

REVISION TEST PAPER 2

CMA INTERMEDIATE

PAPER – 4: DIRECT TAXATION

Time Allowed – 3 Hour

Maximum Marks – 100

Working Notes should form part of the answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of a note. **Attempt all question.**

1. Dynamic India & Co. commences production on 16/8/2021. It incurred the following expenses related to scientific research, find deduction u/s 35 for the P. Y. 2021-22.

Date	Particulars	Amount	Purpose
18/8/2021	Paid to an Approved University for research in Social science	50,000	Non- business
15/10/2021	Paid to a scientist (not the employee of the company)	30,000	Business
18/11/2021	Paid to approved National laboratory	60,000	Non- business
15/12/2021	Purchase of land & building for in house research (cost of land Rs 1,50,000)	5,00,000	Business
18/12/2021	Purchase of car to carry research-workers	2,00,000	Business
16/8/2018 to 15/8/2021	Capital expenditure (including cost of land Rs 1,00,000)	5,00,000	Business
“	Purchase of material	3,00,000	Business
“	Payment of salary (other than Perquisites)	2,00,000	Business
“	Perquisites provided to research-personnel	1,00,000	Business
“	Other revenue expenditure	80,000	Business
1/4/2018 to 15/8/2018	Capital expenditure (other than land)	9,00,000	Business
“	Payment of salary (other than Perquisites)	50,000	Business
1/4/2016 to 31/3/2018	Capital expenditure	80,000	Business
“	Revenue expenditure	30,000	Business

(10 Marks)

2. Uttar and Dakshin, partners of PP Traders, furnishes the following details –

Profit and loss account for the year ended 31-3-2022

Particulars	Amount	Particulars	Amount
Bonus paid to employee	50,000	Gross Profit	10,00,000
Interest on loan taken from bank	45,000	Interest on drawings	
Other Expenses	40,000	Uttar	2,000
<u>Salary to partners</u>		Dakshin	3,000
Uttar	2,44,000		
Dakshin	4,88,000		
<u>Interest on capital @ 15%</u>			
Uttar	4,500		
Dakshin	6,000		
Depreciation	40,000		
Net profit	87,500		
	10,05,000		10,05,000

In computing the income, the following facts are to be taken into consideration:

- Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.

2. During the previous year 2016-17, assessee had claimed Rs 45,000 as bad debt out of which only Rs 35,000 was allowed. During the previous year, he recovers Rs 25,000.
 3. Contribution towards unrecognised provident fund was paid within time.
 4. Legal expenses include Rs 2,000 paid for preparation of income tax return.
 5. Stock is undervalued by 10%.
 6. Gift received was given by a supplier for achieving target sale.
 7. Outstanding customs duty has been paid on 31-12-2021.
 8. During the previous year, he comes to know that his former employee had embezzled cash of Rs 5,000 on 31-3-2020, which was not accounted for.
 9. Traveling expenses include Rs 50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to employee.
 10. Rent includes expenditure on extension of shed on rented building Rs 26,000. However, such extension was completed on 1-5-2021 with total cost of Rs 50,000.
 11. General expenses includes –
 - Salary of Rs 1,200 paid to domestic servant.
 - Compensation of Rs 2,000 paid for retrenchment of an employee. Compute his business income for the A.Y. 2021-22
- . Compute his business income for the A.Y. 2022-23 (15 Marks)

3. During the previous year 2020-21, profit and loss account of Shri Raj, proprietor of Raj Enterprises engaged in the business of readymade garments, shows profits of Rs 1,50,000. With the following information, compute his taxable income from business –

- (a) Interest on capital Rs 5,000
- (b) Purchases include goods of Rs 12,000 from his younger brother in cash. However, market value of such goods is Rs 9,000.
- (c) Interest paid outside India Rs 1,00,000 without deducting tax at source.
- (d) Penalty paid to Government for non-filing of GST return Rs 5,000
- (e) Penalty paid to customer for non-fulfilling of order within time Rs 10,000
- (f) Bad debts Rs 1,00,000. Money has been advanced for purchase of Building.
- (g) Revenue expenditure on promoting family planning among employees Rs 10,000.
- (h) Premium paid on health of employees Rs 6,000 in cash
- (i) Premium paid on health of his relatives Rs 6,000 in cheque
- (j) Employer's contribution to RPF Rs 12,000. One-half of the amount is paid after due date as per relevant Act but before 31-3-2021.
- (k) Employees contribution to RPF Rs 10,000. ½ of the amount is paid after due date as per relevant Act.
- (l) Interest on late payment of professional tax Rs 1,000 (yet to be paid)
- (m) Interest on loan from State Bank of India Rs 10,000 (Rs 5,000 is not paid till due date of filing of return)
- (n) Interest on late refund from income tax department Rs 500
- (o) Sale includes sale to Raj Rs 10,000. (Cost of such goods Rs 8,000; Market value of such goods Rs 12,000)
- (p) He received Rs 80,000 from a debtor at a time in cash.
- (q) Recovery of bad debt Rs 10,000 (out of which Rs 8,000 was allowed as deduction during A.Y. 2016-17)

(r) Depreciation (being not debited in accounts) Rs 20,000 allowed as deduction u/s 32
(20 Marks)

4. Ali has 10,000 shares of X (P) Ltd. acquired on 15/05/1981 for Rs 12 each. On 15/07/1983 he converted 6,000 of such shares into stock in trade. On that date, market value of such share was Rs 15 each. On 1/05/2007, he further converted 2,000 of such shares into stock in trade. On such date, market value of the share was Rs 30 each. On 17/02/2021, he sold all shares for Rs 225 each. Brokerage incurred 2%. State tax treatment. Fair market value of such shares as on 01-04-2001 was Rs 16/- **(10 Marks)**

5. Balance sheet of Purva India (P) Ltd. as on 31/12/2020

Liabilities	Amount	Assets	Amount
Equity Share capital of Rs 10 each	8,00,000	Land	6,00,000
Preference Share capital	1,00,000	Building (WDV as per IT Act)	3,00,000
Reserves	2,00,000	Machinery (WDV as per IT Act)	4,00,000
Loan	6,00,000	Current Asset	10,00,000
Creditors	6,00,000		
	23,00,000		23,00,000

Additional information

Company went into liquidation on the balance sheet date and all current assets and building realized at book value. The realized money was applied in payment of outside liabilities and preference shareholder. Utkarsh is a holder of 10% equity share and 20% preference share of the company. Equity shares were originally acquired by him on 16/08/2002 at face value. However, he subscribed to preference share on 1-04-2020, which was issued at par. He received a part of land (MV Rs 5,00,000) and cash (for preference share) Rs 20,000. Compute capital gain in hands of company & Utkarsh.

(15 Marks)

6. Compute taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount
Private tuition fee received	10,000
Winning from lottery	2,000
Award from KBC (a TV show) [Gross]	3,20,000
Pension from employer of deceased husband	25,000
Interest on bank deposit	25,000
Directors fee (Gross)	5,000
Letting out of vacant land	25,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of C.A	10,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are Rs 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner Rs 12,000)	20,000
Income tax paid	2,000
Payment made for personal expenses	18,000
Payment made to LIC as premium	2,000

(10 Marks)

7. Mr. Ram (38 years) has incurred following expenses:

Particulars	Rs
Mediclaim Insurance premium paid for himself	9,000
Mediclaim Insurance premium paid for spouse	8,000
Mediclaim Insurance premium paid for dependent children	6,000
Mediclaim Insurance premium paid for father (62 years)	18,000
Preventive health-check up expenditure for father	6,000
Preventive health-check up expenditure for himself (paid in cash)	4,000

Compute deduction available to Mr. Ram u/s 80D.

(6 Marks)

8. P Co-operative Society furnishes following details of income, compute taxable income for the purpose of A.Y.2021-22:

Income from collective disposal of labour	Rs 25,000
Income from marketing of the agricultural produce grown by its member	Rs 30,000
Income from marketing of the agricultural produce grown by outsider	Rs 3,000
Dividend from another co-operative society	Rs 15,000
Income from processing of agricultural produce of its member with aid of power	Rs 50,000

(6 Marks)

9. Find out the amount of advance tax payable by ABC Ltd. on specified dates for the F.Y. 2020-21:

Business income	Rs 1,75,000
Long term capital gain on 31-7-2020	Rs 2,50,000
Bank interest	Rs 10,000
TDS on business income	Rs 20,550

(8 Marks)