

SOLUTION TO MCQs of MTP 1 DEC 21 EXAM

RELEASED BY ICAI

INCOME TAX

1. (i) Ans. (a)

Computation of Depreciation allowable u/s 32

Block Plant and Machinery 15%

Opening WDV as on 01.04.2020	95,00,000
Add: Machinery Purchased [45,00,000 + 62,500]	45,62,500
(Purchased on 02.08.2020 and put to use on 01.11.2020)	
(Interest from date of loan to put to use shall be capitalized)	
Total WDV	1,40,62,500
Depreciation allowed @ 15% on 95,00,000	14,25,000
Depreciation allowed @ 7.5% on 45,62,500	3,42,188
Additional Depreciation allowed @ 10% on 45,62,500	4,56,250
Total depreciation on Plant and Machinery	22,23,438

Block Motor Car 30% (Purchased on 02.10.2019)

Opening WDV as on 01.04.2020 (8,00,000 – 2,40,000)	5,60,000
Depreciation allowed @ 30% on 5,60,000	1,68,000

1. (ii) Ans. (c)

Hint: In the given case TDS is deducted and paid in next year hence 30% of interest is disallowed i.e. 45,000

1. (iii) Ans. (a)

Calculation of Income under the head business profession as per normal provisions

Net profit	40,00,000
Add: Depreciation as per books	12,20,000
Add: Interest wrongly debited in P/L account (25,00,000 x 10% x 3/12)	62,500
Add: 30% Disallowed for non - deduction of TDS (1,50,000 x 30%)	45,000
Less: Depreciation allowed as per income tax (Plant and Machinery)	(22,23,438)
Less: Depreciation allowed as per income tax (Motor Car)	(1,68,000)
Income chargeable under the PGBP	29,36,062

1. (iv) Ans. (c)**Calculation of Income under the head business profession if he opts for Section 115BAC**

Income chargeable under the PGBP	29,36,062
Add: Additional depreciation	4,56,250
Income chargeable under the PGBP	33,92,312

1. (v) Ans. (b)**Calculation of Tax Liability under normal provisions**

Total Income	29,36,062
Rounded off	29,36,060

Tax at slab rate	6,93,318
Add: HEC @ 4%	27,733
Tax Liability	7,21,051
Rounded off	7,21,050

Calculation of Tax Liability if he opts for section 115BAC

Total Income	33,92,312
Rounded off	33,92,310

Tax as per section 115BAC	7,55,193
Add: HEC @ 4%	30,208
Tax Liability	7,85,401
Rounded off	7,85,400

Better to pay tax under normal provision

2. Ans. (d)**Calculation of Tax Liability under normal provisions**

LTCG	57,00,000
LTCG 112A	65,00,000
Other Income	1,98,00,000
Total Income	3,20,00,000

Computation of Tax Liability

Tax on LTCG @ 20% u/s 112	11,40,000
Tax on 1,98,00,000 normal income at slab rate	57,50,000
Tax on LTCG 112A @ 10% on 64,00,000	6,40,000

Add: Surcharge @ 15% on 6,40,000	96,000
Add: Surcharge @ 25% on 68,90,000	17,22,500
Tax before HEC	93,48,500
Add: HEC @ 4%	3,73,940
Tax liability	97,22,440

Tax at slab rate	6,93,318
Add: HEC @ 4%	27,733
Tax Liability	7,21,051
Rounded off	7,21,050

5. Ans. (d)**Computation of Total Interest Deduction allowed**

Interest u/s 24(b) (self - occupied house maximum allowed 2,00,000)	2,00,000
Interest u/s 80EE (Balance interest i.e. 1,75,000 is allowed u/s 80EE but maximum upto 1,50,000).	1,50,000
Total	3,50,000

6. Ans. (b)**Computation of Amount to be clubbed**

Capital as on 01.04.2020	4,00,000
Add: Gift by his wife on 01.04.2020	4,00,000
Total Capital	8,00,000
Profit during the year	2,00,000
Amount to be clubbed $(2,00,000 \times 4,00,000 / 8,00,000)$	1,00,000