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BCMCMC 281

**Choice Based Credit System IV Semester B.Com.
Examination, July/August 2023
(2020 – 21 and 2021 – 22 Batches)
COMMERCE
Direct Tax – II (Elective)**

Time : 3 Hours

Max. Marks : 80

Instruction : Give working notes wherever necessary.

SECTION – A

Answer **any four** questions.

(4×4=16)

1. Explain deduction permissible U/S 24(1)(i) from annual value of house property.
2. Write a short note on bond washing transactions.
3. How do you treat the following expenses while computing income from a business or profession ?
 - i) Penalty paid for illegal import of goods.
 - ii) Subscriptions are given to trade associations.
 - iii) Expenses incurred in connection with income tax proceedings.
 - iv) Payment exceeding ₹ 25,000 in cash on one payment.

4. From the following information, compute depreciation allowable for the assessment year 2022 – 23.

	₹
W.D.V. of furniture on 1-4-2021	1,10,000
Furniture purchase in June 2021	15,000
Furniture purchase in January 2022	20,000
Part of the furniture sold in February 2022	3,000
Rate of depreciation is 10%	

P.T.O.



5. From the following particulars of the income of Mr. X, compute his income from other sources.
- 10% ₹ 18,000 tax-free debentures (listed) of a steel company.
 - ₹ 20,000 units of UTI (Dividend Received ₹ 5,000).
 - Gift from a foreign friend on the occasion of wedding anniversary ₹ 50,000.
 - Winning from lottery ₹ 3,50,000 (net).
6. Mr. Murthy sells his only residential house in Bangalore on 18th August 2019, for ₹ 90,00,000/- and incurs an expenditure of ₹ 1,40,000/- in connection with the transfer. Cost of acquisition of the house for him in 1998 was ₹ 3,60,000/- and on 1st April 2001 FMV was ₹ 4,00,000. On 10th January 2020 he purchased a Residential apartment in Mangalore for ₹ 10,00,000 and deposited ₹ 2,00,000 in Capital Gain Account Scheme. Compute the Taxable Capital Gains for the Assessment Year. (CII for 2001 – 02 was 100 and for 2019 – 20 it was 280)

SECTION – B

Answer **any four** questions.

(4×8=32)

7. Distinguish between short-term capital gain and long-term capital gain.
8. What is grossing up of interest? State the rules for grossing up of interest.
9. Mr. Gopal owns a big house 50% of the floor which is let out for residential purposes on a monthly rent of ₹ 6,400. However this portion remained vacant for one month during the previous year and it was used by Mr. Gopal for his residence. 25% of the floor area is used by the owner for the purpose of his profession while the remaining 25% of the floor area is utilised for the purpose of his residence other particulars of the house are as follows :
- Municipal valuation ₹ 1,20,000
 - Standard rent ₹ 1,80,000
 - Municipal taxes paid ₹ 24,000



- d) Repairs ₹ 6,000
- e) Interest on capital borrowed for repairs ₹ 56,000
- f) Fire insurance premium ₹ 6,000.

Compute the income from the house property of Mr. Gopal for the A. Y. 2022-23.

10. Mr. Ajay sold the following assets during the previous year.

- a) Jewellery costing ₹ 80,000 which was acquired in June 2017 was sold for ₹ 1,00,000 in May 2019.
- b) House at Kolkata : Let out for residential purposes. It was inherited by him in 1994. Sale price on 31-10-2019 ₹ 9,50,000. Fair market value on 14-2001 ₹ 1,00,000. Cost of improvements made during 2011 – 12 ₹ 25,000, expenses on transfer are ₹ 25,000.
- c) Household furniture costing ₹ 14,000 in October 2019 was sold for ₹ 20,000 in March 2020.
- d) Car was sold on 1-12-2019 for ₹ 45,000. Its written-down value on 1-4-2019 was ₹ 38,000.
- e) Agricultural land in Kerala was sold for ₹ 5,25,000 in July 2019. It cost him ₹ 85,000 in December 2011. He purchased agricultural land for ₹ 1,20,000 in January 2020.

Compute his taxable capital gains. CII for 2001 – 02 : 100, 2010 – 11 : 167, 2011 – 12 : 184 and 2019 – 20 : 289.

11. Mrs. Sharadha gives the following particulars of her income for the previous year 2021 – 2022. Compute her income from other sources.

- a) Dividend on preference shares ₹ 5,000
- b) Interest on bank deposits ₹ 3,500
- c) Income from letting on hire of building and machinery under one composite lease ₹ 35,000
- d) Income from undisclosed source ₹ 12,000
- e) Winnings from horse race ₹ 14,000 (net)



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- f) Gift received from father ₹ 80,000
- g) Interest received from National Development Bonds ₹ 15,000
- h) Interest on post-office SB A/c ₹ 4,000.

She claimed the following deductions :

- i) Collection charges of dividend ₹ 200
- ii) Allowable depreciation on building and machinery ₹ 6,000
- iii) Fire insurance on building and machinery ₹ 500.

12. Mr. Sanath Kumar is a Chartered Accountant in Bangalore. He has submitted the following income and expenditure accounts for the year. Compute his income from the profession for the Assessment year.

Expenses		Income	
To Office rent	66,000	By Audit fees	6,00,000
To Salary to staff	1,50,000	By Financial consultancy	
To Charities	10,000	service	1,20,000
To Gifts to relatives	12,000	By Interest on deposits	
To Subscription for journals	4,800	in a bank	44,000
To Drawings	32,000	By Dividends on units of UTI	12,000
To Car expenses	48,000	By Accountancy of works	64,000
To Household expenses	17,200		
To NSC purchased	40,000		
To Net Income	4,60,000		
	8,40,000		8,40,000

Additional information :

- 1) Office rent ₹ 6,000 though paid is not recorded.
- 2) Depreciation of car during the year is ₹ 12,000.
- 3) 30% of car expenses are related to personal purpose.

SECTION – C

Answer **any two** questions.

(2×16=32)

13. What do you mean by cost of acquisition ? Explain the provisions governing the determination of the cost of acquisition.

14. Compute income from house property from the following particulars.

	A	B	C	D
Annual municipal value	30,000	15,000	12,000	12,000
Fair rental value	33,000	21,000	16,000	10,000
Standard rent	28,000	20,000	15,000	NA
Rent received	27,000	16,000	16,000	15,000
Municipal taxes paid	–	1,500	1,000	2,400
Municipal taxes due	3,000	–	–	–
Repairs	10,000	6,000	4,000	2,000
Vacancy period (months)	3	–	–	–
Interest on housing loan	12,000	6,000	5,000	–

Municipal taxes paid in respect of House D include the arrears of last year ₹ 1,200. House C was self-occupied up to July 31st and let out thereafter. He borrowed ₹ 80,000 at 10% p.a. for the construction of House B on 1-03-2016, completed on 10-06-2018. During the year he recovered ₹ 5,000 being unrealized rent of A. Y. 2018 – 2019 which was then allowed.

15. Following is the Profit and Loss A/c of Mr. Harshith for the Assessment year.

To Purchases	6,28,000	By Sales	58,07,500
To Salaries and wages	2,00,000	By Interest on FD	10,500
To Rent	1,20,000	By Bad debts recovered	
To Advertisement	3,00,000	(not allowed earlier)	20,000

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To Travelling expenses	2,00,000	By Refund of income tax	30,000
To Bad debts	52,000	By Interest on income tax refund	3,000
To General expenses	3,00,000	By Rent received	80,000
To Provision for taxation	3,00,000	By Winnings from Lottery (net)	49,000
To Addition to an office building	3,00,000	By Profit on sale of shares (Long term)	2,00,000
To Fines and penalties	1,00,000	By Dividend from Infosys Ltd.	1,00,000
To Sales tax paid	2,50,000		
To Income tax paid	1,50,000		
To Net profit	34,00,000		
	63,00,000		63,00,000

Additional Information :

- Purchases include ₹ 30,000 paid in cash
- Advertisement expenses include the cost of a neon signboard ₹ 50,000
- Sales tax of ₹ 30,000 for P.Y. 2020 – 21 was paid during the year but not included in the above Profit and Loss Account.
- Actual bad debts amounted to ₹ 60,000
- General expenses include ₹ 50,000 drawn by the assessee.

Compute his Gross Total Income.

16. Mr. Vinay has the following investments and incomes from the previous year :

- ₹ 20,000, 10% Central Govt. Securities
- ₹ 36,000, 12% tax-free commercial securities
- ₹ 40,000, 12% debentures of TATA industries
- ₹ 25,000, 13.5% debentures of Bhakta Chemicals (listed)

- e) ₹ 30,000 in POSB A/c which earns interest at 6%
- f) ₹ 40,000 units of U.T.I. (dividend received ₹ 3,000)
- g) ₹ 9,000 as interest received on Debentures of a Local Authority
- h) ₹ 78,000 as interest received on Karnataka Govt. bond
- i) ₹ 12,000 interest on tax-free, Govt. of India bonds
- j) ₹ 5,000 dividends received from a co-operative society
- k) Interest on deposits under National Deposit Scheme ₹ 10,000.

On 1st October of the P.Y., he sold debentures of TATA Ltd. at a profit of ₹ 3,000 and purchased ₹ 60,000, 9% Indian Railway Bonds. For this purpose, he borrowed ₹ 30,000 from his friend at 12% p.a. The bank commission for collecting the interest was ₹ 400 and buying and selling the securities is ₹ 1,000. Interest is payable on 1st July and 1st January every year.

Compute his Income from Other Sources.
