

CA Final - Direct Tax [Test M-17] Solutions

Ans to Q No. 1(a) 10

Normal Provision

Particular	₹	₹
Net Profit		1120000
Add: Interest 3%		45000
		1165000
Less: Eligible Remu.		360000
		805000
Less: Loss & UAD	500000	305000
Tax on 305000/-	94,245	

If opt for 44AD

Tax	111240
Loss of UAD	
30.90% x 100000	30900
	<u>142140</u>

If opt for Normal Provision

Tax	94245
Penalty	47500
	<u>141745</u>

The Assessee should opt for Normal Provision

BOOK Profit 1165000 Net Profit after Adju.

Less	
Loss notionally reduced	4,00,000
	<u>765000</u>
Less: UAD	1,00,000
	<u>665000</u>
	+ 400000
Book Profit	<u>1065000</u>
Eligible Remu.	729000
Remu. Paid	360000

Section 44AD

8% of 95 lac	760000
Less: Losses	400000
	<u>360000</u>
Tax	111240

Ans to Q No. 1(b) 5

(In lac)

Particular	₹
Net Profit	200
Dedn 10AA $150 \times \frac{270}{300}$	135
	65
Loss [30-10] + UAD 20	40
	25
Less Dedn PMRF [Assumed National]	0.50
	<u>24.50</u>
Tax	7.570

Computation of AMT

Total Income	24.50
Add: 10AA	135.00
	<u>159.50</u>
AMT 18.50%	29.51
S/C 12%	3.54
Add: Ec 3%	33.05
	0.99
	<u>34.04</u>
Tax payable	34.04
AMT credit	26.47

Ans to QNo. 1(c)

5

PAPER

Additional EE

Employed during the year 162
 Less: [55 + 37 + 28] 120
 42

Deprn

$(22500 \times 12 \times 42) \times 30\% = 34,02,000$

Apparel

$162 - 55 - 37 = 70$

$(22500 \times 12 \times 42) 30\% = 34,02,000$

$+ (28 \times 22500 \times 6) 30\% = 11,34,000$

4536000

Ans to QNo. 2(a) 10

Particular	Normal	115JB
Net Profit	15,00,000	15,00,000
Add: Prov. IT	5,00,000	5,00,000
Amal. Exp	6,40,000	-
Non-Dep. TDS	1,00,000	-
Prov. D Debt	6,00,000	6,00,000
Depr. [Books]	-	4,00,000
Cash Pmt	7,00,000	-
43B	5,00,000	-
40A	3,00,000	-
Adj. of Dep [40/-30]	10,00,000	-
	58,40,000	66,00,000
Less: Credit RIR	7,50,000	7,50,000
AI	3,50,000	3,50,000
DTL	4,00,000	4,00,000
Dep. Exc. Rev.	-	3,00,000
	43,40,000	21,00,000
Less: Lower UAD/loss	3,50,000	1,70,000
Loss & UAD	8,40,000	4,00,000

Deprn as per IT & Co. Act assumed to be same.

6

Ans to QNo. 2(b) (In lac)

Particular	₹
SC	300
Less Net Worth = COA	260
	<u>40</u>
LTCG	
Net Worth	
$40 + 400 + 320 = 760$	
Less: Leab. 500	
	<u>260</u>

Exemption u/s 54EC may be claimed

8

Ans to QNo. 3(a) (Rs. In lac)

Particular	Op	Addition		Sale	WDV before	Deprn
		Full	Half			
P&M (15%)	14.50	12	4	0.50	30	4.20
FB [10%]	30	-	15		45	3.75
Patent (25%)	15	5	-	3	17	4.25
Deprn						12.20

Ans to QNo. 3(b) 8

Particular	₹	₹
Income from Business		6,00,000
Add: Consu.	8000	
Add: 1/12 of	7417	
$[6 + 13 + 11 + 4 + 10 + 12.50 + 2.30 + 1 + 6 + 11 + 9 + 3] / 12$		15417
		<u>6,15,417</u>

4x4

Ans to QNo. 4

	Favor of
a) Hind Wire Industries	Assessee
b) Rayala Corp. (P) Ltd SC	Assessee
c) Shasun chemicals Drugs Ltd	Assessee
d) Meghalaya Steels Ltd	Assessee
e) ITC Ltd	Assessee

Ans to QNo. 5(a) [4]

Particular	₹
Income of the Firm	8,00,000
Less: Losses of existing Partner [5,00,000 - 2,00,000]	3,00,000
	5,00,000
Less: UAD to the extent of Income	5,00,000
	0
UAD to be C/F to next AY	1,00,000

Ans to QNo. 5(b) [4]

Income of Ganesh	95,000
No Adjustment of Rs. 65,000/- shall be allowed hence Contention of Ganesh is not correct	

Ans to QNo. 5(c) [4]

Net Profit	9,37,000
Add: Donation Disall.	1,30,000
GTI	10,67,000
Less: Dedn U/c VI-A	1,30,000
TI	9,37,000

If Co. is a FC no Dedn U/c VI-A shall be allowed TI will be Rs. 10,67,000

Ans to QNo. 5(d) [4]

Particular	Penalty
143(3) Loss Reduced 4,00,000 Tax Rs. 1,23,600/- Penalty 50%	61,800
147 Tax on 8,00,000 = 2,47,200 Penalty 50%	1,23,600
Penalty	2,62,650 143(3) 2,93,550 147

Ans to QNo. 6(a) [8]

Particular	₹	₹
House Property	(2,10,000)	
Business		
Intt Capital Remu.	2,40,000	
	4,80,000	7,20,000
Less: CY Loss + BIF UAD		3,80,000
		3,40,000
Less: HP Losses		2,10,000
		1,30,000
Add: Lottery		1,00,000
		2,30,000
Less: 80c		70,000
		1,60,000
Tax on 1,00,000 30% Add cess		30,000 900
Less TDS		30,900
Tax Payable 140A		30,000
		900

Ans to QNo. 6(b) [8]

Particular	₹
Land	
SC [sec 50C]	32,00,000
Less:	
13,08,000 × 1125/785	18,74,522
LTCL	13,25,478
Building	
SC	27,00,000
Less: 32,00,000 × 1125/852	4,22,5352
LTCL	1,52,5352
LTCL (Net)	1,99,874

As the net Result is LTCL there is no Question of exemption.

Ans to QNo. 7(a) [5]

S ^{no}	Particular	Section	Rate of TDC
a)	Rent to NR	195	30.90%
b)	Purchase of HP, (As Consideration is less than 50L)	NA	NA
c)	Freight to Govinda	194C	1%
d)	Interest to Resident Interest to NR	195	20.60%
e)	Sitting fee	194J	10%

Ans to QNo. 7(b) [3]

SNo.	Particular	Allowability
a)	Secret Commission	Not allowed
b)	Issue of Debentures [Secure Meters sc]	allowed
c)	Ransom Money [Khemchand Motilal Jain, Tobacco Product (P) Ltd]	Allowed

Ans to QNo. 7(c) [4]

Particular	₹
India & Country Y	
HP [18,00,000 - 700,000 - 30% of 17,30,000]	12,11,000
Business	18,40,000
Share of Profit 5,50,000	exempt
AI	2,41,000
	<u>32,92,000</u>

Tax 30.90%
Less: 25% of Income taxed in both Country [HP 3,99,000 + BI 1,12,000] 25% [

Tax Payable

10,17,228

3,79,750
u/s 91

6,37,478

Ans to QNo. 7(d) [4]

Particular	₹	₹
Basic [45000 x 12]		5,40,000
DA (40%) (50% R)		2,16,000
ER Cont to fund u/s 80CCD 15% of [540000]		81,000
Gross Total Income		8,37,000
Less: Dedn ch VRA		
80C (80000 + 35000 + 20000)	1,35,000	
80CCC	15,000	
	1,50,000	
80CCD (1) Restricted		1,50,000
10% of [540000 + 1,08,000]	64,800	
80CCD (1B) As Limit of 1,50,000 already exhausted Max 50,000/- Can be claimed u/s 80CCD (1B) Restricted		50,000
u/s 80CCD (2) 10% of [540000 + 1,08,000]		64,800
Total Income		5,72,200

Tax Payable

35,470/-