

Seat No: \_\_\_\_\_

Enrollment No: \_\_\_\_\_

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**B.Com (Hons) Sem V**  
**Mid Term Examination Sep - 2018**

Semester : V

Date: 08-09-2018

Subject Code : 16101302

Time: 8.00 to 10.00

Subject Name: Elements of Direct Tax

Total Marks: 40

**Instructions:**

1. Attempt all questions from each section
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.

<b>Q.1</b>	<p><b>Answer the following:</b></p> <ol style="list-style-type: none"> <li>1. What do you mean by “Keyman Insurance Policy”?</li> <li>2. What is the meaning of “Forward Contract”?</li> <li>3. What do you mean by “Know-How”?</li> <li>4. What is the rate of depreciation on Life Saving Medical Equipment? a. 10%      b. 15%      c. 20%      d. 40%</li> <li>5. What will be the actual cost to the assessee where any asset which had once belonged to the assessee and had been used by him for the purposes of his business or profession and thereafter ceased to be his property by reason of transfer or otherwise, is re-acquired by him?</li> <li>6. Wayne Enterprises Ltd. incurred capital expenditure of ` 1,50,000 on 1.4.2017 for acquisition of patents and copyrights. Such expenditure is - (a)Eligible for deduction in 14 years from A.Y.2018-19 (b)Eligible for deduction in 5 years from A.Y.2018-19 (c)Subject to depreciation @ 25% under section 32 (d)Subject to depreciation @ 15% under section 32</li> <li>7. The illegality of a business, profession or vocation exempts its profits from tax. True or False? Why?</li> <li>8. What do you mean by Hedging Contract in respect of stocks and shares?</li> </ol>	<b>(08)</b>																																			
<b>Q.2</b>	<p><b>(a)</b> A newly qualified Chartered Accountant Mr. Dhaval, commenced practice and has acquired the following assets in his office during F.Y. 2017-18 at the cost shown against each item. Calculate the amount of depreciation that can be claimed from his professional income for A.Y. 2018-19:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 5%;">Sl. No.</th> <th style="width: 45%;">Description</th> <th style="width: 15%;">Date of acquisition</th> <th style="width: 15%;">Date when put to use</th> <th style="width: 20%;">Amount</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Computer including computers software</td> <td>27 Sept., 17</td> <td>1 Oct., 17</td> <td>35,000</td> </tr> <tr> <td>2.</td> <td>Computer UPS</td> <td>2 Oct., 17</td> <td>8 Oct., 17</td> <td>8,500</td> </tr> <tr> <td>3.</td> <td>Computer printer</td> <td>1 Oct., 17</td> <td>1 Oct., 17</td> <td>12,500</td> </tr> <tr> <td>4.</td> <td>Books (of which books being annual publications are of ` 12,000)</td> <td>1 Apr., 17</td> <td>1 Apr., 17</td> <td>13,000</td> </tr> <tr> <td>5.</td> <td>Office furniture (Acquired from a practising CA)</td> <td>1 Apr., 17</td> <td>1 Apr., 17</td> <td>3,00,000</td> </tr> <tr> <td>6.</td> <td>Laptop</td> <td>26 Sep., 17</td> <td>8 Oct., 17</td> <td>43,000</td> </tr> </tbody> </table>	Sl. No.	Description	Date of acquisition	Date when put to use	Amount	1.	Computer including computers software	27 Sept., 17	1 Oct., 17	35,000	2.	Computer UPS	2 Oct., 17	8 Oct., 17	8,500	3.	Computer printer	1 Oct., 17	1 Oct., 17	12,500	4.	Books (of which books being annual publications are of ` 12,000)	1 Apr., 17	1 Apr., 17	13,000	5.	Office furniture (Acquired from a practising CA)	1 Apr., 17	1 Apr., 17	3,00,000	6.	Laptop	26 Sep., 17	8 Oct., 17	43,000	<b>(08)</b>
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(b) Mr. Ben Affleck carrying on business as proprietor converted the same into a limited company by name Ben Guns (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 Ben Guns (P) Ltd. acquired plant and machinery in December 2017 for ₹ 10,00,000. It has been doing the business from 01-09-2017.

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

Note: Ignore additional depreciation.

**Q.3** (a) Brad Ltd. has a block of assets carrying 15% rate of depreciation, whose written down value on 01.04.2017 was ₹ 40 lacs. It purchased another asset (second-hand plant and machinery) of the same block on 01.11.2017 for ₹ 14.40 lacs and put to use on the same day. Brad Ltd. was amalgamated with Angelina Ltd. with effect from 01.01.2018. You are required to compute the depreciation allowable to Brad Ltd. & Angelina Ltd. for the previous year ended on 31.03.2018 assuming that the assets were transferred to Angelina Ltd. at ₹ 60 lacs.  
(b) Draw the format of calculating Closing WDV.

(08)

**Q.4** Mr. Zack Efron, 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.

(08)

**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

**Q.5 Answer the following:**  
1. Write a short note on Carry Forward and Set-off of Depreciation. What is the order of set-off?  
2.

(08)

