



**VI Semester B.Com. Examination, May/June 2018  
(CBCS) (2017 – 18 and Onwards) (Fresh)  
COMMERCE**

**Paper – 6.5 : Elective Paper – III : Business Taxation**

Time : 3 Hours

Max. Marks : 70

**Instruction :** Answer should be written completely either in **Kannada** or in **English**.

**SECTION – A**

1. Answer any five sub-questions. Each sub-question carries two marks. (2×5=10)
- What is assurable value in customs ?
  - Mention any two objectives of CST Act 1956.
  - Define Goods.
  - Expand – NCCD and CBEC.
  - Mention any two features of partnership firm.
  - State any two examples of disallowed expenses in case of firm in computing its taxable profit.
  - What is a widely held company ?

**SECTION – B**

Answer any three questions. Each question carries six marks. (6×3=18)

2. What are the various types of customs duty ?
3. Compute taxable turnover and CST payable by Mr. Shiva carrying on business in Bengaluru for the Financial Year 2016 – 17. Turnover for the year is Rs. 4,00,000 (inclusive of CST) which included the following :

|  | Rs.    |
|--|--------|
| Trade discount   | 24,000 |
| Installation charges<br>(Shown Separately)                 | 12,500 |
| Freight and insurance recovered<br>separately in invoice   | 30,000 |
| Goods returned within 6 months<br>of sales (inclusive CST) | 20,000 |

Invoice No. 4007, applicable tax rate in 16%. Insurance was made at the request of the buyer.

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4. State whether the following are admissible or inadmissible expenses under the provisions of Income Tax Act.
- a) Discount allowed.
  - b) Annual listing fees paid towards stock exchange by a company.
  - c) LIC premium on director and his family members life.
  - d) Payment of licence fees for obtaining franchise.
  - e) Depreciation of Rs. 40,000 is debited to P/L A/c of Sri Ganesha Temple which was constructed inside the factory premises for the benefit of employees of the company.
  - f) Interest on loan taken to pay income tax.
5. Calculate allowable remuneration to the working partners. Net profit as per P/L A/c Rs. 1,35,000 after debiting the following items.

|                        | Rs.      |
|------------------------|----------|
| Salary to partners     | 1,25,000 |
| Commission to partners | 1,00,000 |
| Bonus to partners      | 25,000   |

6. A block of asset consist of 5 machines. The WDV of machinery as on 1-4-2016 is Rs. 1,80,000. Rate of depreciation is 15%. A new machine costing Rs. 1,60,000 was acquired in May 2016 but actually put to use only on 10-10-2016. Two old machines are also sold for Rs. 3,20,000 in December 2016.

Determine amount of depreciation for the A.Y. 2017-18.

### SECTION - C

Answer any three questions. Each question carries 14 marks. (14x3=42)

7. A consignment is imported by Air. CIF price is 2500 US dollars. Air freight is 600 US dollars and insurance cost is 75 US dollars. Exchange rate announced by CBE & C as per customs notification is 1 US dollar = Rs. 65. Basic custom duty payable is 10%. Education cess is applicable. IGST at the rate of 18%. Find the value for customs purpose and total customs duty payable.



8. Profit and Loss Account of Vijayalakshmi Company (a partnership firm) for the year ending 31-3-2017 is as follows :

| Particulars                     | Amount           | Particulars     | Amount           |
|---------------------------------|------------------|-----------------|------------------|
| Cost of Goods Sold              | 10,00,000        | Sales           | 18,00,000        |
| Remuneration to partners        | 4,49,000         | Rent from house |                  |
| Interest to partners            |                  | property        | 60,000           |
| at 18% p.a.                     | 60,000           | Dividend        | 1,70,000         |
| Municipal tax of house property | 25,000           |                 |                  |
| Other expenses                  | 2,36,000         |                 |                  |
| Net profit                      | 2,60,000         |                 |                  |
|                                 | <b>20,30,000</b> |                 | <b>20,30,000</b> |

**Other Information :**

- a) Out of other expenses Rs. 18,400 is not deductible U/S 36, 38(1) and 43B.
- b) On 15-1-2017 the firm pay an outstanding sales tax liability of Rs. 54,700 of the previous year 2015 – 16. As this amount pertain to the previous year 2015-16, it has not been debited to the aforesaid Profit and Loss Account.

Calculate Book-Profit, Business Income and Gross Total Income.

9. The following Profit and Loss Account of PQR Ltd. for the financial year ending 2016 – 17. Compute its total income.

| Particulars              | Amount   | Particulars              | Amount   |
|--------------------------|----------|--------------------------|----------|
| To provision for tax     | 1,50,000 | By Gross Profit          | 6,50,000 |
| " Rent and Taxes         | 15,000   | " Profit on sale of      |          |
| " Fire Insurance         | 8,500    | machinery                | 18,000   |
| " Establishment expenses | 1,35,000 | " Interest on securities | 12,500   |
| " Depreciation           | 30,000   | " Dividend received      |          |
| " Donation and Charity   | 3,500    | from Indian company      | 50,000   |

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|                              |                 |                 |
|------------------------------|-----------------|-----------------|
| " General Expenses           | 32,500          |                 |
| " Reserve for doubtful debts | 5,500           |                 |
| " Entertainment              | 7,500           |                 |
| " Net profit                 | 3,43,000        |                 |
|                              | <b>7,30,500</b> | <b>7,30,500</b> |

**Additional Information :**

- a) The allowable depreciation as per IT Act Rs. 20,000.
  - b) Machinery were purchased in August 2015 and sold in March 2017.
  - c) Donations and Charities are paid to a Recognized Charitable Institution.
10. Veena and Lakshmi are partners sharing profit and losses equally. The following is the Profit and Loss A/c for the year ending 31-3-2017.

| <b>Particulars</b>  | <b>Amount</b>   | <b>Particulars</b>    | <b>Amount</b>   |
|---------------------|-----------------|-----------------------|-----------------|
| Office Expenses     | 1,50,000        | Receipts from clients | 5,30,000        |
| Salary to employees | 40,000          | Interest recovered    |                 |
| Income tax          | 20,000          | from Veena and        |                 |
| Salary to Veena     | 1,20,000        | Lakshmi drawings      | 2,500           |
| Salary to Lakshmi   | 1,32,000        | Interest from Govt.   |                 |
| Interest on capital |                 | Securities            | 2,85,000        |
| Veena @ 15%         | 7,500           | STCG                  | 1,00,000        |
| Interest on capital |                 |                       |                 |
| Lakshmi @ 15%       | 10,000          |                       |                 |
| Net profit          | 4,38,000        |                       |                 |
|                     | <b>9,17,500</b> |                       | <b>9,17,500</b> |



**Additional Information :**

- a) Out of office expenses Rs. 12,500 is not deductible by virtue of Section 30 to 37.
- b) During the year the firm sells a capital asset for Rs. 5,00,000 (indexed cost of acquisition being Rs. 1,00,000)

Find out the net income and tax liability of the firm for the Assessment Year (A.Y.) 2017 – 18.

11. Following is the Profit and Loss Account of Sri Lakshmi Narayan Ltd. an Indian company for the year ending 31-3-2017.

| Particulars                 | Amount           | Particulars  | Amount           |
|-----------------------------|------------------|--------------|------------------|
| Salaries and wages          | 7,50,000         | Gross Profit | 25,00,000        |
| Advertisement Expenses      | 1,50,000         |              |                  |
| Insurance                   | 2,50,000         |              |                  |
| Audit fees                  | 50,000           |              |                  |
| Depreciation                | 1,00,000         |              |                  |
| Income tax                  | 30,000           |              |                  |
| Transfer to General reserve | 40,000           |              |                  |
| Office expenses             | 15,000           |              |                  |
| Losses of subsidy company   | 25,000           |              |                  |
| Net profit                  | 10,90,000        |              |                  |
|                             | <b>25,00,000</b> |              | <b>25,00,000</b> |

**Additional Information :**

- a) Brought forward loss as per books of accounts is Rs. 1,25,000 and as per income tax is Rs. 1,50,000.
- b) Unabsorbed depreciation as per books of accounts amount to Rs. 25,000 and as per income tax is Rs. 75,000.

**Calculate :**

- 1) Total income of the company under normal provision.
- 2) Book-profit and tax liability as per Section 115JB.
- 3) Tax liability of the company.