

ELECTIVE PAPER 6F – MULTIDISCIPLINARY CASE STUDY

SUGGESTED SOLUTION – CASE STUDY 4

Multiple Choice

Answer 1 (c)

Answer 2 (b)

Answer 3 (c)

Answer 4 (d)

Answer 5 (b)

Answer 6 (a)

Answer 7 (a)

Answer 8 (a)

Answer 9 (c)

Answer 10 (d)

Answer 11

Total Tea Limited

COMPUTATION OF TOTAL INCOME FOR ASSESSMENT YEAR 2018-19

		(Rs. In Lakh)
	Net profit as per profit and loss account	550
Add:	Depreciation debited to profit and loss account	40
Less:	Depreciation as per section 32	(-) 55
Add:	Interest on term loan for purchase of machinery [It is assumed that interest pertains to the period after the machinery is put to use and interest is paid during the previous year or till the due date of submission of return of income; since already debited to profit and loss account, no adjustment is required]	Nil
Add:	Repairs to factory building [Rs. 15 lakhs being revenue in nature eligible for deduction, however, expenditure of Rs. 10 lakhs met out of withdrawal from NABARD is not eligible for deduction]	10
Less:	Profit from sale of green tea leaves plugged in own gardens credited to profit and loss account [It is exempt from tax under section 10(1) and is assessable as agricultural income. It is from pure agricultural operations and no processing is involved].	(-)20
Add:	Expenditure incurred for issue of bonus shares [It is revenue expenditure and deductible under section 37, no adjustment is required CIT v. General Insurance Corpn. (Sc)]	Nil

Add:	Sales tax due for which the company has furnished bank guarantee [It is not treated as actual payment and not deductible as per section 43B]	10
Add:	Bad debts of predecessor written off by the assessee is eligible for deduction [No adjustment is required - CIT v. T. Veerabhadra Rao (SC)]	Nil
Add:	Payment to employees welfare trust [Not eligible for deduction as per section 40 A(9)]	2
Add:	Interest on inter-corporate deposit relating to February 2018 and March 2018 is eligible for deduction since TDS is deposited before the due date of submission of return of income	Nil
Less:	Arrears of interest converted into loan paid by the company during the previous year is eligible for deduction on actual payment basis	(-)2
	Total	535.00
Less:	Deduction under section 33AB (40 of Rs. 535 lakh or amount deposited being Rs.250 lakh, whichever is lower)	(-)214
	Balance	321.00
	Taxable income (40% of Rs. 321 lakh)	128.40
	Agricultural income (60% of Rs. 321 lakh)	192.60

Answer 12

Particulars	Rs.
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [includible in the value as per section 15(2)(a)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(a)]	
Packing charges [includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-government body, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @ 2% on Rs.50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

Answer: 13

(i) Production Budget May'17 (tons)

Particulars	Super	Normal
Expected Sales	200	80
Add: Budgeted Inventory (31 st May)	20	15
Total Requirements	220	95
Less: Actual Inventory (1 st May)	40	20
Required Production	180	75

(ii) **Materials Purchase Budget May'17 (tons)**

Particulars	Grade A	Grade B	Grade C	Grade D
Requirement for Production	126.00 (180 × 70%)	54.00 (180 × 30%)	30.00 (75 × 40%)	45.00 (75 × 60%)
Add: Budgeted Inventory (31 st May)	50.00	56.00	250.90	40.50
Total Requirements	176.00	110.00	280.90	85.50
Less: Actual Inventory (1 st May)	40.00	25.00	150.00	60.00
Quantity to be purchased	136.00	85.00	130.90	25.50
Add: Lose of Weight* (Seasoning)	24.00	15.00	23.10	4.50
Quantity to be purchased (Gross)	160.00	100.00	154.00	30.00

(*) Quantity to be purchased × 15% / 85%