

Time : Three Hours

Maximum : 80 Marks

Answer all questions with the strict observation of inner choice in each section.

Weightage will be given to neat and legible handwriting.

Use of simple calculator is allowed.

Question 13 Case Study analysis is compulsory.

Section A

1. Answer any ten of the following :—

- (a) What is long-term capital gain ?
- (b) What do you mean by tax free commercial securities ?
- (c) What do you mean by Grossing up ?
- (d) State the provisions of Section 54.
- (e) What is PAN ?
- (f) What is Intersource set-off ?
- (g) How do you treat interest on capital in firm ?
- (h) What is self assessment ?
- (i) Expand CBDT and TDS.
- (j) What do you mean by Gross Total Income ?
- (k) State any four items qualifying u/s 80 C.
- (l) State the due dates of filing the Return of Income.

(10 × 2 = 20 marks)

Section B

Answer any three of the following.

2. Mr. Satish purchased a residential house in the year 1978 for Rs. 1,40,000. He further spent the following amount on improvement to the house :

- (a) Renovation to the house in the year 1979 Rs. 60,000.
- (b) Cost of First Floor in April 1989 Rs. 1,72,000.

He sold the above house on 1-10-2012 for Rs. 35,69,200. The fair market value of the house on 1-4-1981 was Rs. 2,60,000.

The cost inflation index for the financial year 1981-82, 1989-90 and 2012-13 were 100, 172 and 852 respectively.

Compute his taxable capital gain for the assessment year 2013-14.

Turn over

3. Mr. Chandan's investment for the previous year ended 31-3-2013 were as follows :

- (a) Rs. 10,000 9 % Government Securities.
- (b) Rs. 20,000 12 % Municipal Debentures.
- (c) Rs. 1,25,000 8 % Debentures of Textile Mill Company Ltd.
- (d) Rs. 40,000 10 % preference shares in Indian Company.

The bank charges Rs. 50 as commission for collecting interest. Mr. Chandan paid Rs. 250 been interest on loan taken for the purpose of buying debentures of Textile Mill Company Ltd. Compute his income from other sources for the assessment year 2013-14.

4. Mrs. Shruti submits the following information pertaining to the previous year 2012-13 :

- (a) Income from salary—2,50,000.
- (b) Loss from self-occupied property—37,500.
- (c) Business Loss—1,00,000.
- (d) Income from interest from Bank—50,000.
- (e) Winning from lottery (gross)—25,000.

Compute her gross total income for the assessment year 2013-14.

5. From the particulars given below, calculate the amount of deduction allowable in the case of following individuals u/s 80 C.

	Mr. Ajay Rs.	Ms. Sujay Rs.
Life Insurance premium paid :		
On own life
On brother's life	15,000	25,000
On wife's life	8,000	6,000
Contribution to public provident fund	13,000	—
Repayment of housing loan	24,000	16,000
Interest paid on housing loan	60,000	20,000
Payment of daughter's tuition fees	32,000	11,000
	26,000	—

8. Vidyashree and Divyashree are the working partners in a professional firm. They share profits and losses in the ratio of 3 : 2. The profit and loss account of the firm for the year ended 31-3-2013 showed a net profit of Rs. 9,750 after charging the following :—

(a) Interest on capital at 14 %

Vidyashree Rs. 5,250

Divyashree Rs. 5,250

(b) Salary to Partners

Vidyashree Rs. 33,750

Divyashree Rs. 33,750

Compute the professional income of the firm for the assessment year 2013-14.

7. Describe briefly the powers of Income tax officer.

(3 × 5 = 15 marks)

Section C

Answer any three questions.

Question 13 is compulsory.

8. Avinash submits the following details :—

(a) He purchased a land in May 1983 for Rs. 1,16,000. The land was sold in April 2012 for Rs. 20,00,000.

(b) In 2001 he purchased a Machinery for Rs. 2,00,000. The written down value of the machinery as on 1-4-2012 was Rs. 60,000. He sold this machinery for Rs. 40,000 in March, 2013.

(c) The Jewellery purchased in June, 1994 for Rs. 2,59,000 is sold during the previous year for Rs. 12,50,000. Selling expenses amounted to Rs. 10,000.

In July, 2013 he purchased a new residential house for Rs. 12,00,000.

Cost Inflation Index for the previous years 1983-84, 1994-95 and 2012-13 are 116, 259 and 852 respectively.

Compute the taxable capital gains for the A.Y. 2013-14.

9. The income details of Adarsh for the P.Y. 2012-13 are as follows :

	Rs
Income from U.T.I.	... 2,000
Dividend from foreign company	... 10,000
Composite rent from letting machinery	... 60,000
Interest on fixed deposits	... 8,000
Directors fees	... 12,000
Ground rent	... 8,000
Income from undisclosed sources	... 20,000
Interest on Debentures (Net)	... 9,000
Winning from lottery (Net)	... 70,000
Royalty from book (expenses Rs. 5,000)	... 40,000
Interest on Government Securities	... 5,000
Rent received from $\frac{1}{4}$ of the house sub-let (rent paid on house Rs. 60,000)	... 48,000
Income from agriculture in Pakistan	... 40,000
Interest on post office Savings Bank	... 4,000

The assessee claims following deductions :—

Collection charges—Rs. 300

Depreciation on Machinery let out—Rs. 4,000

Fire Insurance on machinery let out—Rs. 600.

Compute the income from other sources for the A.Y. 2013-14.

10. The details of computed incomes and other details of Vishnu Sharma for the P.Y. 2012-13 given below :

1. (a) Income from letout property	... + 2,00,000
(b) Loss from self occupied house	... - 1,50,000
(c) Brought forward loss from House	... - 1,50,000
2. (a) Income from profession	... + 2,50,000
(b) Loss from cloth business	... - 50,000
(c) Loss from Gold business b/f	... - 1,00,000
(d) Unabsorbed depreciation	... - 25,000
(e) Current depreciation	... - 25,000
(f) Speculation Income	... + 50,000
(g) Speculation loss b/f	... - 40,000

3. Long-term capital gain	...	+	1,00,000
Long term capital loss b/f	...	-	60,000
Short term capital gain	...	+	10,000
Short term capital loss	...	-	30,000
4. Winning from lotteries (Gross)	...	+	1,00,000
Expenses of owning and maintaining race horses	...	-	35,000
Loss on letting machineries	...	-	5,000
Cost of lottery tickets	...	-	2,000

Compute the Gross Total Income for the A.Y. 2013-14.

11. Mr. Balachandra Hedge is a renowned medical practitioner in Sirsi. His Receipts and Payments Account for the year ending 31-3-2013 was as follows :

		Rs.			Rs.		
To	Balance b/d	...	15,000	By	Rent of hospital	...	36,000
	Consultation fees	...	70,000		Electricity and water	...	9,000
	Visiting fees	...	30,000		Staff salary	...	58,000
	Sale of medicines	...	73,000		Cost of medicines	...	51,000
	Rent from House-				Income tax	...	17,500
	property let out	...	11,000		Household expenses	...	17,000
	Gifts from patients	...	5,000		Computer purchased	...	30,000
	Interest on post office				Life Insurance premium	...	9,000
	S.B. Account	...	8,000		Contribution to public		
	Laboratory fees	...	6,000		Provident Fund	...	11,000
	Interest on Government				Municipal taxes	...	1,000
	securities	...	10,000		Repairs	...	2,000
	Winnings from lotteries (Net)	...	35,000		Donations	...	10,000
					Balance c/d	...	11,500
			<u>2,63,000</u>				<u>2,63,000</u>

Additional information : <https://www.karnatakastudy.com>

- Municipal taxes and repairs relate to house property letout.
- Donations were made to Prime Minister's National Relief Fund.
- Depreciation allowable on furniture Rs. 3,000 and on computer Rs. 9,000.

Compute his total income for the Assessment Year 2013-14.

12. X, Y and Z are partners in a firm sharing profits and losses in the ratio of 2 : 1 : 1. X and Y are working partners. The following is the Profit and Loss Account of the firm for the year ended 31-03-2013 :

	Rs.		Rs.
Salary to staff	90,000	Gross profit	2,50,000
Salary to partners		Interest on Bank	
X	30,000	Fixed Deposits	32,000
Y	20,000	Interest on government	
Z	<u>10,000</u>	securities	18,000
Interest on capital			
at 16 % p.a.			
X	8,000		
Y	6,000		
Z	<u>6,000</u>		
Rent paid	24,000		
Office expenses	36,000		
Bad debts	12,000		
Advertisement	18,000		
Commission to partners :			
X	5,000		
Y	<u>5,000</u>		
Donations	10,000		
Net profit	20,000		
	<u>3,00,000</u>		
Additional information :			<u>3,00,000</u>

- (a) Advertisement included Rs. 3,000 which is not related to business.
 (b) Donations were made to National Defence Fund.
 (c) Rent paid includes godown rent paid to partner Rs. 5,000.

Compute the total income of the firm for the A.Y. 2013-14.

13. **Compulsory—Case Study Questions :**

Shri Anant Kumar is an individual and a resident assessee. The income details for the P.Y. 2012-13 :

- (a) Income from Salary (computed)—Rs. 6,00,000.
- (b) Loss from SOP—Rs. 30,000.
- (c) Capital gains (computed)—Rs. 3,00,000.
- (d) Income from other sources :
 - (i) Interest on 10 % tax free debentures of A Ltd.—Rs. 9,000.
 - (ii) 15 % Fixed deposit in City Bank—Rs. 2,00,000.
 - (iii) Interest on debentures of X Ltd.—Rs. 18,000 (Net)
 - (iv) Royalty from mining (expenses Rs. 20,000)—Rs. 80,000.

Other details :

- (a) Contribution R.P.F.—Rs. 36,000.
- (b) Life Insurance Premium on the life of his wife—Rs. 12,000
- (c) Income from Mutual fund—Rs. 2,000.
- (d) Repayment of house loan—Rs. 10,000.
- (e) Mediclaim premium—Rs. 4,000.
- (f) Donation to Tsunami Fund—Rs. 5,000.

Questions :

- (i) Can the assessee reduce further his taxable income ?
- (ii) If yes, state the amount of investment in tax savings scheme u/s 80 C.
- (iii) Compute the Total Income considering the above for the A.Y. 2013-14.

(3 × 15 = 45 marks)