MASTER MINDS

SCHEME OF VALUATION FOR PE II

(Based on May 2004 papers)

Subjects Covered:

a. Costing

b. Accountancy

c. Auditing

d. I.Tax

COSTING (Based on Questions given in May 2004)

Theory

Question No. 1(b): Discuss the essentials of a good Cost Accounting System. (2 Marks)

Answer: **(Any 4 points X ½ mark = 2 Marks)**

a. ***Simple:*** The system of costing should be easy to understand and operate.

b. ***Suitability:*** The system must be suitable to the nature, requirements, size of the company.

c. ***Relevant data:*** It should provide the necessary information for ascertaining the cost, decision making and control.

d. ***Management's support:*** The management should have a faith on it & also support in various for its successful implementation.

e. ***Cooperation from various departments:*** Employees of various departments must co-operate both in development and implementation of cost accounting system.

f. ***Flexibility:*** It should be flexible to change in the circumstances. It must be capable of expansion/contraction comparing with needs.

g. ***Comparability:*** The information provided by the cost accounting system must be comparable with past figures and the figures of the other companies in the same industry.

h. ***Reconciliation:*** The cost and financial accounts should preferably be integrated. If not, arrangements must be made for the periodical reconciliation of the profits.

i. ***Cost-effective:*** The benefits from the system should exceed the amount to be spent on it.

Question No. 4(b): Distinguish between Cost Control and Cost Reduction. **(4 Marks)**

Answer: **(Any 4 points X 1 Mark = 4 Marks)**

Particulars	***Cost Reduction***	***Cost Control***
Permanence	Permanent, Genuine savings in cost.	Could be a temporary saving also.
Product Quality	Quality and characteristics of the product is retained.	Quality maintenance is not guaranteed.
Aim	It aims at improving standards and assumes existence of potential savings.	It aims at achieving standards (i.e. targets)
Scope	Very broader in scope.	Very narrow in scope.
Tools & Techniques	Value engineering, Work study, Standardisation, Variety reduction, Quality research, Operations research, Market research, Job Evaluation and Merit rating, Improvement in design, Mechanisation and automation.	Budgetary Control, Standard Costing.
Function	It is a corrective function	It is a preventive function.

Problems:

Q.1. MST Limited has collected the following data for its two activities. It calculates activity cost rates based on the cost driver capacity.

Activity	Cost Driver	Capacity	Cost
Power	Kilowatt Hours	50,000 kilowatt hours	Rs.2,00,000
Quality Inspections	Number of inspections	10,000 inspections	Rs.3,00,000

The Company makes three products – M, S and T. For the year ended March 31, 2004 the following consumption of cost drivers was reported –

Product	Kilowatt hours	Quality inspection
M	10,000	3,500
S	20,000	2,500
T	15,000	3,000

- Calculate the costs allocated to each product from each activity. **(2 Marks)**
- Calculate the cost of unused capacity for each activity. **(2 Marks)**
- Discuss the factors the management considers in choosing a capacity level to compute the budgeted fixed overhead cost rate. **(2 Marks)**

Answer:

(a) Computation of ABC Cost Driver Rates:

(i) Power = $\frac{\text{Total OH cost}}{\text{Capacity}} = \frac{\text{Rs.2,00,000}}{\text{5,00,000 kwh.}} =$ Rs.4 per kwh

(ii) Quality Inspections = $\frac{\text{Total OH costs}}{\text{Capacity}} = \frac{\text{Rs.3,00,000}}{\text{10,000 inspections}} =$ 30 per inspection

(b) Computation of allocated costs / unused capacity (Last Column = 2 M; Last Row = 2 M)

Product	Kwh	Cost at Rs.4 per kwh	Quality Inspection	Cost at Rs.30 per Inspection	Total Cost (Rs.)
M	10,000	40,000	3,500	1,05,000	1,45,000
S	20,000	80,000	2,500	75,000	1,55,000
T	15,000	60,000	3,000	90,000	1,50,000
Used capacity (total)	45,000	1,80,000	9,000	2,70,000	4,50,000
Unused capacity (bal. fig)	5,000	20,000	1,000	30,000	50,000
Grand Total	50,000	2,00,000	10,000	3,00,000	5,00,000

(c) Factors to be considered in choosing a capacity level: **(4 points X ½ = 2 Marks)**

- Past average capacity utilisation
- Budgeted production and sales
- Practical capacity and / or normal capacity
- Normal / unavoidable idle time.

Q.2. ZED Limited is working by employing 50 skilled workers. It is considering the introduction of an incentive scheme – either Halsey Scheme (with 50% bonus) or Rowan Scheme – of wage payment for increasing the labour productivity to cope up the increasing demand for the product by 40%. It is believed that proposed incentive scheme could bring about an average 20% increase over the present earnings of the workers; it could act as sufficient incentive for them to produce more. Because of assurance, the increase in productivity has been observed as revealed by the figures for April 2004.

Hourly rate of wages (guaranteed)	Rs.30
Average time for producing one unit by one worker at the previous performance (This may be taken as time allowed)	1.975 hours
Number of working days in the month	24 days/ month
Number of working hours per day of each worker	8 hours per day
Actual production during the month	6,120 units

- Calculate the effective rate of earnings under the Halsey Scheme and the Rowan Scheme. **(4 Marks)**
- Calculate the savings to ZED Limited in terms of direct labour cost per piece. **(2 Marks)**
- Advise ZED Limited about the selection of the scheme to fulfill its assurance. **(2 Marks)**

Answer:

(a) Basic Calculations:

- Present Labour Cost per unit = Rs.30 X 1.975 hours = Rs.59.25
- Standard hours for the actual output = 6120 units X 1.975 = 12,087 hours
- Actual hours = 50 workers X 24 days X 8 hours = 9,600 hours
- Time saved = Standard Hours – Actual Hours = 2,487 hours (1 Mark)

(b) Payments under incentive scheme:

Particulars	Halsey	Rowan
1. Basic Wages (based on time)	9,600 hrs X Rs.30 = 2,88,000	9,600 hrs X Rs.30 = 2,88,000
2. Bonus	50% X Time saved X Rate p.h 50% X 2,487 X 30 = 37,305	(Actual time / Std time) X Time saved X Rate p.h (9,600/12,087)X 2,487 X 30 = 59,258
3. Total Wages = (1) + (2)	(1 Mark) Rs.3,25,305	(1 Mark) Rs.3,47,258
4. Percentage of Bonus to Basic (3)/(1)	12.95%	20.58%
5. Effective rate of earnings per hour (Total wages /9,600 hrs)	(½ Mark) Rs.33.89	(½ Mark) Rs.36.17
6. Direct Labour Cost per unit (Total wages / 6,120 units)	(½ Mark) Rs.53.15	(½ Mark) Rs.56.74
7. Savings in Direct Labour Cost p.u.	Rs.59.25 – Rs.53.15 = Rs.6.10 (½ Mark)	Rs.59.25 – Rs.56.74 = Rs.2.51 (½ Mark)

Observations: **(2 Marks)**

- Halsey scheme provides a cost saving of Rs.6.10 p.u. whereas Rowan scheme saves only Rs.2.51 p.u.

- However, Halsey scheme results in a increase of only 12.95% whereas Rowan scheme satisfies the minimum incentive requirement of 20%.
- The Company should adopt Rowan scheme in order to fulfill its assurance.

ACCOUNTANCY

THEORY – Accounting Standards:

Q.1. A plant was depreciated under two different methods as under:

Year	SLM (Rs. In lakhs)	WDV (Rs. In Lakhs)
1	7.80	21.38
2	7.80	15.80
3	7.80	11.68
4	7.80	8.64
	31.20	57.50
5	7.80	6.38

What should be the amount of resultant surplus/deficiency, if the company decides to switch over from WDV method to SLM method for first four years? Also state, how will you treat the same in Accounts. **(4 Marks)**

Answer:

As per AS – 6 on Depreciation Accounting, where there is a change in the method of depreciation, depreciation should be recomputed with retrospective effect and the surplus / deficit should be credited / charged to the Profit and Loss Account of the year in which the change is made. **(1 Mark)**

Treatment in Year 5:

1. Credit Surplus of Rs.26.30 lakhs to the Profit and Loss Account of Year 5. Surplus Depreciation for change from WDV to SLM method = Rs.57.50 – Rs.31.20 = Rs.26.30 lakhs. **(1 Mark)**
2. Debit Current Year Dep. of Rs.7.80 lakhs in the Profit & Loss A/c of Year 5. **(1 M)**
3. Disclose the change in the method of depreciation as a change in Accounting Policy, along with its impact in the financial statements. **(1 Mark)**

Question No. 6(a): X Limited received a grant of Rs. 2 Crores from the Central Government for the purpose of special Machinery during 1998-99. The cost of Machinery was Rs. 20 Crores and had a useful life of 9 years. During 2002-03, the grant has become refundable due to non-fulfilment of certain conditions attached to it. Assuming the entire grant was deducted from the cost of Machinery in the year of acquisition. State with reasons, the accounting treatment to be followed in the year 2002-03. (**4 Marks)**

Answer:

1. According to AS – 12, the amount refundable in respect of a grant related to a specific fixed asset should be accounted for in any of the following ways: **(2 Marks)**

   a. By increasing the book value of the asset or

   b. By reducing the capital reserve or the deferred income balance, as appropriate, by the amount refundable.

2. In the above situation, the grant of Rs.2 Crores received from Central Government during 1998-1999 was earlier deducted from the cost of the Machinery and has become refundable during 2002-2003 due to non-fulfillment of certain conditions. **(1 Mark)**

3. The amount of refund should be added back to the Book Value of the asset in the above case. Depreciation on the revised Book Value of the machinery should be provided PROSPECTIVELY over the remaining useful life of the asset. **(1Mark)**

PROBLEMS:

Q.1. Riu, Inu and Sinu were running Partnership business sharing Profits and Losses in 2: 2 : 1 ratio. Their Balance Sheet as on 31st March 2003 stood as follows:

Balance Sheet as on 31st March, 2003 (Figures in Rs.'000)

Liabilities	Amount	Amount	Assets	Amount	Amount
Fixed Capital			Fixed Assets		400
Riu	300		Investments		
Inu	200		Current Assets:		50
Sinu	100	600	Stock	100	
Current Accounts			Debtors	275	
Riu	60		Cash & Bank	125	500
Sinu	40	100			
Unsecured Loans		100			
Current Liabilities		150			
		950			950

On 01.04.2003, they agreed to form a new company RIS (P) Ltd. with Inu and Sinu each taking up 200 shares of Rs. 10 each, which shall take over the firm as a going concern including Goodwill, but excluding Cash & Bank Balances. The following are also agreed upon:

a. Goodwill will be valued at 3 year's purchase of super profits.

b. The actual profit for the purpose of Goodwill valuation will be Rs. 2,00,000.

c. The normal rate of return will be 18% per annum on Fixed Capital.

d. All other Assets and Liabilities will be taken over at Book values.

e. The Purchase Consideration will be payable partly in Shares of Rs. 10 each and party in cash. Payment in Cash being to meet the requirement to discharge Riu, who has agreed to retire.

f. Inu and Sinu are to acquire Interest in the new company at the ratio 3 : 2.

g. Realisation expenses amounted to Rs. 51,000.

Prepare Realisation A/c, Cash and Bank A/c, RIS (P) Limited A/c and Capital A/c of Partners. **(16 Marks)**

Answer:
a. Computation of Goodwill:

- Normal Profit = Fixed Capital X Normal Return = Rs. 6,00,000 X 18% = 1,08,000 **(1 M)**
- Super Profits = Avg. Profit – Normal Profit = Rs.2,00,000 – Rs.1,08,000 = 92,000 **(1 M)**
- Goodwill = 3 years purchase of Super Profits = Rs.92,000 X 3 years = 2,76,000 **(1 M)**

- Goodwill apportionment to Partners in the ratio 2:2:1 is Rs.1,10,400; Rs.1,10,400 and Rs.55,200

b. Computation of Purchase Consideration:

Particulars		Amount
Fixed Assets		4,00,000
Investments		50,000
Stock		1,00,000
Debtors		2,75,000
Goodwill		2,76,000
		(1 M) 11,01,000
Less: Unsecured Loans	1,00,000	
Current Liabilities	1,50,000	2,50,000
Total Purchase Consideration		(1 M) 8,51,000

c. Realisation Account **(12 entries X ¼ marks each = 3 Marks)**

Particulars	Amount	Particulars	Amount
To Sundry Assets		By Unsecured Loans	1,00,000
Fixed Assets	4,00,000	By Current Liabilities	1,50,000
Investments	50,000	By RIS Pvt. Ltd	8,51,000
Stock	1,00,000	By Loss on Realisation	
Sundry Debtors	2,75,000	Riu	20,400
To Bank A/c - Realisation Exp	51,000	Inu	20,400
To Goodwill	2,76,000	Sinu	10,200
	11,52,000		11,52,000

d. Cash and Bank Account **(4 entries X ½ marks each = 2 Marks)**

Particulars	Amount	Particulars	Amount
To balance b/d	1,25,000	By Realisation A/c – Expenses	51,000
To RIS Pvt. Ltd (b/f)	3,76,000	By Riu's Capital A/c	4,50,000
	5,01,000		5,01,000

e. Computation of shares allotted to Inu and Sinu:

Amount received as shares = Total Purchase Consideration Less Cash (as computed above)
= Rs.8,51,000 – Rs.3,76,000 = Rs.4,75,000 (i.e. 4,75,000 / 10 = 47,500 shares)

Share to Inu = Rs.4,75,000 X 3/5 = Rs.2,85,000 (i.e. 28,500 shares) (½ M)
Share to Sinu = Rs.4,75,000 X 2/5 = Rs.1,90,000 (i.e. 19,000 shares) (½ M)

f. RIS (P) Limited A/c **(4 entries X ½ marks each = 2 Marks)**

Particulars	Amount	Particulars	Amount
To Realisation A/c – purc. Consideration	8,51,000	By Cash A/c	3,76,000
		By Shares in RIS (P) Ltd A/c	
		Inu's Capital	2,90,000
		Sinu's Capital	1,85,000
	8,51,000		8,51,000

g. Partners' Capital Accounts **(3 Partners X 1 mark each = 3 Marks)**

Particulars	Riu	Inu	Sinu	Particulars	Riu	Inu	Sinu
To Real. (loss)	20,400	20,400	10,200	By bal. b/d	3,00,000	2,00,000	1,00,000
				By Cur A/c	60,000	Nil	40,000
To Cash A/c (paid)	4,50,000	Nil	Nil	By Inu Capital A/c adjustment	Nil	Nil	5,000
To Sinu Capital A/c adjustment	Nil	5,000	Nil	By G/will	1,10,400	1,10,400	55,200
To Shares in RIS P Ltd	Nil	2,85,000	1,90,000				
	4,70,400	3,10,400	2,00,200		4,70,400	3,10,400	2,00,200

AUDITING

THEORY:

Q.1. How will you vouch and / or verify Excise Duty? (4 Marks)

Ans.: **(Any 4 points X 1 = 4 Marks)**

a. See that the provisions of the ***excise act*** have been complied with.

b. Check the ***computations*** relating to Excise duty calculations.

c. Check the ***rates of tax*** as per the relevant finance Act.

d. See that the total amount of duty has been ***paid after taking into account*** the advance excise duty paid & Cenvat credit.

e. Verify the copy of receipted ***challans*** evidencing the duty payment.

f. Check the ***excise returns*** submitted by the enterprise.

g. Examine the ***demand notice*** issued by Excise officers, if any.

h. Verify the ***assessment order***, where the assessment has been completed.

i. See that the ***proper register's*** as required by the excise act are maintained for.

j. See that the duty paid for the ***purchase of machinery*** is debited to the machinery account.

k. See that the duty paid for the ***purchase of materials*** is debited to the purchases account.

l. Ascertain that ***in case of dispute*** about the amount of duty payable, a provisional amount may be paid in lieu of final amount. In such cases, the final amount determined as payable should be verified. If the provisional payment was more than the actual amount, the refund of such excess amount should be vouched.

Q.2. Write short notes on Audit Risk. **(4 Marks)**

Answer: ***Meaning of audit risk:*** It is the risk that an auditor may give an inappropriate opinion on the financial statements. (1 Mark)

Limitations - 2: According to AAS/SAP-2 titled "Objective and scope of financial statements", there is unavoidable risk that even some material misstatements may remain undiscovered due to the inherent limitations of audit & inherent limitations of internal control system.

Audit risk consists of the following 3 components: **(3 x 1 Mark)**

a. ***Inherent risk:*** Risk that errors will occur called inherent risk. Inherent risk is the susceptibility of a transaction or class of transactions to misstatement.

b. ***Detention risk:*** Risk of non-detection of errors or frauds called detection risk. Detection risk is the risk that an auditor's audit procedures will not detect an error or fraud that exists in a transaction or class of transactions.

c. ***Control risk:*** Risk that the client's internal control system may not prevent or detect misstatements in the financial statements. The control risk can exist because of the inherent limitations of internal control system.

<u>PRACTICAL QUESTIONS:</u>

Q.1. The method of depreciation on Plant and Machinery is to be changed from SLM basis to WDV basis from the current year. As an auditor, comment on the above situation. **(4 M)**

Answer:

1. Depreciation method selected should be applied consistently from period to period. Consistency is essential to provide comparability of results of the operations of the enterprise from one accounting period to another. A change in the method of depreciation should be treated as a change in accounting policy and its effect should be quantified and disclosed. **(1 Mark)**

2. A change from one method of providing depreciation to another should be made only:

   a. If the adoption of the new method is required by statute or for compliance with an accounting standard or

   b. If it is considered that the change would result in a more appropriate preparation or presentation of the financial statements of the enterprise. **(1M)**

3. When such a change in the method of depreciation is made, depreciation should be recalculated under the new method with retrospective effect, i.e. from the date of the asset coming into use. The deficiency or surplus arising therefrom should be debited or credited respectively in the P&L A/c of the year in which the method of depreciation is changed. **(1 Mark)**

4. The auditor should ensure that the change in method of depreciation is made after satisfying the above condition. If the above conditions are not satisfied by the management, the auditor has to qualify his report and bring the same to the notice of the shareholders. **(1 Mark)**

Q.2. PQR & Co. a firm of Chartered Accountants has three partners, P,Q & R; P is also in whole time employment elsewhere. The firm is already holding audit of 40 companies including audit of one foreign company. The firm is offered the audit of Z Ltd. and its 20 branches. Comment. **(5 Marks)**

Answer:

- Sec.224(1B) states that no Company shall appoint or reappoint any person or firm as its auditors, if such person is in full time employment elsewhere. In the above case Mr. P cannot be appointed as auditor. Also, Mr.P shall be excluded for the purpose of computing the ceiling on number of audits. **(1 Mark)**

- Sec.224(1B) states that no Company or its Board of Directors shall appoint or reappoint any person or firm as its auditors, if such person or firm holds the office of auditor of the specified number of Companies or more than the specified number of Companies. **(1 M)**
- The ceiling limit is 20 Company Audits per person. Of this 20, not more than 10 shall be in respect of Companies having paid up Capital of Rs.25 lakhs or more. Audit of (a) branches, (b) Corporations, which are not Companies, (c) Foreign Companies, (d) Guarantee Companies, (e) Private Companies and (f) Sec.233A Special Audits are **excluded** in the computation of ceiling limits. **(1 Mark)**
- For the computation of ceiling on number of audits Mr. P shall not be considered. The position of the firm is evaluated as under:

Eligible Number of Audits = 20 (for Q) + 20 (for R)	= 40	
Less: Existing Audits = 40 – 1 (Foreign Company)	= 39	
Balance Eligible	= 1	**(1 Mark)**

- **Decision:** The audit of Z Ltd can be accepted by the firm even though Z Ltd has 20 branches. This is because Branches are not included. **(1 Mark)**

TAX & CST

THEORY:

Q.1. What are the requisites for filing a revised return? (6 Marks)

Ans.

1. Conditions for filing Revised Return [Sec. 139(5)]: (2 Marks)

- **a.** There should be an omission or wrong statement in the original return filed.
- **b.** The original return should have been filed within the due date u/s 139(1) or within the time limit specified in the notice issued u/s 142(1).

2. Time limit: The revised return shall be filed before: **(1 Mark)**

- **a.** The expiry of one year from the end of the relevant assessment year; or
- **b.** Completion of assessment whichever is earlier

3. Significance of Revised Return: (3 Marks)

- **a.** The revised return will be considered as having been filed when the original return was filed.
- **b.** The effective return for the purposes of assessment is the return ultimately filed by the assessee.
- **c.** A revised return replaces the original return.
- **d.** The assessee is entitled to furnish a second revised return if the assessee discovers any omission or wrong statement in the revised return.

Q.2. When a certificate of registration can be cancelled? (3 Marks)

Answer:

1. ***Cancellation by the Assessing Authority by its own motion:*** This can be done, after giving an opportunity to the dealer, under the following circumstances: **(1.5 Marks)**

- **a.** If the dealer has ceased to carry on business Or
- **b.** If the dealer has ceased to exist Or
- **c.** If the dealer fails to furnish security or additional security when asked for Or
- **d.** If the dealer fails to furnish fresh surety bond within 90 days of the death of the surety or his becoming insolvent Or
- **e.** If the dealer fails to pay any tax or penalty payable under this Act.
- **f.** If the dealer ceases to pay tax under the Sales Tax law of the appropriate State.
- **g.** For any other sufficient reason.

2. *Voluntary:* **(1.5 Marks)**

- **a.** A registered dealer may apply within 6 months before the end of a year to the authority for the cancellation & the authority shall cancel the registration if the dealer is not liable to pay tax under this Act.
- **b.** Any such cancellation shall take effect from the end of the year.

PROBLEMS:

Q.1. Ramesh retired as General Manager of XYZ Co. Ltd. on 30.11.2003 after rendering service for 20 years and 10 months. He received Rs. 3,00,000 as gratuity from the employer. (He is not covered by Gratuity Act, 1972). His salary particulars are given below:
Basic pay - Rs. 10,000 per month upto 30.06.2003
Basic pay - Rs. 12,000 per month from 01.07.2003
Dearness allowance (Eligible for retirement benefits) - 50% of basic pay
Transport allowance - Rs. 1,500 per month

He resides in his own house. Interest on monies borrowed for the self-occupied house is Rs. 24,000 for the year ended 31.03.2004. From a fixed deposit with a bank he earned interest income of Rs. 18,000 for the year ended 31.03.2004. Compute taxable income of Ramesh for the year ended 31.03.2004. **(9 Marks)**

Answer: **Assessee: Mr. Ramesh**

Previous Year: 2003-04 **Assessment Year: 2004-05**

Computation of "Income under the head Salaries"

Particulars	Amount (Rs.)	Amount (Rs.)
1. Basic Salary (Rs. 10,000 X 3 + 12,000 X 5)	Amount computed	90,000
2. Dearness Allowance	50% of Basic Salary	45,000
3. Transport Allowance: 1,500 X 8 = 12,000 Less: Exempt u/s. 10(14) - 800 X 8 = 6,400	Rs.12,000 – Rs.6,400	5,600
4. Gratuity: Amount received Less: Exempt u/s. 10(10) (Not covered under Payment of Gratuity Act) Least of the following: (a) Amount received – 3,00,000 (b) Notified Amount – 3,50,000 (c) ½ months' Salary for every completed year of service – 1,62,000 ½ X 16,200 X 20 Years Salary = 10 months' Average Salary	3,00,000 1,62,000	 1,38,000

(i.e.) Basic + DA + Commission / 10 (Rs.10,000X6 + Rs.12,000 X 4 + (50% of Basic as DA) = Rs. 1,62,000 / 10 =Rs. 16,200		
Gross Salary		**2,78,600**
Less: Standard Deduction u/s. 16(i) Least of 40% of Gross Salary (or) 30,000		30,000
Income from Salaries		**2,48,600**

(Basic = ½ Mark; DA = ½ Mark; Transport Allowance = 1 Mark; Gratuity = 3 Marks; Standard Deduction = ½ Mark; Net Salary = ½ Mark; Total = 6 Marks)

Computation of Taxable Income

Income under the head	Amount	Amount
1. Salaries		2,48,600
2. House Property – Self Occupied: Annual Value Less: Interest u/s. 24: 24,000	Nil (1 Mark) 24,000	24,000
3. Other Sources: - Bank Interest		18,000
Gross Total Income	(1 Mark)	**2,42,600**
Less: Deduction under Chapter VI A: Sec. 80L – Bank Interest	(½ Mark)	12,000
Total Income	(½ Mark)	**2,20,600**

Q.2. Bala sold his vacant site on 21.09.2003 for Rs. 7,00,000. It was acquired by him on 01.10.1994 for Rs. 1,50,000. The State stamp valuation authority fixed the value of the site at the time of transfer at Rs. 13,00,000. Compute capital gains in the hands of Bala and your reasons for computation. Cost Inflation Index: (1994-95 = 259 and 2003-04 = 463) **(4 Marks)**

Answer: **Assessee: Mr. Bala**

Previous Year: 2003-2004 **Assessment Year: 2004-2005**

Computation of Long Term Capital Gains u/s. 50 C: **(2 Marks)**

- **Nature of Asset:** Land or Building or both.
- **Consideration for transfer:** Amount less than the stamp duty value.
- **Value to be adopted for Capital Gains:** Stamp duty Value.

Particulars	Amount
Sale Consideration (½ Mark)	13,00,000
Less: Expenses of Transfer	Nil
Net Consideration (½ Mark)	13,00,000
Less: Indexed Cost of Acquisition = 1,50,000 X 463/259 (½ M)	2,68,147
Long Term Capital Gain (½ Mark)	**10,31,853**