

**IT IS ADVISED TO COMPLETE WITHIN THE TIME ALLOWED i.e. 30 Minutes**

**Division A – Multiple Choice Questions**

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

**Question No. 1 (2 Marks)**

ABC Ltd. converts its capital asset acquired for an amount of Rs. 50,000 in June, 2003 into stock-in-trade in the month of November, 2017. The fair market value of the asset on the date of conversion is Rs. 4,50,000. The 40% stock-in-trade sold for Rs. 2,30,000 on 30-09-19. The Tax Implication will be:

- (a) LTCG 3,25,229/- and Business Loss 2,20,000/-
- (b) LTCG 3,17,431/- and Business Income 80,000/-
- (c) No Capital Gain and Business Income 1,80,000/-
- (d) LTCG 1,30,092/- and Business Income 50,000/-

**Question No. 2 (2 Marks)**

Mr. Ramlal, a property dealer, sold a flat, having SDV Rs. 2 crores for Rs.1.91 crores to his friend Mr. Shyamlal, a Professor. Mr. Ramlal had purchased this flat three years back for Rs.1.50 crores and the SDV on that date was also Rs.1.50 crores. What are the tax implications of such sale?

- (a) Rs.50 lakhs would be taxable as short-term capital gains in the hands of Mr. Ramlal. There would be no tax implication in the hands of Mr. Shyamlal
- (b) Rs.41 lakhs would be taxable as business income in the hands of Mr. Ramlal. There would be no tax implication in the hands of Mr. Shyamlal
- (c) Rs.50 lakhs would be taxable as business income in the hands of Mr. Ramlal and Rs. 9 lakhs would be taxable as income from other sources in the hands of Mr. Shyamlal.
- (d) Rs.50 lakhs would be taxable as Long Term Capital Gain in the hands of Mr. Ramlal and Rs.9 lakhs would be taxable as income from other sources in the hands of Mr. Shyamlal.

**Question No. 3 (1 Mark)**

Where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which the sole proprietary concern sells or otherwise transfers any capital asset to the company, the transaction is not regarded as transfer provided certain conditions are satisfied. One of those conditions is:

- (a) Proprietor holds not less than 51% of the total voting power in the company and his shareholding continues to remain as such for a period of 3 years from the date of succession
- (b) Proprietor holds not less than 51% of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of succession
- (c) Proprietor holds not less than 50% of the total voting power in the company and his shareholding continues to remain as such for a period of 3 years from the date of succession
- (d) Proprietor holds not less than 50% of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of succession

**Question No. 4 (1 Mark)**

In case of loss, a partnership firm may claim deduction in respect of remuneration to partner to the extent of –

- (a) Rs. 1,50,000/- or remuneration paid, whichever is lower
- (b) Rs. 1,50,000/-
- (c) Rs. 1,50,000/- or 90% of book profit, whichever is lower
- (d) Nil

**Division B – Descriptive Questions**

**Question 1 (8 Marks)**

On April 1, 2019, X Ltd. commences the operation of a warehousing facility in Andhra Pradesh for storage of agricultural produce. The following information is available from the records of company— Expenses incurred prior to April 1, 2019

<b>Particular</b>	<b>Rs.</b>
Purchase of land for warehouse	50,00,000
Construction cost of warehouse	8,10,000
Purchase of know-how for warehouse	10,00,000
Salary to staff	68,000
Above expenses are capitalized on April 1, 2019.	
Expenses incurred during 2019-20:	
Construction cost of warehouse	60,00,000
Purchase of old plant and machinery (from domestic market)	2,00,000
Purchase of old plant and machinery (from Germany)	4,00,000
Purchase of new plant and machinery	9,00,000
Purchase of goodwill	3,50,000

Profit and loss account for the year 2019-20:

<b>Particular</b>	<b>Amount</b>	<b>Particular</b>	<b>Amount</b>
Depreciation of building (@ 5%)	3,40,000	Receipts from Warehouse	78,00,000
Depreciation of machinery (@ 23.333%)	3,50,000		
Cost of know-how (amount written off)	10,00,000		
Other operating expenses	7,51,000		
Donation to a political party	10,000		
Net profit	53,49,000		
	78,00,000		78,00,000

Out of other operating expenses, a payment of Rs. 40,000 is made in cash. X Ltd. has the following income also –

- Income from the business of commission agency: Rs. 10,14,000 (computed under the provisions of the Income-tax Act) and
- Income from Other Sources: Rs. 65,000.

Compute Gross Total Income and Losses to be carried forward (if any)

**Question 1 (6 Marks)**

ABC Limited has two units – Unit A and Unit B, the company has decided to sell its Unit B (Started on 01-07-2015) by way of slump sale for Rs. 400 lacs to XYZ Limited on 31-03-20. The balance sheet of ABC Limited as on 31-03-20 is given hereunder –

<b>Liabilities</b>	<b>Rs. (in lacs)</b>	<b>Assets</b>	<b>Rs. (in lacs)</b>
Paid up Share Capital	300	Fixed Assets	
General Reserve	150	Unit A 170 Lac Unit B 200 Lac	370
Share Premium	50	Debtors	
Revaluation Reserve	120	Unit A 140 Lac Unit B 110 Lac	250
Current Liabilities		Inventories	
Unit A 40 Lac Unit B 90 Lac	130	Unit A 95 Lac Unit B 35 Lac	130
	<b>750</b>		<b>750</b>

Following additional information are furnished by the management:

- Fixed assets of Unit B include land purchased at Rs. 40 lacs in the year 1995, FMV 01-04-01 was 50 Lac and revalued at Rs. 60 lacs as on March 31, 2020. Balance Fixed assets of Unit B are WDV of assets as per books of account. However, the WDV as per the Income-tax Act, 1961 is Rs.90 lacs.

Compute the Income, which would arise from slump sale to ABC Limited.