



VI Semester B.Com. Examination, May/June 2018
(CBCS) (2016-17 and Onwards) (Fresh + Repeaters)

COMMERCE
Paper – 6.3 : Income Tax – II

Time : 3 Hours

Max. Marks : 70

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

SECTION – A

1. Answer any 5 sub-questions, each sub-question carries 2 marks : (5×2=10)
- Define Business.
 - Mention any four disallowed expenses, in calculation of profit from business.
 - What is short term capital asset ?
 - What do you mean by less tax securities ?
 - Explain the provision U/S 80U.
 - Name any two no limit 50% deductible donations U/S 80G.
 - How do you set-off the long term capital loss ?

SECTION – B

Answer any three questions, each question carries 6 marks : (3×6=18)

- List out any 6 items included U/S 80C.
- Explain the provisions for set-off and carry forward of the following losses :
 - Loss from house property
 - Speculation business loss
 - Short term capital loss.
- A block of assets consists of 3 machines, whose WDV on 1-4-2015 was ₹ 2,00,000. On 10-8-2015 a new machine of the same block was purchased for ₹ 50,000. Another machine was purchased on 3-2-2016 but put to use on 25-4-2016, cost being ₹ 40,000. The first 3 machines were sold on 15-12-2016 for ₹ 1,50,000. The rate of depreciation for all the above machines was 15% p.a.
Find the value of capital gain/WDV of the block of machine on 1-4-2017, as the case may be.
- Sri Raghunandana was the owner of two house properties (all residential) at Bangalore of which one residential house was sold on 28-2-2017 for ₹ 20,00,000. This house was purchased by him on 1-1-1979 for ₹ 15,000. He had made some additions to this house by spending ₹ 3,000 on 20-3-1980. Further, he added a room to this house at a cost of ₹ 1,00,000 on 14-11-2014. The FMV of this house on 1-4-1981 was ₹ 15,000. He purchased a new residential house at Mysore on 25-3-2017 for ₹ 2,00,000. Compute Capital Gain for the A.Y. 2017-18.

(CII for 2016-17 : 1125, for 2014-15 : 1024 and for 1981-82 : 100)



6. Sri Suryaputhra has the following investments for the year ended 31-3-2017 :
- ₹ 20,000 units of UTI (income received ₹ 4,000)
 - ₹ 80,000 in post office savings Bank account which earns the interest @ 5% p.a.
 - ₹ 72,000 10% tax free debentures of Mysore Municipal corporation.
 - 14% Karnataka State Electricity Board Bonds ₹ 30,000.
 - ₹ 50,000 fixed deposits with Canara Bank Mysore at 8% p.a.

Compute the income from other sources of Sri Suryaputhra from the above investment for the assessment year 2017-18.

SECTION - C

Answer **any three** questions from the following, **each** question carries **14** marks :

(3×14=42)

7. The Profit and Loss Account of Mr. Jagadananda for the year ending 31-3-2017 is given below :

To General Expenses	7,000	By Gross profit	1,40,000
" Fire insurance premium	2,000	" Bad debts recovered	4,000
" Bad debts	1,000	" Interest from Govt. securities	1,000
" Salaries	65,000	" Rent from employees	24,000
" Advertisement (in cash)	22,250	" Lottery income	80,000
" Proprietor's salary	12,500	" Interest from debtors for delayed payment	6,000
" Interest in capital	2,000	" Discount received	1,750
" Provision for income tax	1,000	" Profit on sale of plant	8,000
" Depreciation	2,000	" Dividend from foreign company	2,000
" Sales tax (due)	5,000		
" Advance income tax paid	1,000		
" Donation to approved scientific research associations	5,000		
" Donation to university to conduct social research	6,000		
" Motor car expenses	1,000		
" Municipal tax of quarters given to employees	4,000		
" Family planning expenditures	2,000		
" Charities to poor boy to support his education	8,000		
" Net profit	1,20,000		
Total	2,66,750	Total	2,66,750

Additional Information :

- Advertisement expenses are incurred to promote the sales.
- Out of bad debts recovered ₹ 3,000 were disallowed in earlier previous years.
- General expenses include ₹ 2,500 paid as compensation to an old employee whose service was detrimental to interest of the business.



- iv) Depreciation allowable on all assets as per income tax rules was ₹ 1,800.
 v) Sales tax was paid on 28-7-2017. Last date for filing the income tax return was 31-7-2017.
 vi) 40% of the car expenses were incurred for personal use.

Calculate taxable profit from business of Mr. Jagadananda for the assesment year 2017-18.

8. Shri Yativarya is a leading advocate at Bangalore. He keeps his books on cash basis and his summarised receipts and payments account for the year ended 31-3-2017 was given below :

Receipts and Payment Account for the year ended 31-3-2017

Receipts		₹	Payments		₹
To	Balance b/d	8,000	By	Car expenses	1,500
"	Legal fee :		"	Office expenses	20,000
	2016-17	1,05,000	"	Salary to attender	9,000
	2015-16	20,000	"	Subscription to law journal	500
	2017-18	6,000	"	Purchase of law books	12,000
"	Fee from consultancy work	18,000	"	Donation to an approved college	4,000
"	Special commission fees	1,500	"	Rent of chamber	
"	Salary as part time lecturer in law	16,000		2017-18	2,000
"	Examiner's fees from law university	600		2016-17	24,000
"	Sale proceeds of furniture used in the profession	6,000		2015-16	3,000
"	Director's fee from the company	200	"	Electric lighting	2,500
"	Dividend from Indian Company	64,000	"	LIC premium	1,000
"	Remuneration from an article published in law journal	400	"	Car purchased	74,000
"	Maturity amount from LIC	48,000	"	House hold exps.	5,000
"	Gifts from clients	5,000	"	Income tax appeal expenses	1,300
Total		2,98,700	Total		2,98,700

Notes :

- a) Rent and electric lighting were in respect of the building used for profession.
 b) 30% of the car expenses are in respect of office use.
 c) Car was purchased on 24-10-2016 and rate of depreciation is 15% p.a.
 d) Depreciation on law books is @ 60% p.a.
 Calculate the taxable income from profession for the assesment year 2017-18.



9. Shri Athmananda submits the following particulars of assets sold during the year 2016-17 :

	Gold ₹	Securities ₹	Plot ₹
Sale proceeds	4,00,000	1,50,000	20,00,000
Brokerage paid on sale	-	-	2%
Cost of acquisition	60,000	40,000	1,40,000
Year of acquisition	1988-89	2013-14	1984-85
Cost Inflation Index	161	939	125
Date of sale	1-6-2016	1-1-2017	30-8-2016

He has purchased a residential house for ₹ 9,00,000 on 25-3-2017 on which date he did not own any other residential house. Whether Shri Athmananda is eligible to claim exemption U/S 54F ? Calculate his taxable capital gain for the assessment year 2017-18. CII for the financial year 2016-17 was 1125.

10. Shri Anjaneya has submitted the following particulars for the assessment year 2017-18 :

	₹
i) Income from salary (computed)	4,00,000
ii) House property income (computed)	2,00,000
iii) Income from business	5,00,000
iv) Long term capital gain	50,000
v) Short term capital gain	20,000
vi) Agriculture income in India	4,000

Note :

- Short term capital gain is from the sale of equity shares for which securities transaction tax was not paid.
- Long term capital gain is from the sale of equity shares for which securities transaction tax was paid.

Calculate the Tax Liability of Shri Anjaneya for the assessment year 2017-18.

11. Mr. Intravert has held the following investments and incomes during the financial year 2016-17 :

- ₹ 2,00,000, 8% State Govt. securities.
- ₹ 5,00,000, 10% tax free commercial securities.
- ₹ 4,00,000, 12% commercial securities.
- ₹ 10,000 (gross) received as interest on Public Ltd. company's securities.
- ₹ 7,200 interest received on debentures of ABC Ltd. (listed).
- ₹ 9,000 interest received on securities of XYZ Ltd. (unlisted).
- ₹ 5,000 dividend received from Indian company.
- ₹ 4,000 interest received from the units of UTI.
- ₹ 2,10,000 (net) lottery income from Kerala State Lottery.

Bank charged ₹ 5,000 as collection charges compute his income from other sources for A.Y. 2017-18.