

VI Semester B.Com. Examination, April/May 2015
(Semester Scheme) (2014-15 and Onwards) (Freshers)
COMMERCE

Paper – 6.5 : Elective Paper – III : Business Taxation – II

Time : 3 Hours

Max. Marks : 100

Instruction : Answer should be written **completely** either in **Kannada** or **in English**.

SECTION – A

1. Answer **any ten** sub-questions. **Each** carries **two** marks. (10×2=20)
- a) What is Net Wealth ?
 - b) What is Alternative Minimum Tax ?
 - c) What do you mean by service ?
 - d) What is Additional Depreciation ?
 - e) What is Domestic Company ?
 - f) Mention any four service specified in exempted list of services.
 - g) What is Tax Credit under MAT ?
 - h) What do you mean by valuation date under W. T. Act ?
 - i) Mention any two advantage of limited liability partnership.
 - j) Mention any two cases under which Urban land is not chargeable to Wealth Tax.
 - k) What is Partnership Deed ?
 - l) What is abatement in context of Service Tax ?



SECTION - B

Answer **any four** questions from the following. Each carries **eight** marks. (4×8=32)

2. What is Negative List ? Mention any six services which are specified in Negative List of services.
3. State whether the following are admissible or inadmissible expenses under the provisions of Income Tax Act.
- A cash payment of Rs. 18,500 paid to a supplier of raw materials on a day on which the banks were closed on account of in-definite strike.
 - Depreciation of Rs. 40,000 is debited to P and L A/c on Sri Ram Temple which is constructed inside the factory premises for the benefits of employees of the company.
 - Contribution made by company to Staff Welfare Fund.
 - Donation to NCF Rs. 25,000
 - Bonus of Rs. 75,000 was paid to the employee after the due date of filing return of income.
 - Service tax paid.
 - Provision for Income Tax.
 - Of the sales tax provision sales take of Rs. 10,000 was paid before filing the return of income.
4. Gowri Shankara Co. Ltd., is in manufacture of a component submits the following information :

Name of Asset	Plant and Machinery		
	I	II	III
Block of Assets			
Rate of Depreciation	15%	25%	10%



WDV of P and M on 1-4-2013

Plant A	8,50,000	
B		12,50,000
C		5,60,000

Additions of Plants during 2013-14

Plant P	22,50,000	
Q		8,00,000
R		10,00,000

Plant 'P' and 'Q' are purchased and put to use by the company during June 2013, whereas Plant 'R' was purchased and put to use during January 2014. During the 2013-14 old plants namely plant A is sold for Rs. 6,50,000, plant B for Rs. 9,50,000 and plant C for Rs. 4,00,000. Compute the permissible amount of normal and additional depreciation for the Assessment Year 2014-15.

5. State whether the following are chargeable to Wealth Tax on valuation date 31-3-2014.

- Land situated within B.B.M.P. limits.
- A residential house allotted by a company to its Managing Director to whom a salary of 95,000 p.m. is paid by company.
- A Guest House situated outside the local limits of B.D.A.
- A land situated within limits of Mysore Development Authority for which no permission can be given by Govt. for construction of any building.
- Cash in hand of Rs. 45,000 is not recorded in the books of a company.
- Jewellery held by a trades as stock in trade of his business.
- The interest of Mr. Ramesh in the coparcenary property of HUF in which is a member.
- Bank Deposits.



6. Sri Ram and Raghuram are working partners in a professional firm which satisfies all conditions of Sections 184 and 40 (b) of IT Act. They share profits and losses in the ratio of 4 : 1.

Profit and Loss A/c of the firm for the year ending 31-3-2014.

Particular	Rs.	Particular	Rs.
To General expenses	68,500	By Gross Profit	5,85,000
" Interest on capitals of partners	75,000		
" Donation to N.D.F.	25,000		
" Salary, Bonus and other remuneration to partners	2,85,000		
" Depreciation	30,000		
" Net Profit	1,02,000		
	5,85,000		5,85,000

Other information :

- General expenses to the extent of Rs. 18,500 is not deductible.
- Interest on capitals to partners is in excess of Rs. 15,000.
- Depreciation allowable as per IT rules works out to Rs. 32,500.

Compute the permissible amount of remuneration to partners.

SECTION - C

Answer **any three** questions from the following. **Each** carries **sixteen** marks. **(3×16=48)**

7. Sri Hari a citizen of India and residing in U.S. since 15 years returned back to India on 18th May 2013 for permanent settlement in Mysore. He submits the following information of assets and liabilities held by him on 31-3-2014.

Particulars	Amt. (Rs.)
Assets	
• Cash in Hand	75,000
• Gold and silver ornaments given to his son's wife	32,50,000



- House in Bangalore used by him for carrying on his business 10,00,000
- Boat held for personal 40,00,000
- A car for personal use purchased on 16th April 2013 out of amount standing to the credit of his NRI A/c 20,00,000
- House in Mysore let out for residential purpose for 11 months during 2013-14 45,50,000
- Investment in Debentures 10,00,000
- As a member of HUF he has converted his self acquired house property in Tumkur into property of HUF 30,00,000
- A piece of land in Bangalore is considered as agricultural land as per records of the Government 18,00,000
- A residential flat in Mumbai 70,00,000
- Commercial complex in Chennai 30,00,000
- Work of art, gallantry award and paintings 25,00,000

Liabilities

- Loan taken on flat in Mumbai for his personal 10,00,000
- Loan taken for construction of house in Tumkur 6,50,000

From the information given above calculate the amount of Net Wealth and Wealth tax liability of Sri Hari for the Assessment Year 2014-15.

8. Mr. Anand provides the following services (inclusive of service tax and education cess thereon) for the month of Jan. 2014. Compute the value of taxable services and service tax liability for the Assessment year 2014-15.

Particulars	Rs.
• Services provided to RBI	2,50,000
• Selling of space for advertisement in a newspaper	76,250



- Advance received from his client for the services to be rendered to make the crops ready for retail market 1,36,500
- Services relating to education 78,500
- Received from a client for the services rendered in Nov. 2013 for which invoice was raised and issued to him on 28th Nov. 2013 1,32,650
- Services rendered by supply of labour for agricultural purpose 80,700
- Free services rendered to his relatives and friends 95,850
- Placement services 1,65,900
- Services by way of training in recreational activities 97,850
- Health care services 68,250
- A bill was raised and issued to his client for services rendered but no payment is received (Date of bill is 16th Jan. 2014) 3,75,000
- Part payment of Rs. 22,500 was received from a client in respect of service rendered 75,600
- Renting of agro machinery for agricultural purpose 6,10,000
- Services rendered in Jammu and Kashmir 70,000

9. Priyanka and Shruthi are working partners in a professional firm sharing profits and loss equally. The partnership deed has authorised the firm to pay interest to partners on their capitals at 20% P.A. The firm is considered as eligible firm as it satisfies all the requirements of Sections 184 and 40 (b) of IT Act. From the following information calculate Book profit, Admissible remuneration to partners, total income and tax liability of the firm for the Assessment Year 2014-15.

Profit and Loss A/c of the firm for the year ending 31-3-2014.

Particular	Rs.	Particular	Rs.
To other expenses	1,25,500	By Gross Profit	8,15,500



" Interest on capitals :		" Interest from customer 10,000	
• Priyanka	40,000		
• Shruthi	<u>60,000</u>	1,00,000	" Interest on debentures
		(Gross)	6,50,000
" Salary, Bonus and other remuneration to partners			
• Priyanka	6,50,000		
• Shruthi	<u>3,50,000</u>	10,00,000	
Net Profit		2,50,000	
		14,75,500	14,75,500

Other information :

- The firm is eligible for 100% deduction U/S 80 IB as the firm is engaged in development of SEZ.
- Depreciation allowable as per IT rules works out to Rs. 35,500.
- Other expenses to the extent of Rs. 62,500 is not deductible.

10. Rising Sun Co. Ltd., is engaged in the business of manufacture of computer components. The Profit and Loss A/c of the company for the year ending 31-3-2014 is given below

Profit and Loss A/c

Particular	Rs.	Particular	Rs.
To Salary to staff	3,25,000	By Gross Profit	35,39,000
" Audit fee	12,000	" Amount withdrawn	
" Bad debts	15,000	from General Reserve	
" Depreciation	1,62,500	which was created	
" Income Tax	75,000	in 1996-97 by debiting	
" Dividend distribution tax	62,500	P and L A/c	1,60,000



" Donation to NDF	60,000	
" Wealth Tax	75,000	
" Custom duty payable	62,000	
" Net Profit	28,50,000	
	36,99,000	36,99,000

Other information :

- Depreciation allowable as per IT Rules works out to Rs. 1,45,500.
- Brought forward business loss Rs. 3,50,000
- Brought forward unabsorbed depreciation Rs. 1,45,000
- Of the custom duty payable Rs. 12,000 was paid before filing the return.
- Company is eligible for following deductions :
 - Deduction U/S 80 IB (25% of Rs. 28,50,000)
 - Deduction U/S 80 G in respect of Donation to NDF.

Calculate the total income of Rising Sun Co. Ltd., and Tax Liability for the assessment year 2014-15.