**Date: 25-06-2019**

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com – VI SEMESTER**

**SPECIAL SUPPLIMENTORY EXAMINATION-JUNE**

**BC6216 / BPS 6216- Income Tax - II**

**Time: 2 ½ Hours Max Marks: 70**

**Supplementary candidates only.**

**This paper contains five printed pages and four parts**

**Section A**

**I Answer any five of the following (5 X 2 = 10marks)**

1. State whether the following transactions will result in ‘transfer’ in relation to a capital asset.
	1. A house transferred by way of will to son
	2. Giving away jewellery for a piece of land
2. Show the head of income under which the following items would be charged to tax.
	1. Salary received by prime minister of India
	2. Interest on Income Tax Refund
3. Under which section of Income tax act the following deductions (Chapter VIA) can be claimed?
	1. In respect interest received on saving bank account.
	2. Donation to a political party
4. Mention under which inter head or intra head the loss from the following can be adjusted
	1. Loss from normal business [Sec. 72(1)]
	2. Short term capital loss[Section 74]
5. Define the term ‘Business’ as per section 2(13)
6. Mention the capital asset specified in the following section for availing deduction
	1. Section 54D
	2. Section 54B
7. What do you mean by bond washing transaction?

**Section B**

**II Answer any three of the following (3 x 5 = 15 marks)**

1. Mr. X (age 45 years) a business man from Bangalore wants your advice regarding the admissibility of the following expenses and losses under the provisions of Income tax act 1961. State whether the following transactions are admissible while computing income from business.
2. Penalty paid to customs authority for importing prohibited goods from Australia
3. Loss of Rs. 1,20,000 snatched away from the cashier’s possession while going to bank for depositing cash.
4. Payment made to an exporter for buying foreign goods, payment was made without deducting TDS.
5. One of the competitors copied his trademark and therefore the assessee spent money on filing a case for infringement.
6. He sent R&D manager to Germany to procure a latest machine for manufacturing operations. In this context travelling expense of Rs.1,00,000 was incurred.
7. On 1-1-2000 Mr. Karan bought 1200 shares of Advance Limited for Rs. 50 per share, the FMV of these shares as on 1-4-2001 was Rs. 40 per share. On 12-12-2006 Advance Limited declared one bonus share for every two shares held by the shareholders. In the previous 2017-18 Mr. Karan gifted all the shares to his son Mr. Arjun. On 1-6-2017 Mr. Arjun sold all the shares at Rs.1000 per share by paying a brokerage of 2% on sale value. Determine taxable gain for AY 2018-19.(CII 2001-02 is 100, 2006-07 is 122 and 2017-18 is 272).
8. On 1-12-2010 Mr. Farhan joined as an aeronautical engineer in Hindustan Aeronautics Limited (Government of India). His taxable income from salary during the previous year 2017-18 amounted to Rs. 8,55,000. He also earned interest of Rs. 18,000(Net) on Bank fixed deposit and Rs. 9,000 on savings bank account. He claims following deduction made out of his salary income in PY:
9. Investment in notified mutual fund Rs. 60,000
10. Contribution to LIC pension scheme Rs. 1,00,000
11. Voluntary contribution NPS Rs. 70,000
12. Interest on education loan taken for wife’s higher education Rs. 35,000
13. Medical insurance premium
* Self – Rs. 15,000
* Preventive health check-up for himself – Rs. 7,000
* For wife – Rs. 8,000
* His father (Age 71) – Rs. 32,000

Compute permissible deduction under chapter VI-A and total income for AY 2018-19.

1. Ms. Natasha purchased a diamond necklace worth Rs. 8,20,000 during 2005-06 (CII 117). During the year 2010-11 (CII 167), she further purchased a diamond bangle worth Rs. 12,00,000. All the Jewellery was sold by her on 15-6-17 (CII 272), She sold diamond necklace for Rs. 20,00,000 and diamond bangle for Rs. 32,00,000. On 25-12-17 she utilized the sale proceeds of Jewellery and purchased a residential house worth Rs. 48,00,000 and also deposited Rs. 2,00,000 in capital gain scheme. Compute taxable capital Gain for the AY 2018-19 assuming on the date of transfer she owns only one residential house.
2. Calculate the aggregate gifts received by Mr. Govind during the previous year ended 31 - 3 - 2018.
3. Gift received from mother in the form of Jewellery Rs. 2,00,000.
4. Gift of cash from uncle Rs. 60,000.
5. Gift from colleagues on the occasion of his marriage in cash Rs. 35,000.
6. Gift of a portable colour T.V. received from his cousin worth Rs. 8,000.
7. Gift of Rs. 45,000 in cheque from non-resident friend.
8. Gift in the form of plot of land from non-relative by will Rs. 12,00,000.

**Section C**

**III Answer any three of the following** (**3 x 10 = 30 marks)**

1. Mr. Prakash sold the following assets during the PY 2017-18. Compute his taxable capital gains for AY 2018-19.
2. Shares purchased in April 2002 for Rs. 54,000 were sold on 31-12-2017 for Rs. 3,95,000.
3. Debentures purchased in September 2012 for Rs. 50,000 were sold on 31-8-2017 for Rs. 45,000
4. Sold his personal motor car purchased in August 2007 for Rs. 1,50,000 on 15-3-2018 for Rs. 1,60,000.
5. On 1-4-1992 he agreed to sell jewellery to Mr. Ramu for Rs. 10,00,000 which was purchased in 1987 for Rs. 1,50,000 and the FMV as on 1-4-2001 was Rs. 10,00,000. However the sale could not be executed as Mr. Ramu backed out. He forfeited the advance of Rs. 2,00,000 which he had received from Mr. Ramu. He now sold the Jewellery on 15-7-2017 for Rs. 33,10,000 and incurred Rs. 10,000 as selling expense. On 15-8-2017 from the sale proceeds of Jewellery he purchased a small residential house for Rs. 2,50,000. CII for 2002-03 105; 2017-18: 272.
6. Mr. Joy is a sole trader and he submits the following P&L a/c for the year ended 31.3.2018

|  |  |  |  |
| --- | --- | --- | --- |
| **Debits** | **Amount** | **Credits** | **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** |
| To advertisement | 2,00,000 | Gross profit b/d | 20,10,000 |
| Salary to staff | 6,60,000 | Rent from HP | 2,40,000 |
| Joy’s salary | 1,20,000 | commission | 1,50,000 |
| Audit fees | 60,000 | Bad debts recovered (Disallowed earlier allowed) | 70,000 |
| Bad debts | 40,000 | Dividends | 30,000 |
| Reserve for bad debts | 50,000 |  |  |
| General expenses | 2,50,000 |  |  |
| Municipal tax of HP | 24,000 |  |  |
| Fire insurance premium of goods | 26,000 |  |  |
| Depreciation | 78,000 |  |  |
| Patents purchased | 1,60,000 |  |  |
| Staff welfare fund | 40,000 |  |  |
| Employee RPF | 50,000 |  |  |
| Sales tax | 1,90,000 |  |  |
| Donation | 1,00,000 |  |  |
| Premium on Joy's LIC | 36,000 |  |  |
| Net profit | 4,16,000 |  |  |
|  | **25,00,000** |  | **25,00,000** |

**Other information**

1. Opening stock and closing stock were overvalued by 10%
2. Advertisement includes Rs. 1,00,000 being cost of permanent sign board
3. Business income of Rs. 70,000 was not recorded in P&L a/c
4. General expenses include Rs. 50,000 paid for securing business orders and Rs. 60,000 spent on Joy’s birthday.
5. Depreciation allowable on all assets including sign board but excluding patents as per IT rules is Rs. 90,000.
6. Patents were purchased on 11.10.2017 on which depreciation allowable is 25%.

Compute his income from business for the assessment year 2018 -19

1. Compute income from other sources of Mr. X for the AY 2018-19 from the following information
2. Rs. 30,000, 13.5% securities of a Textile Company Limited (Listed).
3. Rs. 35,000, 11% debentures of TATA Motors Limited.
4. Rs. 3,550, received as interest on debenture of Deepak Fertilizers.
5. Rs. 7,000 received as interest on Karnataka Govt. Bonds.
6. Rs. 6,000 received as interest on tax free securities issued by a Public Limited Co; (Listed).
7. Rs. 30,000, 10% tax free commercial securities
8. Rs. 10,000, 10% Central Government securities.
9. Rs. 10,000, 15% securities issued by Municipal Corporation.
10. Dividend from Infosys limited Rs. 2000 (gross).

He incurred 200 as collection fee charged from his bank for collecting interest on behalf of him.

1. Compute Income from other sources of Dr. Swamy a Professor and resident of India for assessment year 2018-19.
2. Salary from College Rs. 25,000 p.m.
3. Royalty from Book Written on tax Rs. 2,00,000. He claims deduction towards salary to clerk
4. Rs. 12,000 and Telephone Expenses Rs. 3,000 paid in this connection.
5. Income from articles published in Magazines and Journals Rs. 40,000.
6. He lives in rented house paying rent of Rs. 3,000 p.m. He sub let 1/3 portion of this house at
7. Rs. 1,500 p.m. He paid Rs. 6,000 Municipal Tax and paid Rs. 3,000 towards repairs of the whole house as per the agreement.
8. He is an examiner in several Universities; from this source he received Rs. 12,600 during the year.
9. He delivered Guest Lectures in various Institutes and received Rs. 600 per lecture. During the PY 20 Guest lectures were delivered.
10. His other casual incomes were:
	1. Winnings from Card games Rs. 6,000
	2. Winnings from Chess Rs. 1,000
11. Interest on Foreign Bonds Rs. 15,000
12. Income from agriculture land situated in Srilanka Rs. 70,000.
13. He received Rs. 8,000 p.m. as scholarship for research work from the UGC.
14. Dr. Usha is a general physician she submits the following receipts and payments account for the year ending 31-3-2018. Computer her Income from profession for AY 2018-19.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Amount | Payments | Amount |
| To balance b/d | 1,40,000 | By rent of clinic  | 2016-17 | 36,000 |
| Consultation fee | 2016-17 | 25,000 | 2015-16  | 1,44,000 |
| 2017-18 | 5,25,000 | By surgical equipment | 1,00,000 |
| 2018-19 | 30,000 | By computer  | 50,000 |
| To visiting fee | 1,60,000 | By interest on loan | 40,000 |
| To winning from Lottery | 1,00,000 | By new papers  | 12,000 |
| To sale of Medicine | 2,40,000 | By professional books (annual) | 30,000 |
| To interest on saving a/c | 60,000 | By medicine purchased | 1,00,000 |
| To gifts from Patients | 80,000 | By house hold expenses | 25,000 |
| To loan from bank (profession) | 3,00,000 | By income tax | 25,000 |
| To share of Income from HUF | 50,000 | By staff salary | 2,40,000 |
|  |  | By Life insurance premium | 36,000 |
|  |  | By gift to mother | 24,000 |
|  |  | By subscription to AIMA | 20,000 |
|  |  | By lottery tickets  | 50,000 |
|  |  | By water and electricity  | 18,000 |
|  |  | By professional Journals | 10,000 |
|  |  | By telephone expenses | 30,000 |
|  |  | By car expense | 60,000 |
|  |  | By balance c/d | 6,60,000 |
|  | 17,10,000 |  | 17,10,000 |

Other information

1. She owns a car which is used 60% for profession and 40% for personal. The written down value of car as on 01-04-2017 was Rs. 2,00,000 on which 15% depreciation should be charged.
2. Visiting fee of Rs. 36,000 is due for the previous year is not recorded in the books.
3. Closing stock of medicine is Rs. 30,000.
4. Surgical equipment and computer were bought and put to use on 10-09-2015 and subject to depreciation of 15% & 60% respectively.

**Section D**

**IV Compulsory Question (1 X 15 = 15 marks)**

1. Ms. Nafisa (age 35) submits you the following particulars. Incomes:
2. Computed salary income Rs. 1,80,000
3. Computed income from let out house Rs. 63,000
4. Rent from letting of plant & machinery Rs. 80,000
5. Dividend from Indian company land Rs. 60,000
6. Agricultural income from Srilankan land Rs. 80,000
7. Computed business income Rs. 1,70,000
8. Share of income from HUF Rs. 70,000
9. Computed income from STCG from machinery Rs. 70,000

Expenses:

1. Life insurance premium paid Rs. 28,000 (Sum assured Rs. 25,00,000)
2. Medical insurance premium paid Rs. 16,000
3. Donation of PM National Relief Fund Rs. 1,20,000

Compute total income & tax liability for the Assessment Year 2018-19.

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