

Internal Assessment Test - 3

| | | | |
|-------|-----------------|------------|------------|
| Sub: | Direct Taxation | Code: | 18MBAFM303 |
| Date: | 2/12/2020 | Duration: | 60 mins |
| | | Max Marks: | 50 |
| | | Sem: | III |
| | | Branch: | MBA |

| | | Marks | OBE | |
|---|---|-------|-----|-----|
| | | | CO | RBT |
| Part A - Answer all the questions (15* 1 = 15 marks) | | | | |
| 1 | If Mr. X received gifts of Rs.2,00,000 from his father-in-law, how much is taxable? a. Rs.50,000 b. Rs.1,50,000 c. Rs.2,00,000 d. Nil | 3 | | 1 |
| 2 | Mr. Y received gifts of Rs.45,00,000 from his friend in UK, Rs.60,000 from his friend in India and Rs.80,000 from his uncle during the financial year 2019-20. Calculate taxable amount of gifts. a.Rs.55,000 b. Rs.1,05,000 c. Rs.1,35,000 d. Rs.1,85,000 | 3 | | 1 |
| 3 | How do you treat the following depreciation while calculating income from business? Depreciation as per P & L A/c is Rs.25,000 and as per IT rule is Rs.20,000. a. Rs.5,000 deducted from Net profit b. Rs.5,000 is added back to Net Profit c. Ignored d. None | 3 | | 2 |
| 4 | If out of total sales tax of Rs.30,000, Rs.5,000 is paid on July 10, 2020, Rs.10,000 is paid on October 3, 2020 and the balance is not yet paid, how much is allowable expenses as per IT rule? Due date of filing return of income is July 31, 2020. a. Rs.5,000 b.Rs.15,000 c.Rs.30,000 d.None | 3 | | 2 |
| 5 | A businessman paid 20,000 to a scientific research association for the purpose of carrying an approved scientific research in natural science which is not related to the business. How much is allowable expense as per IT Rule? a. Rs.20,000 (100%) b. Rs.30,000 (150%) c. Rs.35,000 (175%) d. Rs.40,000 (200%) | 3 | | 2 |
| 6 | Out of bonus of Rs.40,000, Rs.5,000 is paid during 2019-20 and Rs.25,000 is paid by July 31, 2020 (being the due date of furnishing return of income). The balance is, however, paid on November 11, 2020. How much is allowable expenses as per IT Rule? a. Rs.5,000 b. Rs.10,000 c. Rs.30,000 d. Rs.40,000 | 3 | | 2 |
| 7 | Which is correct if Mr.X, a businessman paid interest of Rs.50,000 outside India, without making TDS? a.Rs.3,000 is allowable expense b Rs.3,000 is inadmissible expense c.None | 3 | | 2 |
| 8 | Which is correct if Mr.X purchases a plant costing Rs.25,000 to be used in the business. a. In-admissible as it is personal exp. b. In-admissible as it is capital exp. c. Admissible as it is business exp d. None | 3 | | 2 |
| 9 | Which is correct treatment of bad debts and reserve for bad debts? a. Both bad debts and Reserve for bad debts are admissible b. Both bad debts and Reserve for bad debts are in-admissible c. Bad debts is admissible and Reserve for bad debts is in-admissible d. Bad debts is in-admissible and Reserve for bad debts is admissible | 3 | | 2 |

| | | | |
|---|---|---|---|
| 10 | Which is correct treatment of payment of penalty for evasion of tax while calculating business income? a. Admissible b. In-admissible c. Admissible if paid before due date of filing IT Return d. None | 3 | 2 |
| 11 | Which is correct treatment of payment of income tax while calculating business income? a. Admissible b. In-admissible c. Admissible if paid before due date of filing IT Return d. None | 3 | 2 |
| 12 | Which is correct treatment of expenses incurred for preparing and filing IT Return? a. Admissible b. In-admissible c. Admissible if paid before due date of filing IT Return d. None | 3 | 2 |
| 13 | Which is correct treatment of bad debts recovered (deduction not claimed earlier) shown on the credit side of P & L A/c? a. Treated as business income, but no adjustment required b. Treated as business income and added to Net profit c. Not treated as business income and hence deducted from Net profit d. None | 3 | 2 |
| 14 | Which is correct treatment of custom duty recovered (deduction claimed earlier) shown on the credit side of P & L A/c? a. Treated as business income, but no adjustment required b. Treated as business income and added to Net profit c. Not treated as business income and deducted from Net profit d. None | 3 | 2 |
| 15 | How do you treat compensation given to an employee for termination of his/her service? a. Admissible if terminated in the interest of the employee b. Admissible if terminated in the interest of the business c. Admissible irrespective of interest of the termination d. In-admissible irrespective of interest of the termination | 3 | 2 |
| Part B – Practical problems (7*5=35 marks) | | | |
| 16 | On April, 2019, 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 June 28, 2019 for Rs.30,000 and sells Plant A on May 3, 2019 for Rs.80,000. Compute the amount of depreciation allowed. a. 4,000 b. 4,500 c. 6,000 d. None | 4 | 3 |
| 17 | X Ltd. owns two plants Plant A and Plant B – on April 1, 2019 (rate of depreciation : 15%, depreciated value on April 1, 2019: Rs.5,00,000). The company purchases plant C on May 31, 2019 for Rs.50,000 and sells plant A (on April 10, 2019), plant B (on December 12, 2019) and Plant C (on March 1, 2020) for Rs.25,000 Rs. 40,000 and Rs.35,000 respectively. Which is correct with respect to depreciation? a. Depreciation of Rs.67,500 b. STCL of Rs.4,50,000 c. STCG of Rs.4,50,000 d. None | 4 | 3 |
| 18 | Opening and closing stock appearing in P & L A/c are Rs.1,80,000 and Rs.3,60,000 respectively. Which is correct if both the stocks are undervalued by 10%? a. Rs.20,000 deducted & Rs.40,000 deducted b. Rs.20,000 added & Rs.40,000 added c. Rs.20,000 added & Rs.40,000 deducted d. Rs.20,000 deducted & Rs.40,000 added | 3 | 3 |
| 19 | Opening and closing stock appearing in P & L A/c are Rs.3,15,000 and Rs.5,25,000 respectively. Which is correct if both the stocks are overvalued by 5%? a. Rs.15,000 deducted & Rs.25,000 deducted b. Rs.15,000 added & Rs.25,000 added | 3 | 3 |

c. Rs.15,000 added & Rs.25,000 deducted
 d.Rs.15,000 deducted & Rs.25,000 added

- 20 Amount of sales shown in P & L A/c includes a sum of Rs.50,000 representing the value of goods withdrawn by the proprietor for family consumption. These goods were purchased for Rs.40,000 but market value is Rs.45,000. How do you make adjustment while calculating income from business?
 a. Rs. 10,000 is added to Net profit
 b. Rs. 10,000 is deducted from Net profit
 c. Rs.5,000 is added to Net profit
 d. Rs.5,000 is deducted from Net profit
- 21 Mr.X purchased a patent for Rs.1,00,000 on 1/6/2019 and put to use on 1/2/2020. Calculate the amount of deduction available for the AY 2020-21 as per IT Rule.
 a. Rs.25,000 b.Rs.12,500 c. None
- 22 Mr.Y purchased a patent for Rs.2,00,000 on 1/6/2019 and put to use on 1/9/2020. Calculate the amount of deduction available for the AY 2020-21 as per IT Rule.
 a. Rs.50,000 b.Rs.25,000 c. None

| | |
|----------|----------|
| | |
| 3 | 3 |
| 4 | 3 |
| 4 | 3 |

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

CCI

HOD

Scheme

| | | | | | | | | | | | | | | | | | | | | | | |
|-------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Q.No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| | b | a | a | c | d | a | b | b | c | b | b | a | c | a | b | b | b | d | c | b | b | a |

| Part B – Practical problems (7*5=35 marks) | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|----------|--|----------------------------------|---------------|--|-------|----------|--|--|------------------|--|-----------------------------------|----------|--|-----------------------------|--------------|--|-------------|-----------------|--|
| 16 | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">WDV of the block on 1/4/2019</td> <td style="width: 10%; text-align: right;">80,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Add: Cost of Plant 'C' purchased</td> <td style="text-align: right;"><u>30,000</u></td> <td></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">1,10,000</td> <td></td> </tr> <tr> <td>Less: Sale of Plant 'A'</td> <td style="text-align: right;"><u>-80,000</u></td> <td></td> </tr> <tr> <td>WDV of the Block for Depreciation</td> <td style="text-align: right;">30,000</td> <td></td> </tr> <tr> <td>Depreciation (15% * 30,000)</td> <td style="text-align: right;">4,500</td> <td></td> </tr> </table> | WDV of the block on 1/4/2019 | 80,000 | | Add: Cost of Plant 'C' purchased | <u>30,000</u> | | Total | 1,10,000 | | Less: Sale of Plant 'A' | <u>-80,000</u> | | WDV of the Block for Depreciation | 30,000 | | Depreciation (15% * 30,000) | 4,500 | | | | |
| WDV of the block on 1/4/2019 | 80,000 | | | | | | | | | | | | | | | | | | | | | |
| Add: Cost of Plant 'C' purchased | <u>30,000</u> | | | | | | | | | | | | | | | | | | | | | |
| Total | 1,10,000 | | | | | | | | | | | | | | | | | | | | | |
| Less: Sale of Plant 'A' | <u>-80,000</u> | | | | | | | | | | | | | | | | | | | | | |
| WDV of the Block for Depreciation | 30,000 | | | | | | | | | | | | | | | | | | | | | |
| Depreciation (15% * 30,000) | 4,500 | | | | | | | | | | | | | | | | | | | | | |
| 17 | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">WDV of the block on 1/4/2019 (Plant 'A' & 'B')</td> <td style="width: 10%; text-align: right;">5,00,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Add: Cost of Plant 'C' purchased</td> <td style="text-align: right;"><u>50,000</u></td> <td></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;">5,50,000</td> <td></td> </tr> <tr> <td>Less: Sale of Plant 'A' 'B' & 'C' (25,000 + 40,000 + 35,000)</td> <td style="text-align: right;"><u>-1,00,000</u></td> <td></td> </tr> <tr> <td>WDV of the Block for Depreciation</td> <td style="text-align: right;">4,50,000</td> <td></td> </tr> <tr> <td>Depreciation (Empty block)</td> <td style="text-align: right;">Nil</td> <td></td> </tr> <tr> <td style="text-align: right;">STCL</td> <td style="text-align: right;">4,50,000</td> <td></td> </tr> </table> | WDV of the block on 1/4/2019 (Plant 'A' & 'B') | 5,00,000 | | Add: Cost of Plant 'C' purchased | <u>50,000</u> | | Total | 5,50,000 | | Less: Sale of Plant 'A' 'B' & 'C' (25,000 + 40,000 + 35,000) | <u>-1,00,000</u> | | WDV of the Block for Depreciation | 4,50,000 | | Depreciation (Empty block) | Nil | | STCL | 4,50,000 | |
| WDV of the block on 1/4/2019 (Plant 'A' & 'B') | 5,00,000 | | | | | | | | | | | | | | | | | | | | | |
| Add: Cost of Plant 'C' purchased | <u>50,000</u> | | | | | | | | | | | | | | | | | | | | | |
| Total | 5,50,000 | | | | | | | | | | | | | | | | | | | | | |
| Less: Sale of Plant 'A' 'B' & 'C' (25,000 + 40,000 + 35,000) | <u>-1,00,000</u> | | | | | | | | | | | | | | | | | | | | | |
| WDV of the Block for Depreciation | 4,50,000 | | | | | | | | | | | | | | | | | | | | | |
| Depreciation (Empty block) | Nil | | | | | | | | | | | | | | | | | | | | | |
| STCL | 4,50,000 | | | | | | | | | | | | | | | | | | | | | |
| 18 | Opening stock = Rs.1,80,000 * 10/90 = Rs.20,000 deducted Closing stock = Rs.3,60,000 * 10/90 = Rs.40,000 added Ans d | | | | | | | | | | | | | | | | | | | | | |
| 19 | Opening stock = Rs.3,15,000 * 5/105 = Rs.15,000 added Closing stock = Rs.5,25,000 * 5/105 = Rs.25,000 deducted Ans c | | | | | | | | | | | | | | | | | | | | | |
| 20 | Notional profit = Rs.50,000 – 40,000 = Rs.10,000 is deducted from Net Profit | | | | | | | | | | | | | | | | | | | | | |
| 21 | Depreciation = Rs.1,00,000 * 25% * ½ = Rs.12,500 | | | | | | | | | | | | | | | | | | | | | |
| 22 | Depreciation = Rs.2,00,000 * 25% = Rs.50,000 | | | | | | | | | | | | | | | | | | | | | |