



**PB-010-001604**

Seat No. \_\_\_\_\_

**B. B. A. (Sem. VI) (CBCS) Examination**

**March / April - 2020**

**604 - Business Taxation - II**

*(Old Without GST)*

*(Old Course)*

**Faculty Code : 010**

**Subject Code : 001604**

Time :  $2\frac{1}{2}$  Hours]

[Total Marks : 70

- Instructions :** (1) Show working as a part of your working.  
(2) Figure to the right indicate full marks of the questions.

1 Mr. Ashwin owns a commercial building whose construction 14  
is completed on 31<sup>st</sup> March, 2017. He takes a loan of  
Rs. 15,00,000 from his friends on 1<sup>st</sup> August, 2016 and pays  
interest 15% per annum.

The building is let out (rent being Rs. 40,000 p.m)  
during the previous year 2018-19. Mr. Ashwin pays  
Rs. 18,000 as municipal tax for each of the previous  
year 2017-18 and 2018-19 on 5<sup>th</sup> May, 2018 and April 5,  
2019 respectively.

Compute income of Mr. Ashwin under the head "Income  
from House-Property" for the A.Y. 2019-20.

**OR**

- 1 Shree Vatsal has prepared the following Profit and Loss Account for the year ending 31-3-2019. 14

Particulars	Rs.	Particulars	Rs.
To General Expenses	65,000	By Gross Profit	24,32,000
To Bad-debts	2,000	By Discount and Commission	6,000
To Bad-debts reserve	5,000	By Rent income (House)	27,000
To Provision for Taxation	57,000	By Interest on P.O.S.A.	3,000
To Income Tax	1,85,000	By Bad-debts recovered	16,000
To Insurance Premium	11,000	By Surplus on sale of shares (Net)	75,000
To Motor-car expenses (except depreciation)	1,05,000	By Profit on sale of Machinery (sold for Rs. 10,000)	1,000
To Staff Salary	10,85,000		
To GST	55,000		
To Legal charges	4,000		
To Donation to approved charitable trust	6,000		
To Net Profit	9,80,000		
	<b>25,60,000</b>		<b>25,60,000</b>

**Additional Information is as follows :**

- Insurance Premium includes Rs. 3,000 being mediclaim insurance and Rs. 2,000 being life insurance premium.
- 75% of the amount of Bad Debts recovered relates to the amount of bad debts not allowed before three years.
- 1/2 use of motor car is for personal purposes and the W.D.V. of the car as on 1-4-2018 was Rs. 2,50,000 (depreciation rate 15%).

Compute his total taxable business income for the A.Y. 2019-20.

2 Ramchandran is resident of India. He furnishes the following information about his incomes earned during P.Y. 2018-19. 14

- (a) Capital gain Rs. 21,000 from a house which he had bought and occupied for 20 months before the date of sale 31-7-2018.
- (b) On 31-12-2018, he sold equity shares of Reliance Ltd. for Rs. 3,50,000 through the recognized stock exchange, which were purchased by him on 1-9-2006 for Rs. 1,51,280. Securities transaction tax paid Rs. 250.
- (c) He sold an agricultural land for Rs. 10,51,000 on 25-4-2018. The land was owned by him since 4-7-2011, and was purchased for Rs. 12,000. The land is situated in a village with population of 8000.
- (d) On 1-3-2019, he sold a flat for Rs. 22,26,000 which was purchased by him on 1-1-1997 for Rs. 1,20,000. The fair market value of this flat was Rs. 7,45,000 on 1-4-2001.

The relevant cost inflation

Financial Year	CII
2001-02	100
2006-07	122
2011-12	184
2018-19	280

Compute his taxable income from capital gain for the A.Y. 2019-20.

OR

2 From the following details of Anand, find out the taxable 14  
income under the head “Income from other sources” for the  
A.Y. 2019-20.

- (1) Rs. 40,000 as interest earned on Gold Deposits Bonds, 1999.
- (2) Rs. 24,000 as dividend received on shares of Reliance Co. Ltd.
- (3) Rs. 39,375 as interest received on less-tax debentures of “Ambuja Ltd.” (TDS 10%).
- (4) Rs. 44,100 as interest received on less-tax debentures of “Vimal Ltd.” (TDS 10%).
- (5) Investment in 10% Rs. 10,40,000 less tax debentures of “L&IT Ltd.” (TDS 10%). On 1-7-2018 these debentures were sold and settled the bank loan taken to purchase the debentures of Ellitte Ltd.
- (6) Royalty received as an author Rs. 1,89,000 net (after deduction of Rs. 21,000 as expenses).
- (7) Investment in 10% Rs. 5,40,000 tax-free debentures of Arvind Ltd. (TDS 10%)
- (8) Net income from horse race is Rs. 35,000 (TDS 30%).
- (9) Interest from Bank Term Deposit (Gross) Rs. 68,000.
- (10) On 1-6-2018, he purchased Rs. 5,40,000 12% tax free debentures of Ellitte Ltd. (T.D.S. 10%).

For this purpose, he borrowed a loan from the bank for Rs. 4,00,000 at 12% p.a. interest rate.

- (11) Rs. 28,080 has been received as ground rent.  
Interest on all the securities was received on 30<sup>th</sup> June and 31<sup>st</sup> December every year. Rs. 1,380 was paid for collection of interest.

- 3 Trivedi and Associates is a firm of Chartered Accountants 14  
and its Profit and Loss Account which satisfies all conditions  
of sections 184 and 40(b) for the year ending on 31-3-2019  
is as follows :

**Profit and Loss Account**

To Office expenses	1,80,000	By Professional fees	1,70,000
To Depreciation	96,000	By Audit fees	1,90,000
To Remuneration to Partners	2,50,000	By Net Loss	2,14,000
To Interest on Capital	48,000		
	<b>5,74,000</b>		<b>5,74,000</b>

**Other Information :**

- (1) Rs. 80,000 out of the office expenses are inadmissible.
- (2) Depreciation allowable as deduction is Rs. 1,02,000.
- (3) Interest on partner's capital not deductible is Rs. 30,000.

Compute the 'Book Profit' for the purpose of remuneration payable to partners. Also compute the actual amount of remuneration payable to partners.

**OR**

**3** From the following details extracted from the P&L Account of Rajoo Ltd. you are required to compute the Total Income of the company for the A.Y. 2019-20. **14**

(1) The P&L Account showed a net profit of Rs. 1,75,00,000.

(2) Some of the items debited to the P&L Account are as under :

(a) Rs. 10,00,000 as interest paid on a loan taken for the expansion (work under progress) of the factory premises;

(b) Rs. 7,50,000 as reserve for Bad Debts;

(c) Rs. 15,000 paid for late payment of penal interest of professional tax;

(d) Rs. 25,000 being fine imposed by the Municipal Corporation for violation of building construction rules;

(e) Depreciation charged to P&L Account Rs. 25,00,000 (however the amount allowable under the Income Tax Act comes to Rs. 75,00,000).

(f) Rs. 12,50,000 was paid to the lawyers for arguing appeals of the company (which were rejected earlier) against levy of penalty.

(3) The credit side of the Profit and Loss Account revealed the following :

(a) Dividend from foreign subsidiary Rs. 5,00,000;

(b) Dividend from U.T.I. Rs. 12,50,000

(4) It is also found that both the opening stock (book value Rs. 45,00,000) and closing stock (book value Rs. 54,00,000) have been undervalued by 10% on cost.

- 4 Write a note on any two : 14
- (a) 'Tax Management and Tax Planning' – Difference.
  - (b) Tax avoidance.
  - (c) Tax evasions.
  - (d) Explain the main objectives of tax planning.
  - (e) 'Tax Planning and tax evasion' – Difference.
- 5 What is "VAT" ? State the merits and demerits of VAT. 14

**OR**

- 5 (a) Explain – Liability of Service Tax.
- (b) Explain – CST.
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