

GOVERNMENT COMMERCE COLLEGE, VADALI

Run by

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Estd : 2008



Academic Year: 2023-'24

B.Com.Sem.-IV

Taxation: Paper-II (CC-207)

Question Bank (2023-24)

Unit-I: Profits and Gains of Business or Profession:

[1] Write Short notes:

- (1) Expenses which are not allowable under the head 'Profits and gains of business or Profession.'
- (2) Generally allowable deductions

[2] Following is the profit and Loss A/c of Mr. Vijay, who is into trade of Chemical goods, for the year ended 31-3-2023.

Dr.

Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Salaries	9,00,000	Gross Profit	35,00,000
Bad debts	30,000	Discount	1,50,000
Bad debts reserve	60,000	Bad debt recovered	60,000
General expenses	3,80,000	Interest and dividend	3,70,000
Insurance premium	1,50,000	Interest on post office deposit accounts	1,20,000
Interest on capital	90,000		
Advanced Income-tax	54,000		
Advertisement	90,000		
Donation	18,000		
Motar-car expenses	1,80,000		
Telephone expenses	36,000		
Depreciation	72,000		
Net profit	21,40,000		
	42,00,000		42,00,000

Additional Information:

- (1) 50% amount of bad debt return is not allow in the previous year.
- (2) Allowable Depreciation as per income-tax Act is Rs. 90,000.
- (3) Insurance Premium includes Rs. 60,000 of Life Insurance Premium.
- (4) Salaries include Rs. 1,80,000 paid to Mr. Vijay.
- (5) Advertisement includes Rs. 54,000 spent on purchase of new permanent sign board.
- (6) General expenses includes Rs. 60,000 for payment being made for personal Purchases of Mr. Vijay.

- (7) Motor-car expenses includes Rs. 1,44,000 towards personal purpose.
 (8) An unrecorded income of Rs. 78,000 of chemical trade is found out from the pass book.
 Compute Mr. Vijay's taxable Business income for P.Y. 2022-'23.

[3] Following is the Profit and Loss Account for the year ending on 31st March, 2023 of
 M/s. Shital Trading & Co.

Dr.	Rs.	Cr.	Rs.
To Salary & Allowances	9,70,000	By Gross Profit	40,90,000
Postage & Telephone	90,000	Interest & Dividend	90,000
Office Rent	2,50,000	Rent (which includes	
Local Taxes For Building		Rs. 10,000 from employees'	
(Including Rs. 2,000 For Staff		Staff Quarters)	30,000
Quarters)	8,000	Interest charged to debtors for	
Bad Debt Reserve	7,000	late payment	5,000
Bad Debt (includes Rs. 2,000		Profit on sale of Investments	25,000
for debt, debtor's A/C not yet-		Sundry Income	2,000
closed)	8,000		
Donation	5,000		
Interest Paid (includes			
Rs. 7,000 on Capital)	15,000		
Motor-Car Expenses	20,000		
Provision For – Tax	2,50,000		
<u>Depreciation:</u>			
on Machinery	20,000		
on Motor-Car	15,000		
on Furniture	12,000		
Insurance Premium	18,000		
Misc. Expenses	34,000		
Net Profit	24,00,000		
	37,42,000		37,42,000

Additional Information:

- (1) Salary includes Rs. 1,15,000 paid to the owner of the business.
- (2) 40% of the use of motor-car is meant for the personal purposes.
- (3) Insurance premium includes Rs. 6,000 for life insurance policy of the son of the owner.
- (4) W.D.V. of assets as on 1-4-'22 were as follows: Machinery Rs. 80,000, Furniture Rs. 40,000, Rates of Depreciation allowable are 15% and 10% resp. A new machine was purchased on 1-12-'22 for Rs. 40,000 on which depreciation allowable is 15%.
- (5) Misc. Expenses includes instruments purchased but not put into business use for Rs. 16,000.

Calculate taxable income under the head income for business professional for A.Y. 2023-'24.

- [4] From the following information of Dr. Vishvjit, Compute his taxable income under the head 'Income from business or profession for the A.Y. 2023-'24.

Receipt and Payment Account
(for the year ended on 31-3-2023)

Receipts	Rs.	Payments	Rs.
To Balance b/d	20,000	By Hospital rent	1,20,000
Visit fees	30,000	Salaries	4,60,000
Consulting fees	3,70,000	Telephone bill	6,000
Sale of medicine	40,000	Purchase of books	4,000
Operation fees	3,60,000	Daughter's marriage exp.	70,000
Operation theatre rent	15,000	Motor car exp.	20,000
Income from house rent	20,000	Municipal taxes	6,000
Salary from college	25,000	Traveling exp.	4,000
Profit on sale of shares	35,000	Miscellaneous expenses	3,000
Interest income	10,000	Insurance premium	5,000
Dividend on shares	5,000	Purchase of medicine	80,000
Sale of surgical instruments		Purchase of computer	40,000
(31-12-'22)	10,000	Closing balance	1,32,000
Gift from patient	10,000		
	9,50,000		9,50,000

Additional Information:

- (1) The opening written down value of surgical instruments was Rs. 50,000. Depreciation allowed is 30%.
On 1-3-2023 he purchased new surgical instruments (out of personal funds) for Rs. 10,000.
- (2) Loss in speculation business Rs. 15,000.
- (3) Municipal taxes includes Rs. 1,000 for residential house.
- (4) The opening stock of medicine was Rs. 11,000 which was 10% overvalued, while closing stock was Rs. 54,000 which was undervalued by 10%.
- (5) Salaries include Rs. 10,000 paid to his son, who is studying in college.
- (6) Hospital rent includes 40% for residential house.
- (7) Insurance Premium includes Rs. 3,000 for Life Insurance Premium.
- (8) The opening W.D.V. of motor car was Rs. 1,00,000. Depreciation allowable is 15%.
Motor car is used for office and personal use in the ratio of 2:1.

- [5] Dr. Hitesh Patel owns a surgical hospital at Surat. He gives you following information pertaining to the financial year 2022-'23. Compute his taxable income under the head income for business professional for A.Y. 2023-'24.

(1) Receipts at the hospital:	Rs.
(i) Consolation charge	6,40,000
(ii) Operation charge	14,70,000

(iii) Hospital income (gross)	55,000
(iv) Net surplus in supply of drugs	8,000
(v) Gifts (in cash) from patients	12,000

(2) Payment during the year:

(i) Income –tax	1,22,000
(ii) Hospital expenses	16,50,000
(iii) Personal expenses	15,000
(iv) Car maintenances (1/3 rd is allowed)	60,000
(v) Purchase of instruments (through bank loan)	60,000
(vi) Paid to public provident fund	1,20,000
(vii) L.I.C. premium	42,000
(viii) Allowable depreciation charges	9,000
(ix) Travelling expenses	45,000
(x) Refunds of 1 st instalment towards bank loan (Rs.20,000+Interest)	22,800

(3) His son, (who is an M.B.B.S.) and daughter-in-law (who is a commerce graduate) attend hospital work regularly and they get salary of Rs.35,000 and Rs.17,000 per month respectively (included in hospital expenses).

(4) Travelling expenses included Rs. 10,000 for family pilgrimage and Rs.35,000 to words his exclusive business promotion to Dubai

(5) L.I.C premiums are paid for self Rs. 20,000, for his son Rs. 12,000 and for Mr. Hitesh Patel Rs. 10,000.

Unit-II (A): Capital Gains:

[1] Find out the taxable capital gain and exemption U/s 54 F for the A.Y.2023-'24 from the details given below by Anamika:

Assets	Date of Purchase	Purchase Price. Rs.	Sales Price Rs.	Sales Expenses Rs.
1) Land situated in surat City	1-1-'07	1,00,000	6,02,000	750
2) Jewellery	1-1-'11	4,83,915	13,10,721	-
3) Shares of bardoli sugar Factory	1-1-'16	2,07,215	13,21,809	900
4) Listed debentures of a company	1-1-'16	1,26,650	2,27,000	350
5) Unlisted debentures of company	1-1-'19	2,61,237	4,06,478	-
6) Residential flat	2-11-'22	28,05,851	-	-

On 1-11-'22, all the above assets (excluding residential flat) were sold. Security transaction tax not been charged on sales of securities. The cost-inflation index numbers are as under:

Financial Year	2001-02	2006-07	2010-11	2015-16	2018-19	2022-23
Index	100	122	167	254	280	331

[2] Ku. Shaital Kumari sold her following assets during the year ending 31-3-2023.

Assets	Date of Purchase	Purchase Price. Rs.	Date of Sales	Sales Price Rs.	Transfer Expense Rs.
(1) Residential House (only one)	10-07-'99	2,00,000	10-6-'22	44,98,750	33,750
(2) 'X' Ltd. Shares	1-8-'16	1,52,168	1-10-'22	2,90,636	1,800
(3) 'Y' Ltd. Shares	1-12-'05	2,00,000	1-10-'22	6,41,500	1,500
(4) Jewellery	1-10-'09	7,50,000	21-9-'22	25,81,155	3,000
(5) Debentures	10-7-'09	2,00,000	2-2-'23	2,42,000	2,000
(6) Motor-car (personal use)	15-10-'11	3,10,000	12-12-'22	2,75,000	-
(7) New Flat	30-12-'22	10,00,000	-	-	-

Other Information :

(1) She had incurred Rs. 2,40,000 in year 2019-'20 for additional construction in the house.

(2) The fair market value of assets on 1-4-2001 were as under :

Residential Rs. 14,00,000

Jewellery Rs. 9,35,075

'Y' Ltd. Shares Rs. 1,60,000

(3) Security Transaction Tax (STT) has been paid on sale of 'X' Ltd. Shares.

(4) No security Transaction Tax (STT) has been paid on sale of 'Y' Ltd. Shares.

(5) Relevant Index – Nos.

Financial Year	2001-02	2005-06	2009-10	2011-12	2016-17	2022-23
Index	100	117	148	184	264	331

(6) Share has Purchased a new Flat immediately after she sold the residential house.

Calculate the Taxable capital gain for the A.Y.2023-'24.

[3] Find out the taxable capital gain from the following information of shri Jay Dave for the A.Y. 2023-'24

Assets	Date of Purchase	Cost of acquisition Rs.	Date of Sales	Sales value Rs.	Sales expenses Rs.
(1) Residential house in rural area	11-11-1999	6,00,000	1-3-2023	56,36,250	37,750
(2) Personal Gold	1-10-2009	11,30,000	21-09-2022	23,41,000	3,000
(3) Personal Computer	15-10-2016	62,000	21-12-2022	65,000	-
(4) Share (unquoted)	1-3-2012	1,84,000	31-12-2022	6,44,500	1,500
(5) Residential flat in urban area	30-8-2021	40,00,000	1-2-2023	45,30,250	30,250

Fair value of Rural residential house was Rs. 14,00,000 on 1-4-2001. From the sales proceeds of this

house, Rs. 11,00,000 invested new residential house on date 2-3-2023. For the benefit of tax exemptions, he invested in Rs. 4,50,000 in three years NHAI on 2-7-2022.

Related cost inflation index Nos.

Financial Year	2001-'02	2009-'10	2011-'12	2016-'17	2021-'22	2022-'23
Index	100	148	184	264	317	331

Unit-II (B): Income from Other Sources:

[1] Write Short notes:

- (1) Casual Income and its exceptions
- (2) Fully Exempted securities
- (3) Deduction available under the head 'Income from other sources.'

[2] From the following details of Shri Anandbhai Joshi, find out the taxable income under the head "Income from other sources" for the A.Y.2022-'23:

- (1) Rs. 40,000 as interest earned on Gold Deposits Bonds, 1999.
- (2) Rs. 24,000 as dividend received on shares of Reliance Power Co. Ltd.
- (3) Rs. 35,000 as interest received on less-tax debentures of 'Ashtha Ltd.' (T.D.S. 20%).
- (4) Rs. 44,100 as interest received on less-tax debentures of 'Garden Warelli Ltd., Surat (T.D.S. 10%).
- (5) Investment in 10% Rs. 10,40,000 less tax debentures of "Chennai Ltd"(T.D.S.10%).
On 1-7-2022 these debentures were sold and settled the bank loan taken to purchase the debentures of Ellizabeth Ltd.
- (6) Royalty received as an author Rs. 1,89,000 net (after deduction of Rs.21,000 as expenses).
- (7) Investment in 10% Rs. 5,40,000 tax-free debentures of Delhi Ltd. (T.D.S. 10%)
- (8) Net income from horse race is Rs. 35,000 (T.D.S. 30%).
- (9) Net income from Bank Term Deposit (gross) Rs.68,000.
- (10) On 1-6-2022 he purchased Rs. 4,80,000, 12% tax-free debentures of Ellizabeth Ltd. (T.D.S.20%). For this purpose, he borrowed a loan from the bank for Rs.4,00,000 at 12% p.a. interest rate.
- (11) Rs. 28,080 has been received as ground rent.

Interest on all the securities was received on 30th June and 31st December every year. Rs. 1,380 was paid was paid for collection of interest.

[5] Investments of Shri Manmohanji as on 1-4-2022 and the income and expenditure during 1-4-'22 to 31-3-'23 were as under. Find out the taxable income the head 'Income from other Source' for the assessment year 2023-'24:

- (1) Rs. 80,000, 12% Maharashtra Government Loan.
- (2) Rs. 20,000, 9% Gujarat Government Loan.
- (3) Rs. 40,000, 15% tax-free debentures of Himson Pvt. Ltd. (T.D.S. 20%)
- (4) Rs. 50,000, 12% less-tax debentures of 'B' Ltd., (T.D.S. 10%)
- (5) Interest of Rs. 1,350 received on 12% 'C' Ltd.'s less -tax debentures (T.D.S. 10%)

- (6) Interest of Rs. 4,500 received on tax-free debentures of 'D' Ltd., (T.D.S. 10%)
- (7) Winning from cross-word puzzles (gross) Rs. 5,000 and winning from Lottery (net) Rs. 35,000 (T.D.S.30%)
- (8) Interest received on Capital Investments Bonds Rs. 4,000.
- (9) 9% preference shares of Rs. 10,000 of Malhotra Ltd.,
- (10) Rent of Rs. 38,770 from sub-tenant.

Interest on all these securities becomes due on 30th June and 31st December.

On 1-7-'22 Maharashtra Govt.'s loan of Rs. 50,000 was sold at Rs. 51,000 and on the same day 15% Bihar Govt.'s Loan of Rs. 53,000 was bought at par. The required balance of amount for such purchase was borrowed at 6% p.a. rate from a friend. On 1-8-'22, 9% Gujarat Govt.'s Loan of Rs.20,000 was sold.

On 1-1-'23, 15% tax free debentures (T.D.S. 20%) of Himson Pvt. Ltd. of Rs. 40,000 were sold and 10% less-tax debentures of Reliance Ltd. of Rs. 60,000 (T.D.S. 10%) were purchased.

Expenses of Rs. 155 were incurred for collection of interest on taxable securities.

[6] Purvi furnishes following details of his investment for the financial year 2022-'23.

Calculate her taxable income under the head of income from other sources for A.Y.2023-'24.

- (1) 12% Tax free debentures of Shree Ram Ltd. (T.D.S. 20%) Rs. 1,12,500.
- (2) 8% Tax free Government of India securities Rs. 2,00,000.
- (3) 9% less Tax Bonds of Punj Ltd. (T.D.S. 10%) Rs. 50,000.
- (4) Agricultural Income from Land in Punjab Rs. 3,80,000.
- (5) Agricultural income from Land situated in China Rs. 4,50,000.
- (6) Director fee received from company as an independent director Rs. 20,000.
- (7) Dividend received on shares of companies in UK Rs. 80,000.
- (8) Dividend received on shares of Dhruv Ltd. Rs. 2,000.
- (9) Interest on 7% Capital Investment Bonds Rs.7,000.
- (10) Interest received on 10% Tax free debentures of Narmada Ltd. (T.D.S. 20%)
Rs.16,000.
- (11) Rent received from open plot of land situated in India Rs. 18,000.
- (12) Rent received from house property sub-let Rs.16,000 (cost of amenities provided to sub-tenant Rs. 3,000).

Bank commission paid for collection of dividend from Indian companies Rs.200 for from companies in UK Rs.700.

Unit-III:

[1] Write Short notes:

- (1) Deduction under section 80G
- (2) Deduction under section 80U
- (3) Explain: Deduction in respect of Interest on Loan taken for higher Education (Sec. 80E)
- (4) Carry forward of losses

[2] Shri Praksh has made the following investments during the previous year 2022-'23.

Determine the amount of deduction U/s 80C for the assessment year 2023-'24:

- (1) Own contribution to recognized provident fund Rs. 18,000
- (2) Deposit made in P.P.F. A/c Rs. 80,000
- (3) Investment under master equity plan of UTI Rs. 14,000
- (4) Investment in national saving certificates (series six) Rs. 20,000
- (5) Amount deposited in 5 years fixed deposit A/c with state bank of India Rs. 25,000
- (6) Deposit made in Post office saving bank A/c Rs. 5,000
- (7) Investment in kisan vikas patra Rs. 11,000
- (8) Life insurance premium paid (self) Rs. 6,000

[3] Mr. Vipul has made the following payments during the previous year 2022-'23.

- (i) Own contribution to recognized provident fund Rs. 48,000.
- (ii) Contribution to Public Provident Fund Rs. 1,20,000
- (iii) Investment as a term deposit with State Bank of India for 5 years Rs. 35,000
- (iv) Life insurance premium on the life of married daughter (sum assured Rs. 1,00,000; policy taken on 1-4-2018) Rs. 12,000

Compute the total qualifying amount and actual amount of deduction u/s 80C for the assessment year 2023-'24.

[4] Compute the 'Total Gross Income' of shri Mukesh from the particulars given below:

- (1) Taxable income from house property Rs. 78,000
- (2) Taxable business profit (before allowing depreciation) Rs. 1,50,000
- (3) Admissible depreciation of previous year 2022-'23 Rs. 80,000
- (4) Business loss brought forward from previous year 2020-'21 Rs. 90,000
- (5) Unabsorbed depreciation of previous year 2022-'23 Rs. 40,000

Unit-IV: GST

Write Short notes on:

- (1) 'Business' and 'Place of Business'
- (2) Composition Levy
- (3) Exemptions in GST
- (4) Composite Supply and Mixed Supply
- (5) GST registration

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