

**BITS PILANI K K BIRLA GOA CAMPUS
COMPREHENSIVE EXAMINATION
SEMESTER II, YEAR: 2022-23**

Subject: Fundamentals of Taxation and Auditing
Date: 22nd May 2023

Total Marks: 45
Time: 3 Hours

Instructions:

- 1) *Neatness in presentation and adequate justification of answers will be a factor in evaluation.*
- 2) All questions are compulsory.

Q.NO.1.....Marks 6

Ram is 28 years old and is a businessman in Delhi. On the basis of the following profit and loss account for the financial year 2021-22, compute his taxable income under the Head of Income from business and profession.

Particulars	Rs.	Particulars	Rs.
Opening Stock	20,700	Sales	15,00,000
Purchases	10,00,000	Closing Stock	25,200
Household Expenses	10,000		
Income Tax payments	30,000		
Interest on Capital	8,400		
Depreciation on Furniture	12,000		
Reserve for bad debts	1,200		
Salaries and Wages	60,000		
Rent and rates	25,000		
Net Profit	3,57,900		
TOTAL	15,25,200		15,25,200

Additional Information given is as under :

1. Opening stock and closing stocks have been valued at 10% below cost price.
2. Household expenses include a contribution of Rs.1,500 towards Public Provident fund.
3. Amount of depreciation as per Income tax act on furniture should be only Rs.10,000.

Q.No. 2.....Marks 5

Work out the Taxable Income of the Partnership firm M/s. Hanuman & Associates, which is engaged in retail trade from the following particulars for the AY 2021-22

- (a) Net profits of Rs.3,65,000 arrived at after debiting of Interest on Capital of partners of Rs.1,80,000 and salaries to working partners is Rs.4,80,000.
- (b) Total Capital of the partners on which interest paid as debited in the profit and loss account was Rs.10,00,000. Assume Interest and Remuneration to partners is authorised by the partnership deed under section 40(b)

Q.No. 3.....Marks 5

Mr. X is a proprietor engaged in manufacturing business. He furnishes the following particulars. Compute the amount of depreciation and additional depreciation as per the income tax act for the AY 2021-22.

	Particulars	Rs.
1.	Opening WDV of Plant and machinery as on 1-4-2020	30,00,000
2.	New Plant and Machinery purchased and put to use on 8-6-2020	20,00,000
3.	New Plant and Machinery acquired and put to use on 15-12-2020	8,00,000
4.	Sale of Plant and Machinery from the Opening Balance of P & M	10,00,000
5.	Computers Acquired and installed in the office premises on 2-1-2021	3,00,000

Q.No. 4.....Marks 6

Compute the Gross total Income of Mr. Modi for the A.Y. 2020-21 from the information given below :

Particulars	Rs.
Net Income from House property	1,25,000
Income from Textile business (Before providing depreciation for the current year)	1,35,000
Short term capital gains on sale of shares	56,000
Long term Capital Loss from sale of property (Brought forward from AY 2017-18)	(90,000)
Income from Tea business	1,20,000
Dividends from Indian Companies carrying on agricultural operations	80,000
Current year depreciation	26,000
Brought forward business loss of the business (Loss incurred six years ago)	(45,000)

Q.NO. 5.....Marks 6

X Ltd provided the following perquisites to its specified employee Mr. Y for the previous year, 2019-20. Compute the value of perquisites chargeable to tax for the AY 2020-21, assuming his salary of the employee is Rs.10 lacs.

- Accommodation taken on lease is in Mumbai by X Ltd for Rs.15,000 per month and Rs.5,000 is recovered from the employee in respect of the same.
- Furniture for which the hire charges paid by X Ltd is Rs.3,000 per month. No amount is recovered in respect of the same.
- A Santro Car 1600 CC, which is owned by X Ltd and is given to Mr. Y to be used for official and personal purposes. All running and maintenance expenses are fully met by the employer. He is also provided with a chauffeur (driver for the car).

d. A gift vouchers of Rs.10,000/- is given to him on his birthday.

Q.No. 6.....Marks 6

Ravi retired on 15-6-2019 after completion of 26 years and 8 months of service and received gratuity of Rs. 6,00,000. At the time of retirement, his salary was :

Particulars	Other details
Basic Salary	Rs.5,000/- per month.
Dearness Allowance	Rs.3,000 p.m. (60% of which is for retirement benefits.
Commission	1% of turnover (turnover in the last 12 months is Rs.120 lacs.)

Compute the taxable gratuity and exempt under Section 10(10) under the situations

- He is a Private Sector employee covered by the Payment of Gratuity Act 1972
- He is a Private Sector employee NOT covered by the Payment of Gratuity Act 1972.

Hint : (a) Salary means Salary + DA.

Hint : (b) Salary means Basic Salary and DA, if provided in the terms of employment for retirement benefits forming part of salary and further commission which is expressed as a fixed percentage of turnover.

Q.No. 7 Answer any 5 out of the 8 short questions (Give reasoning).....Marks 5

- Mr. Ramdas acquired a Plant & Machinery Rs.12,60,000 (this price he paid includes that he paid GST amount of Rs.60,000/- and he has claimed Rs.60,000 under Input Tax Credit under GST) Determine the amount of Depreciation allowable on the Plant & Machinery @ 15%. Give detailed workings and give proper reasoning where necessary.
- Where the entire block of assets is sold for a price more than the opening Written Down Value plus cost of assets, if any acquired during the year, the excess amount will be called _____ under Section 50 of the income tax act.
- Modi purchased goods on credit from D Ltd on 7-5-2021 for Rs.96,000 for which payment of Rs.5,000 is made in cash on 12-5-2021, Rs45,000/- by bearer cheque on 30-5-2021 and Rs.46,000 by account payee crossed cheque on 13-6-2021. Justify by reasoning under the provisions of income tax, the allowability of such expenditure.
- GCC Ltd engaged in Manufacturing activity contributed Rs 8,70,000/- towards Provident Fund account of its employees. It actually remitted Rs.5,00,000 upto 31-3-2022 and Rs.2,50,000 upto the due date of filing of income tax return

under section 139(1) . Calculate and justify with reasoning, the amount liable for to tax in the assessment year 2022-23.

- e) Short term Capital loss of a particular assessment year can be set off in the same assessment year from _____(fill in the blank)
- f) A Business loss can be carried forward and set off in the subsequent assessment year whether the business on account of which this loss has arisen is continued or not. State whether True or False
- g) For the PY 2021-2022, an assessee suffered a business LOSS of Rs.4,00,000. His income from Lottery Winnings is Rs.6,00,000. Compute his taxable income for the Assessment year 2022-23 and justify with reasoning.....
- h) It is mandatory to file the Income tax return in time as per Section 80 of the Act, in order to avail the benefit of carry forward of losses. State both the exceptions to the above rule, where carry forward of losses is allowed, even If return of income is not filed in time as per the income tax act.

Q.No.8.....Marks 6

For the Assessment year 2022-23, the Gross Total Income of Mr. Chaturvedi, a resident in India, was Rs. 8,18,240 which includes Long term capital gains of Rs.2,45,000 under Section 112 and Short term capital gains of Rs.58,000. The Gross total income also includes interest income of Rs.12,000 from savings bank deposits with banks and Rs.40,000/- interest on fixed deposits with Banks. Mr. Chaturvedi has invested in PPF for Rs.1,20,000 and also paid a medical insurance premium of Rs.51,000. Mr. Chaturvedi also contributed Rs.50,000/- to the Public Charitable Trust, eligible for deduction under Section 80G by way of an account payee cheque.

Compute the total income of Mr. Chaturvedi who is aged 70 years as on 31-3-2022.