

- **It is advised to complete test within the time allowed**
- **Take Test Seriously**

Division A – Multiple Choice Questions

Write the most appropriate answer to each of the following multiple choice questions

Question No. 1 (2 Marks)

Mrs. Kavitha, wife of Mr. Sundar, is a partner in a firm. Her capital contribution of Rs.5 lakhs to the firm as on 01.04.2019 included Rs.3 lakhs contributed out of gift received from Sundar. On 02.04.2019, she further invested Rs.1 lakh out of gift received from Sundar. The firm paid interest on capital of Rs.60,000 and share of profit of Rs.50,000 during the F.Y.2019-20. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- (a) Share of profit is exempt but interest on capital is taxable in the hands of Mrs. Kavitha
- (b) Share of profit is exempt but interest of Rs.40,000 is includible in the income of Mr. Sundar and interest of Rs.20,000 is includible in the income of Mrs. Kavitha
- (c) Share of profit is exempt but interest of Rs.36,000 is includible in the income of Mr. Sundar and interest of Rs.24,000 is includible in the income of Mrs. Kavitha
- (d) Share of profit to the extent of Rs.30,000 and interest on capital to the extent of Rs.36,000 is includible in the hands of Mr. Sundar

Question No. 2 (2 Marks)

XY India Pvt. Ltd. sold its major machinery held for manufacturing auto parts on discontinuity of line of business on 01.06.2019 for 1.70 crore. The machinery was acquired on 31.08.2018 for Rs. 1.25 crore. What is amount of capital gain to be reported in return of income?

- (a) Short Term Capital Gain of Rs. 106.25 lakh
- (b) Short Term Capital Gain of Rs.45 lakh
- (c) Short Term Capital Gain of Rs.88.75 lakh
- (d) Long Term Capital Gain of Rs.88.75 lakh

Question No. 3 (1 Marks)

A foreign company in which the Indian company holds _____ in nominal value of the equity share capital will be treated as foreign specified company for the purpose of section 115BBD of the Act.

- (a) 25% or more
- (b) 26% or more
- (c) 50% or more
- (d) 51% or more

Question No. 4 (1 Marks)

Mr. Amir has gross total income of Rs.5,50,000 for P.Y. 2019-20. During the P.Y. 2018-19, Mr. Amir has bought one commercial property which he has given on rent and the income from house property is included in total income of Mr. Amir. During the P.Y. 2019-20, Mr. Amir has made repayment towards the loan he took for purchase of property and the principal amount of repayment was Rs.1,75,000. Determine the amount of deduction eligible u/s 80C to him for A.Y. 2020-21.

- (a) Rs.1,75,000
- (b) Rs.1,50,000
- (c) Rs. 1,00,000
- (d) Nil

Division B – Descriptive Questions

Question 1 (10 Marks)

R (29 years) and S (60 years) are two partners of R & S Co. till March 31, 2019, there is no provision for payment of salary and interest to partners. On April 1, 2019, the deed of partnership has been amended to provide salary and interest as follows:

Particulars	R	S
Salary	Rs. 21,000 per month	Rs. 23,000 per month
Interest	14 per cent per annum	14 per cent per annum

The Income and Expenditure Account of R&S Co. for the year ended March 31, 2020 is as follows:

Particulars	Rs.	Particulars	Rs.
Office Expenses	2,59,000	Receipt from clients	10,57,000
Salary to employees	80,000	Interest on Partner's drawings	3,000
Income tax	41,000		
Salary to R	2,52,000		
Salary to S	2,76,000		
Interest on capital R	14,000		
Interest on capital S	21,000		
Net Profit (shared equally)	1,17,000		
	10,60,000		10,60,000

Other Information:

- Out of office expenses, Rs. 19,000 is not deductible by virtue of sections 30 to 37.
- During the year the firm sells a capital asset for Rs. 8,10,000 (indexed cost of acquisition being Rs. 1,88,865).
- Personal income and investments of partners are as follows:

Particulars	R	S
Interest from Government securities	5,70,000	5,23,000
Fixed Deposit interest	2,00,000	1,08,000
Deposit in public provident fund	1,00,000	85,000
Mediclaim insurance premium	28,000	32,000

Find out the net income of the firm as well as the partners for the Assessment Year 2020-21.

Question 2 (2 Marks)

The shareholding of Mr. K and Mrs. K in S Ltd, is given as follows:

- Shareholding of K 7%
- Shareholding of Mrs. K 9%
- Shareholding of M, brother of K 8%
- Shareholding of F, father of Mrs. K 5%

Mr. K and Mrs. K are employed with S Ltd. None of them hold technical qualification. Mr. K gets salary @ Rs. 10,000 p.m. and Mrs. K gets @ Rs. 12,000 p.m.

Income from Other Sources:

Mr. K Rs. 80,000 and Mrs. K Rs. 1,00,000

Compute total income for the Assessment Year 2020-2021

Question 3 (2 Marks)

Mr. N discloses the following incomes for the Previous Year 2019-2020 :

House Property	Business or Profession		Capital Gains		Other Sources
	Speculation	Non speculation	STCG	LTCG	
A 50,000	P 3,00,000	X 5,00,000	C 6,00,000	F 7,00,000	Family pension 95,000
B (-) 40,000	S (-)2,00,000	Y (-) 3,00,000	D (-) 3,00,000	E (-)5,00,000	Loss (-) 50,000 letting of Plant

Note: Figures shown in (-) represents Losses

Determine income under head of income for the A. Y. 2020-2021