

PARUL UNIVERSITY
FACULTY OF COMMERCE
B.Com. (Hons) Winter 2019 – 20 Examination

Semester: 5

Date: 27/11/2019

Subject Code: 16101302

Time: 10:30 am to 01:00pm

Subject Name: Elements of Direct Taxes

Total Marks: 60

Instructions:

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as directed.**A) Multiple choice type questions. (Each of one mark)****(06)**

1. The W.D.V. of a block (Plant and Machinery, rate of depreciation 15%) as on 1.4.2017 is Rs. 3, 20,000. A Second hand machinery costing ` 50,000 was acquired on 1.9.2017 but put to use on 1.11.2017. During Jan '2018, part of this block was sold for ` 2,00,000. The depreciation for A.Y.2018-19 would be -

- | | |
|-----------|-----------|
| a) 21,750 | b) 25,500 |
| c) 21,125 | d) 12,750 |

2. An assessee uses plant and machinery for the purpose of carrying on his business. Under section 31, he shall be eligible for deduction on account of-

- | | |
|--|--|
| a) both capital and revenue expenditure on repairs | b) current repairs plus 1/5th of capital expenditure on repairs. |
| c) current repairs | d) both (a) & (b) |

3. Under section 145(1), income chargeable under the heads "Profits and gains of business or profession" or "Income from other sources" shall be computed in accordance with _____ system of accounting regularly employed by the assessee

- | | |
|---------------|----------------------------------|
| a) Cash | b) Both cash and mercantile |
| c) Mercantile | d) either the cash or mercantile |

4. Manufacturing industries set up in the notified backward areas of specified States are eligible for a deduction @ ____ of the actual cost of new plant & machinery acquired and installed during the previous year

- | | |
|--------|--------|
| a) 20% | b) 15% |
| c) 30% | d) 35% |

5. In order to incentivize the business entities to provide better and effective agriculture extensive services, section 35CCC provides a weighted deduction of a sum equal to _____% of expenditure incurred by an assessee on agricultural extension project in accordance with the prescribed guidelines.

- | | |
|--------|--------|
| a) 150 | b) 200 |
| c) 100 | d) 50 |

6. The full form of NMP is _____.

- | | |
|----------------------------------|-----------------------------|
| a) National Marketing Policy | b) National Monetary Policy |
| c) National Manufacturing Policy | d) National Mines Policy |

B) Answer the following: (Each of one mark)**(06)**

1. Define Capital Asset.
2. What do you mean by personal effects?
3. What do you mean by 'Keyman Insurance Policy'?
4. What do you mean by Speculative transaction?
5. What is "block of assets"?
6. What is the rate of depreciation on Purely temporary erections such as wooden structures?

Q.2 Numerical / Short Note Questions. (Each of 04 mark)**(12)**

1. Mention the exclusions from the definition of personal effects in the Income Tax Act.
2. Write down the conditions to be satisfied for allowance of depreciation.
3. Mr. X, a proprietor engaged in manufacturing business, furnishes the following particulars:

	Particulars	₹
(1)	Opening WDV of plant and machinery as on 1.4.2017	30,00,000
(2)	New plant and machinery purchased and put to use on 08.06.2017	20,00,000
(3)	New plant and machinery acquired and put to use on 15.12.2017	8,00,000
(4)	Computer acquired and installed in the office premises on 2.1.2018	3,00,000

Compute the amount of depreciation as per the Income-tax Act, 1961 for the A.Y. 2018-19.

Q.3 Answer the following. (Any Three)

(18)

1. Mr. Gopi carrying on business as proprietor converted the same into a limited company by name Gopi Pipes (P) Ltd. from 01-07-2017. The details of the assets are given below:

	₹
Block - I WDV of plant & machinery (rate of depreciation @ 15%) on 01.04.2017	12,00,000
Block - II WDV of building (rate of depreciation @ 10%) on 01.04.2017	25,00,000

The company Gopi Pipes (P) Ltd. acquired plant and machinery in December 2017 for ₹ 10,00,000. It has been doing the business from 01-07-2017.

Compute the quantum of depreciation to be claimed by Mr. Gopi and successor Gopi Pipes (P) Ltd. for the assessment year 2018-19.

Note: Ignore additional depreciation.

2. Mr. Praveen Kumar has furnished the following particulars relating to payments made towards scientific research for the year ended 31.3.2018:

Sl. No.	Particulars	(₹ in lacs)
(i)	Payments made to K Research Ltd.	20
(ii)	Payment made to LMN College	15
(iii)	Payment made to OPQ College	10
(iv)	Payment made to National Laboratory	8
(v)	Machinery purchased for in-house scientific research	25
(vi)	Salaries to research staff engaged in in-house scientific research	12

Note: K Research Ltd. and LMN College are approved research institutions and these payments are to be used for the purposes of scientific research.

Compute the amount of deduction available under section 35 of the Income-tax Act, 1961 while arriving at the business income of the assessee.

3. Mr. A, furnishes the following particulars for the P.Y.2017-18. Compute the deduction allowable under section 35 for A.Y.2018-19, while computing its income under the head "Profits and gains of business or profession".

	Particulars	₹
1.	Amount paid to Indian Institute of Science, Bangalore, for scientific research	1,00,000
2.	Amount paid to IIT, Delhi for an approved scientific research programme	2,50,000
3.	Amount paid to X Ltd., a company registered in India which has as its main object scientific research and development, as is approved by the prescribed authority	4,00,000
4.	Expenditure incurred on in-house research and development facility as approved by the prescribed authority	
(a)	Revenue expenditure on scientific research	3,00,000
(b)	Capital expenditure (including cost of acquisition of land ₹ 5,00,000) on scientific research	7,50,000

4. Mr. Suraj, a proprietor, commenced operations of the business of a new three-star hotel in

Madurai, Tamil Nadu on 1.4.2017. He incurred capital expenditure of ` 50 lakh during the period January, 2017 to March, 2017 exclusively for the above business, and capitalized the same in his books of account as on 1st April, 2017. Further, during the P.Y.2017-18, he incurred capital expenditure of ` 2 crore (out of which ` 1.50 crore was for acquisition of land) exclusively for the above business.

Compute the income under the head “Profits and gains of business or profession” for the A.Y.2018-19, assuming that he have fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C. – Deductions in respect of certain incomes”. The profits from the business of running this hotel (before claiming deduction under section 35AD) for the A.Y.2018-19 is ` 25 lakhs.

Assume that he also have another existing business of running a four-star hotel in Coimbatore, which commenced operations ten years back, the profits from which are ` 120 lakhs for the A.Y.2018-19. Also, assume that expenditure incurred during the previous year 2017-18 are by account payee cheque or use of ECS through bank account.

Q.4 Answer the following. (Any two)

(18)

1. Mr. A commenced operations of the businesses of setting up a warehousing facility for storage of food grains, sugar and edible oil on 1.4.2017. He incurred capital expenditure of ` 80 lakh, ` 60 lakh and ` 50 lakh, respectively, on purchase of land and building during the period January, 2017 to March, 2017 exclusively for the above businesses, and capitalized the same in its books of account as on 1st April, 2017. The cost of land included in the above figures are ` 50 lakh, ` 40 lakh and ` 30 lakh, respectively. Further, during the P.Y.2017-18, it incurred capital expenditure of ` 20 lakh, ` 15 lakh & ` 10 lakh, respectively, for extension/reconstruction of the building purchased and used exclusively for the above businesses.

Compute the income under the head “Profits and gains of business or profession” for the A.Y.2018-19 and the loss to be carried forward, assuming that Mr. A has fulfilled all the conditions specified for claim of deduction under section 35AD and has not claimed any deduction under Chapter VI-A under the heading “C. – Deductions in respect of certain incomes”. The profits from the business of setting up a warehousing facility for storage of food grains, sugar and edible oil (before claiming deduction under section 35AD and section 32) for the A.Y. 2018-19 is ` 16 lakhs, ` 14 lakhs and ` 31 lakhs, respectively. Also, assume that expenditure incurred during the previous year 2017-18 are by account payee cheque or use of ECS through bank account.

2. Mr. Kunal, a proprietor, engaged in the business of generation of power, furnishes the following particulars pertaining to P.Y. 2017-18. Compute the depreciation allowable under section 32 for A.Y. 2018-19, while computing his income under the head “Profits and gains of business or profession”. The proprietor has opted for the depreciation allowance on the basis of written down value.

	Particulars	`
1.	Opening Written down value of Plant and Machinery (15% block) as on 01.04.2017 (Purchase value `8,00,000)	5,78,000
2.	Purchase of second hand machinery (15% block) on 29.12.2017 for business purpose	2,00,000
3.	Machinery Y (15% block) purchased and installed on 12.07.2017 for the purpose of power generation	8,00,000
4.	Acquired and installed for use a new air pollution control equipment on 31.7.2017	2,50,000
5.	New air conditioner purchased and installed in office premises on 8.9.2017	3,00,000
6.	New machinery Z (15% block) acquired and installed on 23.11.2017 for the purpose of generation of power	3,25,000
7.	Sale value of an old machinery X, sold during the year (Purchase value `4,80,000, WDV as on 01.04.2017 `3,46,800)	3,10,000

3. With the specific objective of creating rural infrastructure and environment friendly alternate means for transportation of bulk goods, investment-linked tax incentives have been introduced for specified businesses under Section 35AD. Name those businesses.