



# SHREE H. N. SHUKLA COLLEGE OF I.T. & MGMT.

(AFFILIATED TO SAURASHTRA UNIVERSITY)

3- Vaishalinagar  
Nr. Amrapali Railway Crossing  
Raiya Road, Rajkot – 360001  
Ph. No–(0281)2471645

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Ph.No–(0281)2440478, 2472590

ASSIGNMENT PAPER 2023

S.Y. B. COM-4

SUBJECT: INCOME TAX LAW AND PRACTICE - 2

MARKS: 70

Following is the Profit and Loss Account of business of Mr. X for the financial year 2019-'20.

[20]

Particulars	Rs.	Particulars	Rs.
To Opening Stock	52,000	By Sales	57,35,500
To Purchases	40,04,375	By Closing Stock	1,05,000
To Salaries & Wages	5,87,500	By Share Dividend	40,000
To Rent & rates	65,500		
To Commission	10,750		
To Household Expenses	3,50,000		
To Income-tax	1,28,050		
To Advertisement	2,500		
To Postage & Telegram	2,000		
To Interest on Capital	42,000		
To Reserve for bad debts	1,700		
To Depreciation on Furniture	9,000		
Net Profit	6,25,125		
	<b>58,80,500</b>		<b>58,80,500</b>

#### Additional Informations :

- Closing stock and opening stock have consistently been valued at 20% below cost price.
- Depreciation on furniture, as per income-tax provisions is Rs. 8,600.
- Amount of sales includes a sum of Rs. 20,625 representing the value of goods withdrawn for personal use; These goods were purchased at cost of Rs. 13,925 and its market value on the date of withdrawal was Rs. 22,620.



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- Household expenses include a contribution of Rs. 10,000 towards public provident fund.

You are required to prepare a statement showing the taxable business income of Shree X for the assessment year 2020-'21.

OR

From the following Trading and Profit & Loss Account of Manish Sharma for the year ending 31st March, 2020, compute his taxable business income for the assessment year 2020-'21: [20]

Particulars	Rs.	Particulars	Rs.
Opening Stock	6,00,000	Sales	70,00,000
Purchases	50,00,000	Closing Stock	2,40,000
Rent, rates and taxes	90,000	Rent from let-out house property	72,000
Salaries	6,70,000	Dividend on shares	30,000
Miscellaneous Expenses	45,000		
Legal Charges	15,000		
Bad Debts Reserve	15,000		
Provision for Gratuity	20,000		
Income-tax Provision	20,000		
Salary to Mrs. Sharma	48,000		
Depreciation	20,000		
Office Expenses	12,000		
Net Profit	7,87,000		
	<b>73,42,000</b>		<b>73,42,000</b>

**Additional Informations:**

- Opening stock was over-valued by 25% and Closing stock was under-valued by 25%.
- Purchases include Rs. 50,000 paid in cash to a cultivator for purchase of agricultural produce.



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- Purchases also include Rs. 5,000 paid by way of compensation given to a supplier as the assessee was unable to take the delivery of goods due to lack of storage space.
- Salary includes Rs. 7,500 paid as customary bonus over and above the bonus payable under the Bonus Act.
- Rent, rates and taxes include Rs. 5,000 on account of disputed GST demand, Rs. 1,500 on account of municipal tax of let—out house and Rs. 2,500 as customs penalty paid during the year.
- An amount of Rs. 10,000 overdue from a customer was written off against Bad-debts Reserve.
- An employee retired on 26-3-2020. Gratuity of Rs. 20,000 payable to him was provided in the books was actually paid on 10—4-2020.
- Mrs. Sharma is a law graduate and actively assisting matters of the firm.

Compute the capital gains chargeable to tax of Shree Janakkumat from the following details for the A.Y. 2020-'21 :

[20]

Sr. No.	Date of purchase	Selling Price	Transfer Charges (Rs.)	Cost (Rs.)	Particulars of assets	Index of year of purchase
1	1-1-1988	4407000	23000	300000	Only Self Occupied House	100
2	1-6-2015	470880	-	162560	Shares Of Reliance Ltd.	254
3	1-3-2014	262400	4000	264000	Shares Of Arvind Ltd.	220
4	1-9-2005	3652100	11000	1404000	Jewellery	117
5	1-1-2019	-	-	876000	Residential House for self occupation (new)	

He had sold old self occupied house on 15-03-2020. The cost inflation index of financial year 2019-2020 is 289 (CIF as on 01-04-2001 was 100).

On 01-04-2001 the fair market value of self occupied house and jewellery were Rs.1200000 and rs.12500000 respectively. Shares of both the companies (sold directly on 01-11-2019) were not subject to securities transaction tax (STT).



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OR

Q.2 From the following particulars of income of Shri Chanakya, determine his income under the head capital gain for the assessment year on : [20]

(1) Shri Chanakya had purchased a residential house for Rs. 4, 68, 000 1 - 1 - 2006 . He sold this house on 1-4-2019 for Rs. 17,13,000. This was the only house owned by him. A part of the sale proceeds was utilised by him for the education of his son and Rs. 5,60,000 was used on - 12 - 2019 to acquire 2020 - 21 another residential house.

(2) On 31-12-2019, he sold some of the Securities for Rs. 3,58,525 which were purchased by him on 1-3-2004 for 65,400. Rs. 1,00,000 of the sales price was invested on 1-2-'20 in 3-year Bonds (notified by the government).

Relevant Cost Index for long term Capital Gain are as follows:

P.Y. 2003-'04	109
P.Y. 2005-'06	117
P.Y. 2019-'20	289

Q.3. On 1st Aug., 2019, Mr. Kathan borrowed Rs. 1,65,000 @ 7.5% p.a. rate and made investment in each unit 9% tax-free loan of the Central Government. Face value of Govt. The loan is Rs. 1,000 but the purchase price is Rs. 1,100. Interest on govt. loan accrues half-yearly on 1st January and 1st July.

Again, he borrowed Rs. 3,00,000 on 31st Aug., 2019 @ 7.5% p.a. interest and used it to make investment in 10% listed debentures of Kavan Ltd. bought at its face value. Interest on these debentures accrued annually on 15th April.

On 14-4-2020, Mr. Kathan paid interest on borrowings for the year ending on 31st March, 2020.

Compute his taxable income under the head "Income from other sources (assuming that he keeps his books of accounts under mercantile system) for the A. Y. 2020 - 21. [15]

OR

Kumari Hiral has furnished the following particulars of her investments the year ending 31st March, 2020:

(1) Rs. 10,000 6% Port Trust Bonds.



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- (2) Rs. 3,00,000 10% Redeemable Debentures of H.D.F.C. Ltd. [T.D.S. at @ 10% (Listed)].
- (3) Rs. 4,50,000 10% Government Loan.
- (4) Rs. 24,000 15% Cumulative Preference Shares of Century Ltd.
- (5) Rs. 2,70,000 10% Tax-free Debentures of Ambuja Ltd. [Unlisted : T.D.S at 10%].

On 1-6-2019, she sold her Port Trust Bonds for Rs. 15,000 and purchased Rs. 45,000 12 0/0 Tax-free Debentures of Rajmoti Ltd. for Rs. 42,000 by cash [T.D.S @ 10%]. On 1-8-2019, she sold a 10% Government loan at par.

Interest on investments becomes due every year on 1st January and 1st July.

Preference dividend was received on 31 - 12 - 2019.

She has paid Rs. 500 as commission to her bank for collection of interest on various investments and she has also paid bank commission of Rs. 1,056 for selling and buying securities of Port Trust Bonds, Govt. Loan and Debentures of Rajmoti Ltd.

Compute her taxable income under the head "Income from other sources for A.Y. 2020 - 21. [15]

What are the various income tax authorities? What are their powers? How are they appointed? [15]

**OR**

Q.4. Write a short note on tax deducted at source (TDS). [15]

**BEST OF LUCK**