CA IPC/INTER TAXATION – SAMPLE TEST SOLUTION 34 MARKS

Q 1	A
Q 2	D
Q 3	D
Q 4	A
Q 5	B
Q 6	C
Q 7	D
Q 8	C
Q 9	A
Q 10	D

Q 11 Gross annual value will be computed as follows:

Step 1: Compute reasonable expected rent of the property.
Step 2: Compute actual rent of the property.
Step 3: Compute gross annual value.

Based on these steps the computation will be as follows

Particulars	Property A (Rs.)	Property B (Rs.)	Property C (Rs.)
Amount at Step 1 (Note 1)	8,48,484	84,252	8,48,484
Amount at Step 2 (Note 2)	8,00,000	60,000	8,80,000
Amount at Step 3, i.e., Gross annual value (Note 3)	8,48,484	84,252	8,80,000

Note 1: Amount at Step 1 (i.e., Reasonable expected rent) is higher of municipal value or fair rent (subject to standard rent).

Note 2: Amount at Step 2 is actual rent after deducting unrealised rent., i.e., Rs. 8,00,000 (9,60,000 – Rs. 1,60,000) in case of property A, Rs. 60,000 in case of property B and Rs. 8,80,000 (Rs. 9,60,000 – Rs. 80,000) in case of property C.

Note 3: Gross annual value will be higher of amount at Step 1 or Step 2.

Q 12

A. Anticipated hedging loss under a forward contract is not allowed to be deducted.
B. Loss caused due to negligence of employee is allowed to be deducted.
C. Initial expenditure on installation of fluorescent tube lights is a capital expenditure, not deductible [Sec. 37(1)].
D. As the business of 100% subsidiary is to finance subsidiary company, loss on account of non-recovery of such advances relates carrying on business. Such loss is an allowable deduction.
E. Consultation fee paid to tax-advisor is allowed under Sec. 37(1).
F. Payment made to acquire licence regarding technical information is a capital expenditure. Depreciation is allowed under Sec. 32 on such cost.