

- (d) Advances made for purchase of gold the value of which has not been taken into account on the ground that purchase has been not effected in the previous year Rs. 16,00,000.

Compute the correct total income of the company.

14. From the following information about sale of assets during the previous year 2010-11 (C.I.I. : 711) compute the Taxable capital gain :

<i>Assets</i>		<i>Residential House</i>	<i>Plot</i>	<i>Jewellery</i>
Date of Acquisition	...	1.3.1979	1.11.1990	3.4.2000
Cost of Acquisition	...	1,40,000	2,00,000	1,00,000
FMV on 1.4.1981	...	2,00,000		
C.I.I	...	100	182	406
Date of sale	...	15.6.2010	16.6.2010	17.6.2010
Sale price	...	18,00,000	9,50,000	2,60,000
<i>Investments</i>		<i>Date of acquisition</i>	<i>Amount received</i>	
Residential House	...	19.12.10	13,00,000	
Bonds of National Highway authority of India	...	12.12.2010	1,00,000	

15. Explain the implication of avoidance of double Taxation agreement.

(6 × 3 = 18 weightage)

Part C

Answer any two questions.
Each question carries 6 weightage.

16. Following is the P & L account of an Indian Co. for the previous year 2010-11 :

Profit and Loss Account

		Rs.		Rs.
To Material consumed	...	22,50,000	By Sales	...
Salaries	...	37,50,000		
Advertisement	...	3,75,000		
Provision for doubtful debts	...	37,500		
Insurance	...	52,500		
Audit fees	...	1,20,000		
Depreciation	...	1,05,000		
Provision for Income Tax	...	75,000		
Provision for contingent liabilities	...	30,000		

Profit and Loss Account

	Rs.	Rs.
Transfer to General Reserve	... 1,50,000	
Proposed Dividend	... 3,00,000	
Office Expenses	... 4,50,000	
Losses of Subsidiary Co.	... 3,00,000	
Legal fees	... 1,12,500	
Repair to P and M	... 82,500	
Net profit	... 8,10,000	
	<u>90,00,000</u>	<u>90,00,000</u>

Additional Informations :

- (i) Provision for doubtful debts includes Bad debt Rs. 20,000.
- (ii) The company has various depreciable assets. During the year, a block of plant and machinery (15%) was revalued at the start of current previous year from 2 lacs to 3 lacs. However, depreciation as per Sec. 32 of Income Tax Act is Rs. 1,00,000.
- (iii) Income tax includes advance Income Tax for previous year 2011-12 Rs. 25,000.
- (iv) B/F losses and unabsorbed depreciate :

	As per books	As per Income
	Rs.	Rs.
B/F Business	... 2,20,000	2,70,000
Unabsorbed dep	... 62,500	2,00,000

Calculate for the Assessment year 2011-12.

- (a) Total Income as per normal provisions of IT Act.
- (b) Book profits under MAT.
- (c) Final Tax liability.
- (d) Tax credit allowable to Co. under Sec. 115 JAA.
17. The following is the trading and P & L Account of a Ltd. Co. for the year ended 31st March 2011. The company is dealing in textiles :

Trading Account

	Rs.		Rs.
To Opening stock	... 75,000	By Sales	... 13,50,000
Purchases	... 10,00,000	Closing Stock	... 50,000

Turn over

Trading Account

	Rs.	Rs.
Freight	7,000	
Customs	50,000	
Gross profit	2,68,000	
	<u>14,00,000</u>	<u>14,00,000</u>

Profit and Loss Account

To Salaries	60,000	By Gross profit	2,68,000
Rent	12,000	Interest	10,000
Rate and Taxes	10,000	Dividend	6,000
Interest	50,000		
Bad debts Reserve	1,000		
Depreciation	8,000		
Interim dividend	20,000		
Misc. Exp.	60,000		
Net profit	63,000		
	<u>2,84,000</u>		<u>2,84,000</u>

The following facts are available from the records :—

- (a) Closing stock has been valued at market rates which was less than the cost by 10% valuation of closing stock in the preceding year has been at cost.
- (b) A penalty of Rs. 30,000 was paid to the Customs Dept. for violation of import quota rules. This is included in the trading account.
- (c) Purchase include Rs. 1,00,000 advanced to a Textile Mill against supply of cloth agreed to be delivered in April 2011.
- (d) Salaries included Rs. 36,000 paid to the Managing Director. Of this Rs. 24,000 represented salary and Rs. 12,000 paid as Motor Car Advance.
- (e) Rates and Taxes included Rs. 3,000 paid as advance income tax.
- (f) Interest payment of Rs. 50,000 is towards unpaid balance of purchase price to the vendor from whom the business was purchased by the company as a going concern.
- (g) Miscellaneous expenses include Rs. 30,000 paid as bonus to staff. This bonus relates to the year 2009-10 but was settled by an agreement in February 2011.
- (h) Dividend has been received from an Indian company producing cement and whole of it was distributed amongst shareholders.

Compute the total income of the company for assessment year 2011-12.

(2 × 6 = 12 weightage)