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VI Semester B.B.A. Degree Examination, September/October - 2022

BUSINESS ADMINISTRATION

Income Tax - II

(CBCS Scheme (Fresh) 2019-20 Regular)

Paper : 6.1

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:

Answers should be written in English only.

SECTION - A

Answer any **Five** sub-questions. Each question carries **2** marks.

(5×2=10)

1. a. Who is an assessee?
- b. Define the term 'Income'.
- c. What do you mean by business?
- d. Give meaning of short term capital gain.
- e. What do you mean by financial assets.
- f. Name any 2 Tax free Government securities.
- g. State the provision U/S 80 D.

SECTION - B

Answer any **Three** questions. Each question carries **Five** marks.

(3×5=15)

2. Mr. Samarth prahlad is a registered medical practitioner. He keeps his books on cash basis and his summarized cash account for the year ended 31 march 2021 is as follows.

Particulars	Rs.	Particulars	Rs.
Balance b/d	5,850	Cost of medicines	12,450
Loan from bank	10,000	Motor car expenses	6,000
Sale of medicines	26,500	Salary	1,700
Consultation fees	16,000	Rent of dispensary	2,600
Visiting fees	3,000	Personal expenses	1,600
Interest on Govt securities	3,600	LIC premium	2,500
		Insurance Premium:	
Rent from HP	8,000	Car	700
Gift from patients	2,000	House property	500
Gift from father - in - law	5,000	Travelling expenses	1,900
		Balance c/d	50,000
	79,950		79,950

[P.T.O.]

Other information:

1. Half of the motor car expenses are in respect of his personal use.
2. The written down value of motor car on 1.4.2020 was Rs. 12,720. Rate of depreciation 15%.

Compute taxable income from profession for the AY 2021-22 (Ignore alternative tax region U/S 115 BAC).

3. Mr. Prasanna sold his residential house on 1.1.2021 for Rs. 35,00,000, which he had purchased in 2001-02 for Rs.2,00,000.

He spent Rs. 6000 for sale of the house. He spent Rs. 1,50,000 on the construction of the new house and deposited Rs.1,00,000 under capital gain account scheme on 28.3.2021.

The CII for 2001-02 and 2020-21 are 100 and 301 respectively. Compute taxable capital gain for the AY - 2021-22.

4. The following income are received by Mr. Ajay Rathod, a resident in the P.Y 2020-21. Compute his taxable income from other sources (Ignore alternative tax region U/S 115 BAC).

- a. Directors fees Rs. 10,000.
- b. Dividend received from Co-operative society Rs. 7000.
- c. Winnings from Andhra Pradesh State lottery Rs.28,000 (Net).
- d. Family pension received Rs. 30,000 p.a.
- e. Dividend received on preference shares Rs. 10,000 p.a.
- f. Insurance commission received Rs. 23,809 (Expenses incurred in earning insurance commission Rs. 2500).
- g. Interest from savings bank account Rs. 500.
- h. He received a gold chain from his friend as gift. Its fair market value is Rs. 32,000 and a painting from another friend as gift. Its fair market value is Rs. 18,000.

5. State the provisions regarding set off of losses.

SECTION - C

Answer any **Three** questions. Each question carries **Fifteen** marks. (3×15=45)

6. Shri Ganesh (age 55 years) a resident of mumbai submits the following P&L A/c for the year ending 31st March 2021

P/L A/c

Dr.

Cr

Particulars	Rs.	Praticulars	Rs.
To opening stock	1,10,000	By sales	36,00,000
To purchases	14,00,000	By closing stock	2,20,000



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To wages	3,00,000		
To gross profit	20,10,000		
	<u>38,20,000</u>		38,20,000
To Advertisement	2,00,000	By Gross profit b/d	20,10,000
To salary to staff	6,60,000	By Rent	2,40,000
To proprietors salary	1,20,000	By Commission	1,50,000
To Audit fees	60,000	By Bad debts recovered	
To Bad debts	40,000	(earlier disallowed)	70,000
To Reserve for bad debts	50,000	By Discount on MNS Ltd	
To General expenses	2,50,000	Co. shares (gross)	30,000
To Municipal tax on business premises	24,000		
To Fire insurance premium on goods	26,000		
To Depreciation	78,000		
To Patent Rights	1,60,000		
To Staff welfare fund	40,000		
To Employees RPF	50,000		
To Goods and services tax	1,90,000		
To Donation to national development fund	1,00,000		
To Life insurance pre provisions on own life	36,000		
To Net profit	4,16,000		
	<u>25,00,000</u>		25,00,000

Other Information :

- Opening stock and closing stock were over valued by 10%.
- Advertisement includes Rs. 1,00,000, being cost of permanent sign board.
- Business income of Rs. 70,000 was not recorded in the profit and loss A/c.
- General expenses include Rs. 50,000 paid for securing business orders and Rs. 60,000 spent on his wife's birthday party.
- Depreciation allowable on all assets including permanent sign board by excluding patent rights as per IT rules was Rs. 90,000.
- Patent rights were acquired on 11.10.2020 on which depreciation is allowable at 25%. Compute taxable income from business for AY 2021-22 [Ignore alternative tax region U/S 115 BAC].

[P.T.O.]



7. During the year ended 31st March 2021, Mr. Jeevan (Resident) sold the following assets :

	Particulars	Sale proceeds
1.	Agricultural land in Mysore (urban city) purchased in 2001 for Rs.20,000 (FMV as on 1.4.2021 (CII 100) being Rs. 30,000)	5,60,000
2.	Furniture purchased on 1.5.2020 for Rs. 25,000.	30,000
3.	Machinery purchased in 2013-14 (CII-220) for Rs. 50,000 (WDV as on 1.4.2001 Rs. 35,000).	60,000
4.	Shop purchased in 2006-07 (CII 122) for Rs. 50,000	4,50,000
5.	One residential house purchased in 2008-09 (CII 137) costing Rs. 60,000	5,80,000

During the year he bought another house for his residence for Rs. 2,00,000. The CII for 2020-21 is 301. Find the total taxable income from capital gain.

8. Mrs. Nanditha submits the following particulars of income from other sources for the year ended 31.3.2021.

1. Family pension from Govt. of Karnataka Rs. 42,000.
2. Royalty from books written Rs. 20,000 (expenses incurred for this purpose Rs. 2,500).
3. Remuneration from articles published in a magazine Rs 2000.
4. Cash worth Rs. 1,00,000 was found in her private locker. The source of which could not be explained by her.
5. Interest on fixed deposits in a bank Rs. 15,000 (Gross).
6. Rent from subletting a house Rs. 1500 p.m (rent paid to the owner Rs. 1000 p.m and repair expenses Rs.200).
7. Winnings from lottery net Rs. 70,000 (purchase of lottery Rs. 100).
8. She invests in the following :
 - i. Rs. 37,000 - 10% Tax free debentures of a company listed in a recognised stock exchange in India.
 - ii. Interest on S. B account Rs. 2000.
 - iii. Dividend Rs. 10,000 (Gross) from a tea Co.,Compute her taxable income from other sources for the AY - 2021 - 22. (Ignore alternative tax Region U/S 115 BAC).

9. Following are the details of Mr. Sanketh for the previous year 2020-21.

- i. Gross salary Rs. 5,54,000. (Computed).
- ii. Income from house property (computed) Rs. 72,000,
- iii. Income from business (computed) Rs. 3,37,000.
- iv. Income from profession of consulting (computed) Rs. 1,18,000.
- v. Short term capital gain on sale of jewellery Rs. 57,000.
- vi. Short term capital gain on sale of shares Rs. 49,000. (not subject to STT).
- vii. Interest on bank deposits (Net) Rs. 50,000.

Mr. Sanketh is eligible for deduction under various sections of 80C to the extent of Rs. 1,47,000 for the P.Y 2020-21. He had paid an advance tax of Rs. 49,000.

Compute the net tax liability of Mr. Sanketh for the A.Y. 2021-22 if he is a resident of India. aged about 58 year. (Ignore alternative tax region U/S 115BAC).