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 :  
   
   (a) Define Business.  
   (b) Mention any four disallowed expenses, in calculation of profit from business.  
   (c) What is short term capital asset?  
   (d) What do you mean by less tax securities?  
   (e) Explain the provision U/S 80U.  
   (f) Name any two no limit 50% deductible donations U/S 80G.  
   (g) How do you set-off the long term capital loss?  

2. List out any 6 items included U/S 80C.  

3. Explain the provisions for set-off and carry forward of the following losses:  
   (a) Loss from house property  
   (b) Speculation business loss  
   (c) Short term capital loss.  

4. 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.  

5. 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)  

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P.T.O.
6. Sri Suryaputhra has the following investments for the year ended 31-3-2017:
   i) ₹ 20,000 units of UTI (income received ₹ 4,000)
   ii) ₹ 80,000 in post office savings Bank account which earns the interest @ 5% p.a.
   iii) ₹ 72,000 10% tax free debentures of Mysore Municipal corporation.
   iv) 14% Karnataka State Electricity Board Bonds ₹ 30,000.
   v) ₹ 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:

(3x14=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:
   i) Advertisement expenses are incurred to promote the sales.
   ii) Out of bad debts recovered ₹ 3,000 were disallowed in earlier previous years.
   iii) 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 assessment 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**

<table>
<thead>
<tr>
<th>Receipts</th>
<th>₹</th>
<th>Payments</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Balance b/d</td>
<td>8,000</td>
<td>By Car expenses</td>
<td>1,500</td>
</tr>
<tr>
<td>&quot; Legal fee :</td>
<td></td>
<td>&quot; Office expenses</td>
<td>20,000</td>
</tr>
<tr>
<td>2016-17</td>
<td>1,05,000</td>
<td>&quot; Salary to attender</td>
<td>9,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>20,000</td>
<td>&quot; Subscription to law journal</td>
<td>500</td>
</tr>
<tr>
<td>2017-18</td>
<td>6,000</td>
<td>&quot; Purchase of law books</td>
<td>12,000</td>
</tr>
<tr>
<td>&quot; Fee from consultancy work</td>
<td>18,000</td>
<td>&quot; Donation to an approved college</td>
<td>4,000</td>
</tr>
<tr>
<td>&quot; Special commission fees</td>
<td>1,500</td>
<td>&quot; Rent of chamber</td>
<td></td>
</tr>
<tr>
<td>&quot; Salary as part time lecturer in law</td>
<td>16,000</td>
<td>2017-18</td>
<td>2,000</td>
</tr>
<tr>
<td>&quot; Examiners fees from law university</td>
<td>600</td>
<td>2016-17</td>
<td>24,000</td>
</tr>
<tr>
<td>&quot; Sale proceeds of furniture used in profession</td>
<td>6,000</td>
<td>2015-16</td>
<td>3,000</td>
</tr>
<tr>
<td>&quot; Director's fee from the company</td>
<td>200</td>
<td>&quot; Electric lighting</td>
<td>2,500</td>
</tr>
<tr>
<td>&quot; Dividend from Indian Company</td>
<td>64,000</td>
<td>&quot; LIC premium</td>
<td>1,000</td>
</tr>
<tr>
<td>&quot; Remuneration from an article published in law journal</td>
<td>400</td>
<td>&quot; Car purchased</td>
<td>74,000</td>
</tr>
<tr>
<td>&quot; Maturity amount from LIC</td>
<td>48,000</td>
<td>&quot; House hold exps.</td>
<td>5,000</td>
</tr>
<tr>
<td>&quot; Gifts from clients</td>
<td>5,000</td>
<td>&quot; Income tax appeal</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2,98,700</td>
<td>&quot; Purchases of land</td>
<td>8,900</td>
</tr>
<tr>
<td>Total</td>
<td>2,98,700</td>
<td>Balance c/d</td>
<td></td>
</tr>
</tbody>
</table>

**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 assessment year 2017-18.
9. Shri Athmananda submits the following particulars of assets sold during the year 2016-17:

<table>
<thead>
<tr>
<th></th>
<th>Gold</th>
<th>Securities</th>
<th>Plot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale proceeds</td>
<td>4,00,000</td>
<td>1,50,000</td>
<td>20,00,000</td>
</tr>
<tr>
<td>Brokerage paid on sale</td>
<td>–</td>
<td>–</td>
<td>2%</td>
</tr>
<tr>
<td>Cost of acquisition</td>
<td>60,000</td>
<td>40,000</td>
<td>1,40,000</td>
</tr>
<tr>
<td>Year of acquisition</td>
<td>1988-89</td>
<td>2013-14</td>
<td>1984-85</td>
</tr>
<tr>
<td>Cost Inflation Index</td>
<td>161</td>
<td>939</td>
<td>125</td>
</tr>
<tr>
<td>Date of sale</td>
<td>1-6-2016</td>
<td>1-1-2017</td>
<td>30-6-2016</td>
</tr>
</tbody>
</table>

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:**

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

ii) 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:

   i) ₹ 2,00,000, 8% State Govt. securities.
   ii) ₹ 5,00,000, 10% tax free commercial securities.
   iii) ₹ 4,00,000, 12% commercial securities.
   iv) ₹ 10,000 (gross) received as interest on Public Ltd. company’s securities.
   v) ₹ 7,200 interest received on debentures of ABC Ltd. (listed).
   vi) ₹ 9,000 interest received on securities of XYZ Ltd. (unlisted).
   vii) ₹ 5,000 dividend received from Indian company.
   viii) ₹ 4,000 interest received from the units of UTI.
   ix) ₹ 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.