased a new land for cultivation in Jan. 2021 for Rs. 6,00,000.
  - iii) Motor car sold on 1-12-2020 for Rs. 90,000 which was purchased by him in June 2019 for Rs. 1,40,000. Its written down value on 1-4-2020 was Rs.1,00,000.
  - iv) Residential house purchased in July 2001 for Rs. 60,000 was sold for Rs. 12,50,000 on 1-1-2021.

During the year he purchased new residential house for Rs. 2,50,000 and invested Rs. 1,00,000 in specified bonds.

Compute capital gains taxable cost inflation index 2001 – 02 = 100,  
2019 – 20 = 289, 2020 – 21 = 301.



b) The following incomes are received by Mr. Shravan during the PY 2020 – 21.

	<b>Rs.</b>
a) Directors fees	30,000
b) Income from agricultural land in Nepal	12,000
c) Income from agricultural land in Udupi	25,000
d) Dividend from Indian company	15,000
e) Dividend from a foreign company	25,000
f) Rent received from subletting the house (2/3 was sublet)	26,000
g) Rent paid for whole house to landlord	30,000
h) Winnings from Lottery (net)	70,000

Compute taxable income from other sources for the AY 2021 – 22.

**8**

16. What do you mean by cost of acquisition ? Explain the provisions for the determination of cost of acquisition.

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