

Questions on MCQ to be discussed on 17th / 18th September, 2020

1. Ms. A sold a building on 11.03.2019 for Rs.1 crore, which was acquired by her in January, 2018 for Rs.90 lakhs. She had paid 9 lakhs towards registration while acquiring the building. Rs.50,000 was spent by her towards commission at the time of sale. Find Capital Gains.
2. Mr.X received a house in May, 2010 by way of gift from Mr. G who had purchased the same in April, 1989 for Rs. 45,000. Cost of improvement incurred by Mr.G was Rs.1,05,000 in March, 2000 and Rs. 2,74,000 in June, 2008. FMV of the house as on 1-4-2001 was Rs.9,14,000. Mr. X sold the house in June, 2018 for Rs.40 lakhs. Brokerage Rs.20,000. Find CG.
3. Mr. Y bought a land in May, 2000 for Rs.2.5lakhs. FMV as on 1.4.2001 was Rs. 3.5 lakhs. He constructed a building thereon by spending Rs. 4.2 lakhs in FY 2002-03. Again, he constructed one more floor in 2007-08 and spent Rs. 6.45 lakhs. He sold the building in January, 2019 for Rs. 58 lakhs. Find C.
4. Mr. B bought a house for Rs. 15 lakhs in April, 2012. It was destroyed by fire in May, 2017. He received an amount of Rs.40 lakhs from the insurance company in December, 2018. Find Capital Gains.
5. Mr. B became a partner in a firm on 12.12.2018. He transferred his capital asset as capital contribution to the firm on that day. The capital asset was acquired by him on 11.4.2007 for Rs. 12 lakhs and Rs.90,000 was spent towards registration. The firm recorded the value at Rs. 33 lakhs, whereas FMV, as on 12.12.2018, was Rs.32 lakhs. Find Capital Gains.
6. Mr. X had purchased some jewellery in May, 2000 for Rs. 4.5 lakhs; F.M.V. as on 1.4.2001 was Rs. 5 lakhs. He started jewellery business in September, 2017 and brought this jewellery as stock of the business. FMV then was Rs. 24 lakhs. This was sold in April, 2018 for Rs. 27 lakhs. Compute Capital Gains. Will there be any other income?
7. Ms. S had purchased a piece of land in 2001 for Rs. 4 lakhs. It was compulsorily acquired by Govt. in March, 2016 and a compensation of Rs. 10 lakhs was determined. The same was received by her in June, 2017. On appeal, the jurisdictional High Court enhanced the compensation to Rs.12 lakhs, which was received by her in March, 2020. She had spent Rs. 75,000 as legal expenses. Find Capital Gains in the relevant A.Ys.
8. M/s. ABC & Co. own six machines, put in use for business. The depreciation on these machines is charged @15%. WDV of these machines as on 1st April, 2017 was Rs. 8,25,000. Three machines were sold on 10th June, 2017 for Rs. 16,00,000. A new plant was bought for Rs. 7,50,000 on 30th November, 2017. You are required to determine the depreciation and the capital gains. What will be your answer, if the new machine was bought for Rs. 8,50,000?

9. The balance sheet of Mr. X as on 31-3-2018 is as under:

Liabilities	Amount	Assets	Amount
Paid up capital	35,00,000	<u>Software division</u>	
Reserve & Surplus	15,0,000	Building	25,00,000
		Debtors	10,00,000
		Stock	5,00,000
<u>Creditors</u>			
Software division	15,00,000		
Cement division	20,00,000	<u>Cement division</u>	
		Building	20,00,000
		Debtors	15,00,000
		Stock	<u>10,00,000</u>
	<u>85,00,000</u>		<u>85,00,000</u>

On 1-4-2018, Mr. X decides to sell the Cement division for Rs.60,00,000 which was set up on 1-04-12. The Building transferred in the slump sale belongs to 10% block. The WDV as on 1-4-18 of 10% block is Rs.50,00,000. All the buildings belonging to Cement Division was purchased on 18/12/16 for Rs.30,00,000. Determine tax treatment.

- 10.** Mr. Y had purchased a house property in June, 2001 for Rs.5 lakhs. It was sold to Ms. T in March, 2019 for Rs.21 lakhs, whereas the stamp duty value was Rs.23 lakhs. Compute C G. What if, the stamp duty value was Rs.22 lakhs?
- 11.** Mr. V had purchased a house property in May, 2015 for Rs.38.10 lakhs. He entered into an agreement with Mr. K in April, 2018 to sell the property for Rs.40 lakhs and an amount of Rs. 2 lakhs was received by cheque as advance. The property was sold in August, 2018. Stamp Duty value in April, 2018 was Rs. 43 lakhs and it was Rs. 47 lakhs in August, 2018. Compute Capital Gains.
- 12.** Ms. C had purchased a house property in February, 2003 for Rs. 3 lakhs. She entered into an agreement with Mr. K in April, 2012 to sell the property for Rs. 14 lakhs and an amount of Rs. 90,000 was received as advance. As Mr. K did not purchase Ms. C forfeited the advance. Subsequently, the property was sold to Ms. T in March, 2019 for Rs.27 lakhs. Compute Capital Gains.
- 13.** Mr. A had purchased a house property in June, 2008 for Rs.10 lakhs. Registration expenses Rs. 96,000. It was sold to Ms. B in January, 2019 for Rs.49 lakhs. Mr. A purchased another house in July, 2019 for Rs.30 lakhs. Compute Capital Gains.
- 14.** Mr. X sold his urban agricultural land for Rs.75 lakhs in December, 2018, which was purchased by him in 2000 for Rs.1.8 lakhs (FMV as on 1.4.2001 was Rs. 2 lakhs). Transfer expenses: Rs.40,000. In May, 2019, he purchased another agricultural land for Rs. 25 lakhs and deposited Rs. 40 lakhs in Capital Gain Account Scheme. Compute Capital Gains.

- 15.** Mr. Y sold his house property for Rs.99 lakhs in March, 2019, which was purchased by him in April, 2001 for Rs.11 lakhs. In June, 2019, he purchased a house for Rs. 23 lakhs and he invested Rs. 45 lakhs in NHAI bonds. Find Capital Gains.
- 16.** Ms. S sold some jewellery for Rs.71 lakhs in January, 2019, which was purchased by her in May, 2001 for Rs.2.5 lakhs. In April, 2019, she purchased a house for Rs. 63 lakhs. Transfer expenses Rs. 1 lakh. Find Capital Gains.
- 17.** Mr. G had sold a house property in March, 2017 for Rs.55 lakhs. LTCG was calculated at Rs. 36 lakhs. He deposited Rs.40 lakhs in CG A/c scheme in July, 2017. However, it is not utilised (for the purpose for which it was deposited) till now and is withdrawn now. Discuss.
- 18.** Mr. X had purchased a house property in April, 2018 for Rs.55 lakhs. It was sold to Ms. S in March, 2019 for Rs.57 lakhs, whereas the stamp duty value was Rs.62 lakhs. On reference by the AO, the Valuation Officer ascertained the value at Rs.60 lakhs. Compute Capital Gains. What if, the value determined by the VO was (i) Rs.72 lakhs? (ii) Rs.56 lakhs?
- 19.** Ms. S sold 1,500 shares of ABC Ltd. at a cost of Rs.300 per share in March, 2019. She had bought 1000 shares in September, 2000 @ Rs.40 per share. The company allotted one bonus share for every two shares in March, 2006. FMV of the shares of ABC Ltd. as on April 1, 2001 was Rs.50. Compute CG..
- 20.** Mr A had purchased 1000 Shares of A Ltd on 01-01-10 @ Rs.14.80 per share. The Company had announced right issue in the ratio of 1:1 in June 2018 of shares of paid up value of Rs.10/- at a premium of Rs.30/- per share. Mr. A had applied for the right issue and was allotted the right shares in July, 2018. Mr. A sold all the shares on 15-03-2019 @ Rs.200/- per share. Compute CG.
- 21.** Mr. D holds 1000 shares in a company, acquired in 2001-02 at a cost of Rs. 75,000. He was offered right shares by the company in July, 2018 at Rs.160 per share, in the ratio of 2 for every 5 held. He retains 50% of the right shares and renounces the balance in favour of Mr. E for Rs. 30 per share in August, 2018. Mr. D sold all his shares @ of Rs.320 per share on 2.1.2019. Compute CG.
- 22.** In the previous question (Eg. 19) if Mr. E sells all his shares in March, 2019 at Rs. 310 per share, what will be his capital gains?
- 23.** Nirmal has a house property acquired on 18/08/2009 for Rs.6,00,000. He used the house for his own residential purpose. On 18/08/2012 he incurred capital expenditure on re-construction of house Rs.3,00,000. On 15/05/2018, he brought office goods (inflammable) worth Rs.1,00,000 at home to be delivered to a party staying near to his home. At the night of that day accidental fire took place and damaged the whole house property, furniture worth Rs.5,00,000 and business stock. Insurance claim received on 18/08/2018 –

1. for the house ` 1,00,000 in cash & a new house allotted to him (fair market value of which is ` 44,00,000 on 18/08/2018);
2. for house-hold furniture ` 2,00,000; and 3. for stock ` 80,000.

State – - Tax-treatment under the head Capital gains.

24. Mr.A has 4,000 shares of X (P) Ltd. acquired in 1993 for Rs.20 each. On 1/05/2007, he converted 2,000 shares into SIT. On that date, FMV of the share was Rs.30 each. On 17/02/2019, he sold all shares for Rs.225 each. Brokerage incurred 2%. FMV of the shares as on 01-04-2001 was Rs.16/-. Discuss.

25. X Ltd. has several undertakings carrying on several businesses. During the year 2018-19, the company sold one of its undertakings (as it was continuously generating loss since last 5 years) for a lump sum value of Rs.300 lakhs without assigning value to individual asset and liabilities. Book value of sundry assets and liabilities of the undertaking as on the date of sale is as under:

Items	Book Value	Market Value
Land	Rs.50 lakhs	Rs.100 lakhs
	(Value for the purpose of stamp duty Rs.70 lakhs)	
Machinery	Rs.70 lakhs	Rs.100 lakhs
	(WDV as per IT Act Rs.60 lakhs)	
Furniture	Rs.50 lakhs	Rs.75 lakhs
	(WDV as per IT Act Rs.90 lakhs)	
Stock	Rs.30 lakhs	Rs. 35 lakhs
Debtors	Rs.40 lakhs	Rs.40 lakhs
Creditors	Rs.50 lakhs	

Brokerage on transfer paid @ 5%. Compute capital gain.

Cost Inflation Index Table

Financial Year	Index	Financial Year	Index
2001-02	100	2011-12	184
2002-03	105	2012-13	200
2003-04	109	2013-14	220
2004-05	113	2014-15	240
2005-06	117	2015-16	254
2006-07	122	2016-17	264
2007-08	129	2017-18	272
2008-09	137	2018-19	280
2009-10	148		
2010-11	167		