

Sub:	Direct Taxation	Code:	18MBAFM303
Date:	19/11/2019	Duration:	90 mins
		Max Marks:	50
		Sem:	III
		Branch:	MBA

		Marks	OBE																
			CO	RBT															
Part A - Answer Any Two Full Questions (2* 20 = 40 marks)																			
1 (a)	Differentiate between short term and long term capital gain	[03]	CO2	L2															
(b)	On April, 2018, depreciated value of a block of asset (rate of depreciation: 15%) is Rs.80,000. It consists of Plants A and B. The assessee purchases Plant C (rate of depreciation: 15%) on December 28, 2018 for Rs.30,000 and sells Plant A on May 3, 2018 for Rs.1,80,000. Compute the amount of depreciation allowed.	[07]	CO2	L3															
(c)	X Ltd. owns two buildings A and B on April 1, 2018 (rate of depreciation: 10%, depreciated value : Rs.14,15,700). It purchases on December 1, 2018 building C for Rs.3,10,000 (rate of depreciation 10%). What is the amount of depreciation for the PY 2018-19, if building 'A' is sold on 10/1/2019 for i. Rs.8,70,000 and ii. Rs.15,87,000?	[10]	CO2	L3															
2 (a)	Name any two assets exempted from capital gains tax u/s 2(14)	[02]	CO2	L1															
(b)	True/False: (4 x 2) i. Wealth tax is allowable expenses from business income ii. Cost of patent right is amortised upto 25% every year iii. Profit on sale of import license is not business income iv. Gifts from relatives is exempted upto Rs.50,000	[08]	CO2	L5															
(c)	X sells the following capital assets during the PY 2018-19	[10]	CO2	L3															
	<table border="1" style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="width: 50%;">Particulars</th> <th style="width: 25%;">Non-listed Shares</th> <th style="width: 25%;">House Property</th> </tr> </thead> <tbody> <tr> <td>Sales consideration (Rs.)</td> <td style="text-align: center;">24,00,000</td> <td style="text-align: center;">6,80,000</td> </tr> <tr> <td>Year of acquisition</td> <td style="text-align: center;">2012-13</td> <td style="text-align: center;">2005-06</td> </tr> <tr> <td>Cost of acquisition (Rs.)</td> <td style="text-align: center;">8,70,000</td> <td style="text-align: center;">46,800</td> </tr> <tr> <td>Cost of improvement incurred in 2011-12 (Rs.)</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1,47,200</td> </tr> </tbody> </table>	Particulars	Non-listed Shares	House Property	Sales consideration (Rs.)	24,00,000	6,80,000	Year of acquisition	2012-13	2005-06	Cost of acquisition (Rs.)	8,70,000	46,800	Cost of improvement incurred in 2011-12 (Rs.)	-	1,47,200			
Particulars	Non-listed Shares	House Property																	
Sales consideration (Rs.)	24,00,000	6,80,000																	
Year of acquisition	2012-13	2005-06																	
Cost of acquisition (Rs.)	8,70,000	46,800																	
Cost of improvement incurred in 2011-12 (Rs.)	-	1,47,200																	
	Compute taxable capital gain of the assessee for the A.Y. 2019-20 CII for the year 2005-06 117, 2011-12 184, 2012-13 200 and 2018-19 280																		
3 (a)	What is weighted deduction? Give examples	[03]	CO2	L1															
(b)	Calculate tax liability of Mr.X (AY 2019-20) from the following incomes: Gross salary income Rs.5,00,000, Income from house property Rs.2,00,000, Income from business Rs.7,00,000 and income from capital gains (LTCG) Rs.3,00,000.	[07]	CO3	L3															
(c)	Mr.R is a CA. His details of expenses and income for the year ended 31 st March 2018 was as follows: Income and Expenditure A/c	[10]	CO2	L3															

Particulars	Amount	Particulars	Amount
Office Exp.	10,000	Audit fees	70,500
Employees Salary	5,000	Gift from father in law	5,050
Magazines	500	Dividend	8,000
Personal expenses	17,000	Profit on sale of investment	6,450
Donation to NDF	500	Tax consultancy fees	50,000
Interest	700		
Income tax	13,300		
Car expenses	2,000		
Banking cash transaction tax	1,000		
Net Surplus	90,000		
Total	1,40,000	Total	1,40,000

You are required to compute the income from profession for the A.Y. 2019-20 considering the following points:

Rs.1,000 paid to domestic servant is included in employees salary. WDV of the office building as on 1-4-2018 is Rs.80,000. WDV of the office furniture as on 1-4-2018 is Rs.25,000 (Cost of purchase Rs.30,000). Depreciation allowable for both the office building and furniture is 10% as per I.T.

Part B - Compulsory (1*10=10 marks)

- 4 Mr.X (Age: 34 years) is a businessman in Mumbai. Determine his net income on the basis of the following P & L A/c for the year ending 31st March, 2019:

Particulars	Amount	Particulars	Amount
Opening stock	1,04,000	Sales from	92,51,000
Purchases	80,08,750	Agency business	
Salary and wages	1,75,000	Closing stock	2,10,000
Rent and rates	1,31,000		
Commission	21,500		
Household expenses	20,000		
Income tax for 2018-19	36,100		
Advertisement	5,000		
Postage and telegram	4,000		
Interest on own capital	84,000		
Reserve for bad debts	3,400		
Depreciation on furniture	18,000		
Net Profit	8,50,250		
Total	94,61,000	Total	94,61,000

Other particulars:

- Closing stock and opening stock has consistently been valued at 10% below cost price
- Depreciation on furniture, as per tax provisions is Rs.17,200
- Amount of sales includes a sum of Rs.41,250 representing the value of goods withdrawn for the use of X's family members. These goods were purchased at cost of Rs.27,850. Market value of these goods is Rs.45,240
- Household expenses include a contribution of Rs.1,000 towards PPF
- On September 20, 2018, X has received a gift of Rs.96,000 from a friend settled in UK
- X purchases notified bonds of an infrastructure company on April 2, 2019 for Rs.1,02,000

[5] CO2 L3

[5]

Course Outcomes		PO1	PO2	PO3	PO4	PO5
CO1:	Understand the basics of taxation and process of computing residential status.					
CO2:	Calculate taxable income under different heads	1a, b & c 2a, b & c 3a & c 4				
CO3:	Understand deductions and calculation of tax liability of Individuals.	3b				
CO4:	Know the corporate tax system.					

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–Theoretical Knowledge; PO2–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship

Sub: **DIRECT TAXATION**
Date: 19/11/2019 Duration: 90mins Marks: 50 Max
Sem: **III**

Code: **18MBAFM303**
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Note: Part A - Answer Any Two Full Questions (2*20=40 Marks)
Part B - Compulsory (1*10= 10marks)

Part	Question #	Description	Marks Distribution	Max Marks																																				
A	a	Short term and long term capital gain: Gain on the transfer of any capital asset held by the assessee for more than 36 months (24 for immovable property & 12 for listed shares) before the transfer is long term capital gain; otherwise it is short term capital gain.	3	20 M																																				
	b	<table border="1"> <tr> <td>WDV of the block on 1/4/2018</td> <td align="right">80,000</td> </tr> <tr> <td>Add: Cost of Plant 'C' purchased</td> <td align="right"><u>30,000</u></td> </tr> <tr> <td align="right">Total</td> <td align="right">1,10,000</td> </tr> <tr> <td>Less: Sale of Plant 'A' (1,80,000 or 1,10,000 w.e.l.)</td> <td align="right"><u>-1,10,000</u></td> </tr> <tr> <td>WDV of the Block for Depreciation</td> <td align="right">Nil</td> </tr> <tr> <td>Taxable STCG (1,80,000 – 1,10,000)</td> <td align="right">70,000</td> </tr> </table>	WDV of the block on 1/4/2018		80,000	Add: Cost of Plant 'C' purchased	<u>30,000</u>	Total	1,10,000	Less: Sale of Plant 'A' (1,80,000 or 1,10,000 w.e.l.)	<u>-1,10,000</u>	WDV of the Block for Depreciation	Nil	Taxable STCG (1,80,000 – 1,10,000)	70,000	7																								
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a	Exempted assets u/s 2(14): stock-in-trade and personal effects	2																																						
b	i) False, ii) True, iii) False, iv) False	8																																						
c	<p align="center">Computation of Capital Gain for the A.Y.2019-20</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Shares</th> <th>HP</th> </tr> </thead> <tbody> <tr> <td>Sales Consideration</td> <td align="right">24,00,000</td> <td align="right">6,80,000</td> </tr> <tr> <td>Less:</td> <td></td> <td></td> </tr> <tr> <td>1.ICA: [Shares = 8,70,000 x 280/200;</td> <td align="right">-12,18,000</td> <td align="right">-1,12,000</td> </tr> <tr> <td>HP = 46,800 x 280/117]</td> <td align="right">-</td> <td align="right">-2,24,000</td> </tr> <tr> <td>2.ICI: (HP = 1,47,200 x 280/184)</td> <td></td> <td></td> </tr> <tr> <td align="right">LTCG</td> <td align="right">11,82,000</td> <td align="right">3,44,000</td> </tr> </tbody> </table>	Particulars	Shares	HP	Sales Consideration	24,00,000	6,80,000	Less:			1.ICA: [Shares = 8,70,000 x 280/200;	-12,18,000	-1,12,000	HP = 46,800 x 280/117]	-	-2,24,000	2.ICI: (HP = 1,47,200 x 280/184)			LTCG	11,82,000	3,44,000	10																	
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a	Deduction available for more than actual expenditure is weighted deduction.	3																																						

		b	Tax on LTCG (20% x 3,00,000) + Tax on other incomes of Rs.13,60,000 Tax 2,80,500 + HEC 11,220 = 2,91,720			7	M
		c	Computation of Income From Profession for the A.Y. 2019-20			10	
			Particulars	Amount			
			Income From Profession				
			Audit fees	70,500			
			Tax consultancy fees	<u>50,000</u>	1,20,500		
			Less: Allowable expenses				
			Office expense	10,000			
			Salary to employees (5,000 – 1,000)	4,000			
			Cost of magazines	500			
			Interest	700			
			Car expense	2,000			
			Banking Cash Transaction tax	1,000			
			Depreciation on building	8,000			
			Depreciation on Furniture	<u>2,500</u>	<u>-28,700</u>		
			Taxable Income From Profession		91,800		
			Computation of Taxable Income for the A.Y. 2019-20				
			Particulars		Amount		
					Nil		
					Nil		
			IP				
			IP (Income From Business)				
			NL as per P & L A/c	8,50,250			
			Less: In-admissible Expenses/Additional Incomes				
			Household expenses	20,000			
			Income tax	36,100			
			Interest on capital	84,000			
			Provision for bad debts	3,400			
			Less depreciation on furniture (Rs.18,000 – 17,200)	800			
			Over-valuation of closing stock	23,333			
			Less: Exempted Incomes/Incomes Taxable under other heads				
			Additional Deductions				
			Dividend income on goods withdrawn	-13,400			
			Over-valuation of opening stock	<u>-11,556</u>	9,92,000		
			CG				
			DS			96,000	
			Income from a friend in UK				
			IT			10,88,000	
			Less: Deductions u/s 80C (Contribution to PPF)			-1,000	
			Taxable Income			10,87,000	
			Taxable Income (After rounding-off)			10,87,000	
						5	
B	4					10	10 M

