

# INCOME TAX

## MOCK TEST Questions & Answers

BY VG SIR

**BE HONEST WITH YOURSELF**

1. Mr. Sivam, a retail trader of Cochin gives the following Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2024:

### *Trading and Profit and Loss Account for the year ended 31.03.2024*

<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
To Opening stock	90,000	By Sales	1,12,11,500
To Purchases	1,10,04,000	By Closing stock	1,86,100
To Gross Profit	3,03,600		-
	1,13,97,600		1,13,97,600
To Salary	60,000	By Gross profit b/d	3,03,600
To Rent and rates	36,000	By Income from UTI	2,400
To Interest on loan	15,000		
To Depreciation	1,05,000		
To Printing & stationery	23,200		
To Postage & telegram	1,640		

To Loss on sale of shares (Short-term)	8,100		
To Other general expenses	7,060		
To Net Profit	50,000		
	3,06,000		3,06,000

**Additional Information:**

(i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock	₹ 9,000
Closing stock	₹ 18,000

(ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent of ₹ 2,000.

(iii) The whole amount of printing and stationery was paid in cash by way of one-time payment to Mr. Ramesh.

(iv) The depreciation provided in the Profit and Loss Account ₹ 1,05,000 was based on the following information:

The opening balance of plant and machinery (i.e., the written down value as on 31.3.2023 minus depreciation for P.Y. 2022-23) is ₹ 4,20,000. A new plant falling under the same block of depreciation was bought on 01.7.2023 for ₹ 70,000. Two old plants were sold on 1.10.2023 for ₹ 50,000.

(v) Rent and rates includes GST liability of ₹ 3,400 paid on 7.4.2024.

(vi) Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.

You are required to compute the profits and gains of Mr. Sivam under presumptive taxation u/s 44AD and profits and gains as per the regular provisions of the Act assuming he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

10 MARKS

**Illustration 2:**

From the following profit and loss account of Vinay for the year ended 31st March 2024, compute his total income and tax liability for the assessment year 2024-25:

<b>Particulars</b>	<b>Amount Rs.</b>	<b>Particulars</b>	<b>Amount Rs.</b>
Interest on capital	12,000	Gross profit	5,10,000
Insurance	2,000	Brokerage	30,000
Bad debts	30,000	Bad debts recovered (earlier allowed as deduction)	15,000
Depreciation	34,000	Sundry receipts	18,000
Advance tax	25,000	Interest on debentures (gross) [TDS Rs. 4,000]	40,000
General expenses	12,000		
Advertisement	5,000		

Salary (including salary to Vinay Rs.20,000)	85,000		
Interest on loan	8,000		
Net profit	4,00,000		
<b>Total</b>	<b>6,13,000</b>	<b>Total</b>	<b>6,13,000</b>

Additional information:

- (i) The amount of depreciation allowable as per income-tax rules is Rs. 42,000.
- (ii) General expenses include Rs.5,000 given as Health insurance Premium.
- (iii) Vinay pays Rs. 5,200 as premium on his own life insurance policy of Rs. 50,000 issued in 2016-17.
- (iv) Loan was obtained for payment of income-tax.

**Option 1: Assessee has opted to pay tax as per regular scheme**

**Option 2: Assessee is paying tax as per Section 115BAC**

**7 MARKS**

**3**

Explain the term "return of loss" under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required?

**3 MARKS**

4. Ramdin, aged 33 years, working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.2024:

- Basic Salary ₹ 15,000 p.m.
- DA (50% of it is meant for retirement benefits) ₹ 12,000 p.m.
- Commission as a percentage of turnover of the Company 0.5 %
- Turnover of the Company ₹ 50 lacs
- Bonus ₹ 50,000
- Gratuity ₹ 30,000
- Own Contribution to R.P.F. ₹ 30,000
- Employer's contribution to R.P.F. 20% of basic salary
- Interest credited in the R.P.F. account @ 15% p.a. ₹ 15,000
- Gold Ring worth ₹ 10,000 was given by employer on his 25<sup>th</sup> wedding anniversary.
- Music System purchased on 01.04.2023 by the company for ₹ 85,000 and was given to him for personal use.
- Two old light goods vehicles owned by him were leased to a transport company against the fixed charges of ₹ 6,500 p.m. Books of account are not maintained.
- Received interest of ₹ 5,860 on bank FDRs on 24.4.2023 and interest of ₹ 6,786 (Net) from the debentures of Indian Companies on 5.5.2023.
- Made payment by cheques of ₹ 15,370 towards premium on Life Insurance policies and ₹ 22,500 for Mediclaim Insurance policy for self and spouse.
- Invested in NSC ₹ 30,000 and in FDR of SBI for 5 years ₹ 50,000.
- Donations of ₹ 11,000 to an institution approved u/s 80G and of ₹ 5,100 to Prime Minister's National Relief Fund were given during the year by way of cheque.

Compute his total income and tax payable thereon for the A.Y. 2024-25. Assume that Mr. Ramdin has exercised the option to shift out of the default tax regime under section 115BAC.

10 MARKS

5. Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.

5 MARKS

**6**

Ashwin doing manufacture and wholesale trade furnishes you the following information:

Total turnover for the financial year -

Particulars	₹
2023-24	1,05,00,000
2024-25	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2024-25:

Particulars	₹
Interest paid to UCO Bank on 15.8.2024	41,000
Contract payment to Raj (2 contracts of ₹ 12,000 each) on 12.12.2024	24,000
Shop rent paid (one payee) on 21.1.2025	2,50,000
Commission paid to Balu on 15.3.2025	7,000

**5 MARKS**

**Illustration 17**

Mr. Ram who is a person with disability submit the following information. Compute (a) the Taxable Income (b) the Tax payable for the assessment year 2024-25.

Particulars	Amounts (Rs.)
(i) Salary (per annum)	3,00,000
(ii) Rent received	48,000
(iii) Dividend from Co-operative Society	1,000
(iv) Interest on Savings Bank Deposits	18,000
(v) Interest on government securities	1,000
(vi) Winning from Lotteries (gross)	5,000
(vii) NSC (VIII Issue) purchased during the year	10,000
(viii) Deposit under PPF Scheme	30,000

He earned a long-term capital gain of Rs. 15,000 on sale of gold during the year.

**5 MARKS**

8

Mr. Rudra has one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). He provides the following details for the previous year 2023-24.

Particulars	Mr. Rudra (₹)	Unit in DTA (₹)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	5,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Proceeds from export sales in SEZ received in convertible foreign exchange by 30.9.2024 is ₹ 3,00,00,000. He has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A). Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2024-25, in the following situations:

- (i) If both the units were set up and start manufacturing from 22-05-2015.
- (ii) If both the units were set up and start manufacturing from 14-05-2019.

5 MARKS

#### Illustration 9

Binod furnishes the following particulars for PY 2023-24. You are required to arrive at the deduction allowable u/s 35 for AY 2024-25, while computing the Income under the head "Profits / Gains from Business/ Profession".

1. Amount paid to M/s ABC Ltd., a company registered in India, which has as its main object, scientific research and development, as approved by the prescribed authority INR 600,000
2. Amount Paid to IIT Mumbai, for an approved scientific research programme INR 375,000
3. Revenue Expenditure on In-house R&D facility as approved by prescribed authority INR 450,000
4. Capital Expenditure on In-house R&D facility as approved by prescribed authority INR 12,00,000. This includes cost of Land INR 450,000
5. Amount paid to Indian Institute of Science, Bangalore, for Scientific Research INR 10,00,000

5 MARKS