

Test 1 DT (Dated 16/12/19)

Solutions (Hints)

MCQ [QNo 1 & 2 (2 Marks) QNo. 3 & 4 (1 Mark)]

1) b) 2) a) 3) a) 4) b)

Descriptive

QNo. 1 (3 Marks each)

- a) Actual Cost for the purpose of Depreciation is Rs. 525000 and Depreciation thereon Rs. 78750
- b) As per section 35AD r.w. Section 43, the Actual Cost in the hands of non-Specified unit will be the purchase cost less Notional Depreciation and that amount will be added in Income of Mr. Arnav.

Actual Cost in the hands of Non-Specified unit will be Rs. 45 Lac (50 Lac - 10% of 50 Lac)

Rs. 45 Lac will be taxable as such use for non-specified business is violation of condition u/s 35AD.

c) Contribution (20% of 10,00,000)	2,00,000
Less: Allowed 10% (10,00,000 + 4,00,000)	1,40,000
Disallowed	60,000

QNo. 2 (3 Marks)

Depreciation allowable if no Demerger is 15 crore

Allocation of Depreciation: Resulting Co. 10.50 cr ($15 \times \frac{70}{100}$)

Demerged Company 4.50 cr ($15 \times \frac{30}{100}$)

QNo. 3 (2 Marks)

The Contention of Assessing officer is Correct, share premium shall not form part of Capital Employed.