

Unit – 2.

Income from Capital Gains:

Examination Questions (Theory) from Semester Scheme: 2, 5 & 8 Marks.

May/June – 2007.

1. Define transfer of an asset. (2)
2. What do you mean by Long term capital gain? (2) **June -2009, May-2017, May-19**
3. How do you determine the cost of acquisition if the asset is acquired by gift? (2)

June – 2008.

4. What is a Long term capital asset? (2) **June -2008, June-2013, May-2015**
5. Mention any two special modes of transfer under capital gains taxation. (2)
6. Explain how capital gain/loss is computed on the sale of depreciable assets. (5)

June – 2009.

7. Explain the provisions of Section 54 of Income Tax Act, under the head capital gains. (5) **June -2010**

June – 2010.

8. What is Indexed cost of acquisition? (2) **May -2011, May -2012**

May – 2011.

9. What are the long term specified assets u/s – 54 EC? (2)
10. Mention any four transfers not regarded as transfer for capital gain taxation purposes. (2)

May – 2012.

11. What is a Short term capital asset? (2) **May-2018**
12. State any 4 long term capital assets for which benefit of indexation is not available. (2)

May/June – 2013.

13. What is cost inflation index? (2)
14. State the conditions u/s 54 for claiming exemption from capital gains. (5)

May/June – 2014.

15. Define capital assets. (2)
16. How do you calculate indexed cost of improvement? (2)

April/May – 2015.

17. State the provisions under Sec. 54 and Sec. 54-B (8)

May – 2016.

18. What is a short term capital gain? (2)
19. What is meant by cost of improvement? (2)
20. State any four transactions included under the term transfer.
21. State the provisions of Section 54 EC and 54 F. (8)

May – 2017.

22. State the conditions and exemptions u/s 54 B for claiming exemption from capital gain. (6)

Unit – 2.

Exam Problems on Income from Capital Gains. (Semester Scheme):-

May/June – 2007

Problem – 1. (5 marks)

Mr. X purchased a house property in 1999 for Rs.80,000. The fair market value of this house was Rs.1,40,000 on 1st April 2001. In the year 2005 on 1st November he incurred Rs.60,000 for improvement of the house and sold the property on 10th September 2019 for Rs.15,00,000 and purchased a house for Rs.5,00,000 on 15th March 2020.

Compute the capital gain chargeable to tax for the Assessment year 2020-21. The cost of Inflation Index are 2001-02 – 100, 2005-06 – 117, 2019-20 – 289.

Problem – 2. (5 marks)

In the year 2006-07 (CII - 122), Mr. A purchased an agricultural land in an urban area for Rs.2,00,000. In the year 2019-20 this land was acquired by the urban development authority. He was received a compensation of Rs.12,00,000 from the authority. Compute his capital gain and also advice him regarding the amount of capital gain to be deposited in the capital gain A/c scheme to avoid income tax. The CII for 2019-20–289.

June – 2008

Problem – 3. (5 marks)

Mr. Prasanna sold his residential house on 01-01-2020 for Rs.23,96,000 which he had purchased in 2001-02 for Rs.2,00,000. He spent Rs.6,000 for sale of the house. He also spent Rs.15,00,000 on the construction of new house and deposited Rs.10,00,000 under capital gain account scheme on 28-03-2020. The CII for 2001-02 and 2019-20 are 100 and 289 respectively. Compute his taxable capital gains for the Assessment Year 2020-21.

Problem – 4. (15 marks)

Durga Prasad gives you the following information. Compute his income under the head capital gains for the Assessment year 2019-20.

- a) Agricultural land in Chennai city purchased in 2008-09 for Rs.2,25,000 (CII-137) has been sold for Rs.12,50,000 on 1-8-2019 (CII-289) by paying Rs.25,000 brokerage. He purchased another agricultural land in a village for Rs.2,50,000 on 10-06-2020.
- b) House hold furniture and music system purchased on 1-1-2012 for Rs.22,000 is sold on 5-12-2019 for Rs.12,000.
- c) Machinery purchased on 1-1-2011 for Rs.40,000 (CII-167) is sold for Rs.15,000 on 1-4-2019. The WDV of the machinery on 1-4-19 was Rs.25,000.
- d) Sold his residential house for Rs.15,50,000 on 31-3-2020. The house was gifted by his mother in law in July 2000. The house was purchased by her in 1999 for Rs.3,25,000. (The FMV on 1-4-2001 was Rs.3,00,000). Additions were made by him in January 2012 by spending Rs.30,000 (CII-184). The commission paid on sales is @ 1% of the selling price. He purchased another residential house for Rs.2,25,000 and deposited Rs.7,50,000 under capital gain a/c scheme on 30-06-2020.
- e) Debentures (purchased in December 2018 for Rs.30,000) are sold for Rs.55,000 on 1-09-2019.
- f) Sold 200 bonus shares of a Co. on 1-2-2020 for Rs.250/- per share by paying a brokerage of 1% on selling price. These bonus shares were issued on 1-4-2011 (CII-184) and the market price of these shares on the date of issue were Rs.100/- per share.

June – 2009

Problem – 5. (5 marks)

Mr. X purchased a plot of land for Rs.1,20,000 on 1-1-2003 and sold it for Rs.9,72,000 on 01-01-2020. If the brokerage paid on its purchase and sale were Rs.5,000 and Rs.12,000 respectively, determine the amount of capital gain. (CII- 2002-03 – 105, 2019-20 – 289).

Problem – 6. (5 marks)

Mr. Z a non-resident individual invested 300 US dollars in the shares of an Indian Co. at Delhi, on 15-03-2016. He sold all those shares on 20-03-2020 for Rs.25,000, subject to brokerage of 5%. If the exchange rate per US dollar on 15-03-2016 and 20-03-2020 were Rs.30 and Rs.50 respectively. Compute his taxable capital gain for the Assessment year 2020-21.

Problem – 7. (15 marks)

From the following the particulars, Compute taxable capital gains of Mr. Shankar for the Assessment year 2020-21.

Asset	Date of purchase	Cost Rs.	FMV on 1-4-2001 Rs.	Date of Sale	Sale Price Rs.	Selling expenses Rs.
House property	1-12-2005	75,000	--	1-10-2019	15,00,000	20,000
Personal Jewellery	1-12-1999	12,000	20,000	1-11-2019	3,80,000	4,500
Listed debentures	1-12-2018	50,000	--	1-02-2020	2,00,000	1,000
Personal Car	1-12-2012	30,000	--	1-01-2020	12,000	Nil
Urban agricultural land	1-12-1996	48,000	45,000	1-03-2020	7,50,000	30,000

He purchased a new agricultural land on 31-03-2020 for Rs.1,50,000. [CII: 2001-02 – 100, 2005-06 –117, 2012-13 – 200, 2018-19 – 280, 2019-20 – 289].

May – 2011

Problem – 8. (5 marks)

Mr. Arun sold his Agricultural land situated in urban area for Rs.22,50,000 which he had purchased on 1-1-2013 for Rs.5,00,000 and incurred brokerage of Rs.5,000 on sale and Rs.2,000 on its purchase. He purchased another piece of agricultural land on 1-1-2019 for Rs.25,00,000.

Compute taxable capital gains for the Assessment year 2020-21. The Cost of inflation index for 2012-13 – 200 and for 2019-20 – 289.

April/May - 2012

Problem – 9. (15 marks)

During the financial year 2019-20, Dr. Kambar sells the following assets:

	Gold	Shares non-listed	Debentures non-listed
Date of acquisition	3-6-1999	10-04-2007	10-04-1995
Date of sale	10-04-2019	17-05-2019	5-3-2020
Sale consideration Rs.	9,75,000	2,60,000	7,00,000
Cost of acquisition Rs.	60,000	55,000	4,00,000
FMV on 1-4-2001 Rs.	69,000	-	3,40,000

Find out taxable capital gains [CII 2001-02 – 100, 2007-08 – 129, 2019-20 –289].

Problem – 10. (5 marks)

State giving reason, whether the asset is short-term or long-term in the cases given below-

- a) Mr. VC purchases shares of ABC Ltd., on 10-03-2017 and transfer it on 6-6-2019.
- b) A. NA. KRU acquires units of LIC Mutual fund on 7-7-2018 and he transfers these units on 10-07-2019.
- c) Mr. VKG purchases a house property on 10-03-2018 and transfers it on 6-6-2019.
- d) Mr. RSM purchase Shares of a Co. through a broker (date of purchase 21-11-2018, the Co. transfers shares in the name of Mr. RSM 05-01-2019). These shares are transferred by him on 20-12-2019.
- e) Dr. PU. Ti. Na purchased Gold and Diamonds on 12-09-2016 and gifts the same to his friend Dr. Joshi on 31-12-2017. Dr. Joshi transfers the asset on 20-10-2019.

April/May – 2015

Problem – 11. (8 marks)

Mr. Rudramurthy bought 1000 Equity shares of Sonata Software Ltd. in May 2007 at Rs.40 per share (brokerage 1%). He received bonus shares in the ratio of 1:1 in June 2012. Again he was allotted right shares in the ratio of 1:1 in April 2015 at Rs.60 per share. He sold all the shares in December 2019 at Rs.150 per share (brokerage 0.5%) Compute the taxable capital gains for the Assessment year 2020-21. CII 2007-08 = 129, 2012-13 = 200, 2015-16 = 254, 2019-20 = 289.

May – 2016.

Problem – 12. (8 marks)

Calculate the total taxable capital gains for the Assessment Year 2020-21 in respect of the following transfers.

- a) Sale of goodwill which is self generated in April 2019 Rs.1,50,000.
- b) Sale of right shares in July 2019 for Rs.28,000. These were allotted at a cost of Rs.9,000 during previous year 2017-18. (CII- 2017-18: 272 & 2019-20: 289)
- c) Sale of personal vehicle for Rs.90,000 and its cost Rs.1,20,000.
- d) Machinery sold in October 2019 for Rs.1,96,000. Its cost on the date of purchase was Rs.1,60,000 and W.D.V. on 1-4-2019 was Rs.1,44,000.

Problem – 13. (16 marks)

Mr. Ramanand inherited 20 acres of agricultural land in urban limits from his father during 1999. The FMV on 1-4-2001 was Rs.38,000 per acre. He made improvements during the P.Y. 2009-10 at a cost of Rs.3,000 per acre (CII - 148).

On 17-8-2019 he sold 10 acres at Rs.12,50,000 per acre and expenditure on transfer was 4%. He made the following appropriations.

- a) Purchased another 10 acres of agricultural land at Rs.1,90,000 per acre.
- b) Purchased a residential house for Rs.24,00,000.
- c) Paid Rs.9,00,000 for a bank loan taken for private purpose.

Compute taxable capital gain. (CII 2001-02 = 100; 2019-20 = 289).

May – 2018.

Problem – 14. (6 marks)

A block of assets consists of 3 machines, whose WDV on 1-4-2018 was Rs.2,00,000. On 10-08-2018 a new machine of the same block was purchased for Rs.50,000. Another machine was purchased on 3-2-2019 but put to use on 25-4-2019, cost being Rs.40,000. The first 3 machines were sold on 15-12-2019 for Rs.1,50,000. The rate of depreciation for all the above machines was 15% p.a.

Find the value of capital gain/WDV of the block of machine on 1-4-2020, as the case may be.

Problem – 15. (6 marks)

Sri Raghunandana was the owner of two house properties (all residential) at Bangalore of which one residential house was sold on 28-02-2020 for Rs.20,00,000. This house was purchased by him on 1-1-1999 for Rs.15,000. He had made some additions to this house by spending Rs.3,000 on 20-3-2000. Further he added a room to this house at a cost of Rs.1,00,000 on 14-11-2017. The FMV of this house on 1-4-2001 was Rs.15,000. He purchased a new residential house at Mysore on 25-3-2020 for Rs.2,00,000. Compute Capital Gain for the Assessment Year 2020-21. {CII for 2019-20: 289, for 2017-18: 272 and for 2001-02: 100}.

Problem – 16. (14 marks)

Shri Athmananda submits the following particulars of assets sold during the year 2019-20:

	Gold Rs.	Securities Rs.	Plot Rs.
Sale proceeds	4,00,000	1,50,000	20,00,000
Brokerage paid on sale	-	-	2%
Cost of acquisition	60,000	40,000	1,40,000
Year of acquisition	2010-11	2016-17	2006-07
Cost of Inflation Index	167	264	122
Date of sale	1-6-2019	1-1-2020	30-08-2019

He has purchased a residential house for Rs.9,00,000 on 25-03-2020 on which date he did not own any other residential house. Whether Shri Athmananda is eligible to claim exemption U/S 54F? Calculate his taxable capital gain for the assessment year 2020-21. CII for the financial year 2019-20 was 289.