

**EKATVAM ACADEMY**  
**TEST PAPER 8 CAPITAL GAIN**  
**CA/CMA INTER (25 Marks)**

**QUESTION 1 (5 Marks)**

Singhania & Co., a sole proprietorship owns six machines, put in use for business in March, 2022. The depreciation on these machines is charged @15%. The opening balance of these machines after providing depreciation for P.Y. 2022-23 was ₹ 8,50,000. Three of the old machines were sold on 10th June, 2023 for ₹ 11,00,000. A second hand plant was bought for ₹ 8,50,000 on 30th November, 2023.

**You are required to:**

- (i) Determine the claim of depreciation for Assessment Year 2024-25.
- (ii) Compute the capital gains liable to tax for Assessment Year 2024-25.
- (iii) If Singhania & Co. had sold the three machines in June, 2023 for ₹ 21,00,000, will there be any difference in your above workings? Explain.

**QUESTION 2 (5 Marks)**

Mr. A is a proprietor of Akash Enterprises having 2 units. He transferred on 1.4.2023 his Unit 1 by way of slump sale for a total consideration of ₹ 25 lacs. The fair market value of capital assets of unit 1 on 1.4.2023 is ₹ 30 lacs. Unit 1 was started in the year 2005-06. The expenses incurred for this transfer were ₹ 28,000. His Balance Sheet as on 31.3.2023 is as under:

Liabilities	Total (₹)	Assets	Unit 1 (₹)	Unit 2 (₹)	Total (₹)
Own Capital	15,00,000	Building	12,00,000	2,00,000	14,00,000
Revaluation Reserve (for building of unit 1)	3,00,000	Machinery	3,00,000	1,00,000	4,00,000
Bank loan (70% for unit 1)	2,00,000	Debtors	1,00,000	40,000	1,40,000
Trade creditors (25% for unit 1)	1,50,000	Other assets	1,50,000	60,000	2,10,000
<b>Total</b>	<b>21,50,000</b>	<b>Total</b>	<b>17,50,000</b>	<b>4,00,000</b>	<b>21,50,000</b>

**Other information :**

- (i) Revaluation reserve is created by revising upward the value of the building of Unit 1.
- (ii) No individual value of any asset is considered in the transfer deed.
- (iii) Other assets of Unit 1 include patents acquired on 1.7.2021 for ₹ 50,000 on which no depreciation has been charged. Compute the capital gain for the A.Y.2024-25.

**QUESTION 3 (5 Marks)**

Mr. Mithun purchased 100 equity shares of M/s Good money Co. Ltd. on 01-04-2007 at rate of ₹ 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2022. He has also received dividend of ₹ 10 per share on 01.05.2023.

He has sold all the shares on 01.10.2023 at the rate of ₹ 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02%

Compute his total income and tax liability for Assessment Year 2024-25, assuming that he is having no income other than given above. Fair market value of shares of M/s Good money Co. Ltd. on 31.1.2018 is ₹ 2,000.

#### QUESTION 4 (5 Marks)

Mrs. Harshita purchased a land at a cost of ₹ 35 lakhs in the financial year 2004-05 and held the same as her capital asset till 20th March, 2023.

She started her real estate business on 21st March, 2023 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹ 210 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is ₹ 10 lakhs. Construction was completed in February, 2024. She sold 10 flats at ₹ 30 lakhs per flat in March, 2024. The remaining 5 flats were held in stock as on 31st March, 2024.

She invested ₹ 50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2024 and another ₹ 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2024.

Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for Assessment Year 2024-25 indicating clearly the reasons for treatment for each item.

[Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2022-23 : 331; F.Y. 2023-24: 348].

#### QUESTION 5 (5 Marks)

Mr. A is an individual carrying on business. His stock and machinery were damaged and destroyed in a fire accident.

The value of stock lost (total damaged) was ₹ 6,50,000. Certain portion of the machinery could be salvaged. The opening balance of the block as on 1.4.2023 (i.e., WDV as on 31.3.2023 after providing depreciation for P.Y. 2022-23) was ₹ 10,80,000.

During the process of safeguarding machinery and in the fire fighting operations, Mr. A lost his gold chain and a diamond ring, which he had purchased in April, 2005 for ₹1,20,000. The market value of these two items as on the date of fire accident was ₹1,80,000.

**Mr. A received the following amounts from the insurance company :**

- |   |            |
|---|------------|
| (i) Towards loss of stock                 | ₹ 4,80,000 |
| (ii) Towards damage of machinery          | ₹ 6,00,000 |
| (iii) Towards gold chain and diamond ring | ₹ 1,80,000 |

You are requested to briefly comment on the tax treatment of the above three items under the provisions of the Income-tax Act, 1961.