

**Paper 7 – Direct Taxation**

## Answer\_MTP\_Inter\_Syllabus 2016\_Dec 2017\_Set 2

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### Paper 7 – Direct Taxation

Time Allowed: 3 Hours

Full Marks: 100

Answer Question No. 1 which is compulsory and any FIVE from Question No 2 to 7.

#### Part-I

1.

(a) Multiple Choice Questions:

10x 1 = 10

- i. Agency area allowance is exempt upto ₹ \_\_\_\_\_ p.m.
  - A. 100
  - B. 200
  - C. 300
  - D. None of the above
- ii. Total number of Income Computation Disclosure Standards issued.
  - A. 8
  - B. 10
  - C. 12
  - D. None of the above
- iii. Donation to Delhi University can be claimed u/s \_\_\_\_.
  - A. 80E
  - B. 80EE
  - C. 80G
  - D. 80GG
- iv. Form for application of PAN is\_\_\_\_.
  - A. Form 1
  - B. Form 49
  - C. Form 49A
  - D. None of the above
- v. ICDS V is in relation to
  - A. Revenue recognition
  - B. Construction Contract
  - C. Tangible Fixed Assets
  - D. None of the above
- vi. Punishment for false statement in equalization levy is \_\_\_\_\_ yrs.
  - A. 3 yrs
  - B. 5 yrs
  - C. 8 yrs
  - D. None of the above
- vii. TDS rate in respect for payment of Life Insurance Policy is \_\_\_\_\_.
  - A. 1%
  - B. 2%
  - C. 5%
  - D. None of the above
- viii. Rebate of income tax under section 87A is allowed o an individual whose total income doesn't exceed ₹ \_\_\_\_\_.
  - A. 2,50,000
  - B. 3,00,000
  - C. 5,00,000
  - D. None of the above
- ix. Threshold limit for TDS deduction for payment of accumulated balance due to an employee is
  - A. 30,000

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- B. 50,000
- C. 80,000
- D. None of the above
- x. Income of securitization trust from the activity of securitization is
  - A. Taxable
  - B. Partly exempt
  - C. Exempt
  - D. None of the above.

(b) Match the following.

**5 x 1 = 5**

	Column A		Column B
i	Standard deduction on unrealised rent	A	1125
ii	Deduction in respect of employment of new employees	B	Site restoration fund
iii	Belated return	C	139(4)
iv	Section 33 ABA	D	30%
v	CII for 2016-17	E	80JJA

(c) State true or false with reasons:

**5 x 1 = 5**

- i. Capital gain on furniture and fixture is eligible for exemption u/s 54G.
- ii. Conveyance facility provided to the High court and Supreme Court is taxable.
- iii. No deduction under section 80C to 80U is available for long term capital gain.
- iv. Interest paid on amount borrowed for meeting tax liabilities is deductible, sine the liability to pay income tax and wealth tax is personal nature.
- v. The mode of tax recovery u/s 222 includes arrest and detention of the assessee.

(d) Fill in the blanks

**5 x 1 = 5**

- i. The due date of filling of return of income of charitable trust shall be \_\_\_\_\_.
- ii. \_\_\_\_\_ is another method of collection of tax by the Central Government.
- iii. Penalty for failure to furnish statement u/s 172 is ₹ \_\_\_\_.
- iv. Rounding off total income is done to the nearest multiple of ₹ \_\_\_\_\_.
- v. Income tax rate is mentioned in \_\_\_\_\_.

**Answer:1.a.**

- i. B
- ii. B
- iii. C
- iv. C
- v. C
- vi. B
- vii. A
- viii. C
- ix. B
- x. C

**Answer:1.b.**

- i. D
- ii. E
- iii. C
- iv. B

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v. A

### Answer:1.c.

- i. **False:** Capital gain on furniture and fixture is not eligible for exemption u/s 54G.
- ii. **True:** Conveyance facility provided to the High court and Supreme Court is taxable.
- iii. **True:** No deduction under section 80C to 80U is available for long term capital gain.
- iv. **False:** Interest paid on amount borrowed for meeting tax liabilities is not deductible, since the liability to pay income tax and wealth tax is personal nature.
- v. **True:** The mode of tax recovery u/s 222 includes arrest and detention of the assessee.

### Answer:1.d.

- i. 30<sup>th</sup> September
- ii. Advance Tax
- iii. ₹ 100
- iv. ₹ 10
- v. Finance Act

### Part-II

(Answer any Five Questions out of seven questions to be answered)

**2(a)** During the financial year 2016-17 Anil Kumar had the following income:

**7 Marks**

Particulars	Amount (₹)
Salary income received in India for services rendered in Hong Kong	3,90,000
Income from profession in India, but received in Germany.	3,60,000
Property income in Uganda (out of which ₹ 2,40,000 was remitted to India).	5,00,000
Profits earned from business in Bangalore.	1,50,000
Agricultural income in Kenya.	1,60,000
Profits from a business carried on at Nepal but controlled from India.	2,20,000

Compute the income of Anil Kumar for the assessment year 2017-18 if he is

- (i) Resident and ordinarily resident,
- (ii) Not ordinarily resident, and
- (iii) Non-resident in India.

**2(b)** Following are the particulars of house properties of Mr. Sameer for the previous year 2016-17. Compute his income from house properties.

**8 Marks**

Particulars	Amount (₹)	Amount (₹)
Construction started on	31.3.1991	10.02.1987
Construction completed on	31.3.1992	1.06.991
Annual Rental Value	30,000	12,000
Municipal valuation	25,000	12,000
Municipal Tax	2,500	12,000
Actual Repairs Expenses	2,000	2,000

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Interest on money borrowed to renovate the building	1,200	—
Insurance premium	200	175
Ground rent	150	100
Vacancy period	3 months	—
Rent collection charges	1,000	600
Both the above houses were let out for residential purposes. Insurance premium of House A and Ground Rent of House B are Still outstanding. Repair expenses of the house A and the municipal tax of House B were paid by the tenants.		

### Answer.2.a

Computation of Taxable Income of Anil Kumar for the Assessment year 2017-18

	R&OR ₹	NOR ₹	NR ₹
1. Income received in India wherever it accrues Salary received in India for services rendered in Hong Kong.	3,90,000	3,90,000	3,90,000
2. Income accrued in India wherever received Profit earned from business in Bangalore. Income from profession in India but received in Germany.	1,50,000 3,60,000	1,50,000 3,60,000	1,50,000 3,60,000
3. Income accrued and received outside India Property income in Uganda. Agricultural income in Kenya. Profits of a business carried on in Nepal but controlled from India.	5,00,000 1,60,000 2,20,000	— — 2,20,000	— — —
<b>Total Income</b>	<b>17,80,000</b>	<b>11,20,000</b>	<b>9,00,000</b>

### Answer.2.b.

	House-A (Let out) ₹	House-B (Let out) ₹
Annual Rental value	22,500	12,000
Municipal Tax	2,500	-
Net Annual Value	20,000	12,000
Less: Deductions u/s 24		
Statutory deduction @ 30%	6,000	3600
Interest on money borrowed	1,200	-
Income from house property	12,800	8,400
Aggregate income from house A and house B ( ₹12,800 + ₹ 8,400)		21,200
Note: Gross Annual value of house A has determined after deduction of rent of vacancy period.		

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**3(a)** Compute his income under the head salary of R the assessment year 2017-18 from the following information submitted to you:

**8 Marks**

Particulars	Amount (₹)
Basic salary	20,000
D. A. (60% of which is part of retirement benefits)	10,000
Children education allowance (for two children)	200 p.m per child
Free lunch for 300 days in the office during office hours	80/meal
Reimbursement of expenses incurred on credit card provided by the employer	10,000
Gift of Titan watch	12,000
Rent free unfurnished accommodation at Delhi, the fair rent value of which is ₹ 84,000 p.a.	
Motor car of 1.8 litre with driver both for official and private purposes	
Watchman facility by the employer. Wages of watchman paid by employer ₹ 1,000 p.m	
Telephone facility at his residence. The employer has incurred expenses of ₹ 15,000 for the same.	

**3(b)** Compute the income of Mr Pankaj under head "Income from Other Sources" from the following information for the previous year ended 31.3.2016.

**7 Marks**

Particulars	Amount (₹)
Director fees from a company	12,000
Interest on the bank deposits	5,000
Income from undisclosed sources	15,000
Winning from lotteries	35,500
Royalty on a book written by him	8,000
Lectures in seminar	4,800
Interest on loan given to a relative	5,000
Interest on Debentures of a company (listed in a recognised stock exchanges)	3,688
Interest on Post office saving account	550
Interest on government securities	2,500
Interest on monthly income scheme of post office	30,000
He paid ₹ 1,500 for typing the manuscript of book written by him	

**Answer.3.a**

	₹	₹
Basic salary (20,000 x 12)		2,40,000
D.A.		1,20,000
Children education allowance (200 x 2 x 12)	4,800	
Less: Exempt (100 x 2 x 12)	2,400	2,400
Free lunch ₹80 - 50 = 30 x 300		9,000
Credit card expenses reimbursed		10,000

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Value of gift in kind (₹ 12,000 - 5,000)		7,000
Motor car (₹ 2,400 + 900 = ₹ 3,300 x 12)		39,600
Watchman (₹ 1,000 x 12)		12,000
Telephone facility		Tax free
Rent free unfurnished accommodation 15% of salary ₹ 3,14,400 (₹ 2,40,000 + 72,000 + 2,400)		47,160
Gross Salary		4,87,160
Less: Deduction		Nil
Income under head Salary		4,87,160
Note: Telephone facility shall be a tax free perquisite.		

### Answer.3.b.

	₹	₹
Director fees		12,000
Interest on the bank deposits		5,000
Income from undisclosed sources		15,000
Winning from lotteries (Net)	35,500	
Add: TDS @ 30% [ 33500 x (20/70)	10143	45,643
Royalty on a book written by him	8,000	
Less: Expenses	1,500	6,500
Lectures in seminar		4,800
Interest on loan given to a relative		5,000
Interest on Debentures of a company (listed in a recognised stock exchanges)	3,688	
Add: TDS @ 10% (3688 x (10/90)	410	4098
Interest on Post office saving account [ exempt under section 10(15)		Nil
Interest on government securities		2,500
Interest on monthly income scheme of post office		30,000
Total		1,30,541

**4(a)** From the following information submitted by R, compute his tax liability for the assessment year 2017-18: : **8 Marks**

Listed shares acquired in G Ltd. for ₹ 40,000 on 1.6.1978 (FMV as on 1.4.1981 ₹ 60,000) sold for ₹ 4,80,000 on 1.11.2016 through a recognised stock exchange.

Listed shares acquired in S Ltd. for ₹ 1,40,000 on 5.6.1986 sold for ₹ 12,00,000 on 1.12.2016 but such sale was not routed through a recognised stock exchange.

Income under the head salary ₹ 3,10,000.

**4(b)** R, who was born on 4.1.1957 submits the following information, Please compute the Total Income and tax liability of R for assessment year 2017-18. :

### 7 Marks

Particulars	Amount (₹)
Rent from house (per month)	25,000
Municipal taxes paid during the previous year	20,000
Long-term capital gains on sale of gold	90,000

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Interest on fixed deposits in bank (gross)	84,150
Term deposit in a schedule bank for six years	20,000

### Answer.4.a

	₹	₹
Shares of G Ltd.		4,80,000
Less: Indexed cost of acquisition 60,000 x 1125/100		6,75,000
Long-term capital loss		1,95,000
As long-term capital gain on equity shares sold through a stock exchange on or after 1.10.2004 is exempt, the long-term capital loss from such shares shall not be allowed to be set off.		
Shares of S Ltd.	₹	₹
Sales consideration	12,00,000	
Less: Indexed cost ₹ 1,40,000 x 1125/140	11,25,000	75,000
Income from salary		3,10,000
Total income		3850000
Tax on total income of ₹ 3,85,000 Tax on LTCG, 20% of 75,000 = ₹ 15,000 or 10% of 10,60,000 [12,00,000 - 1,40,000 (LTCG without indexation)] = ₹ 1,06,000		15,000
Tax on long-term capital gain		6,000
Tax on other income		21,000
Less: Rebate u/s 87A		5,000
		16,000
Add: Education cess and SHEC @ 3%		480
Tax (rounded off)		16,480

### Answer.4.b.

	₹	₹
Income from house property:		
Actual rent	3,00,000	
Less: Municipal taxes (paid)	20,000	
	2,80,000	
	84,000	1,96,000
Less: Standard deduction @ 30%		
Long-term capital gain: On sale of gold		90,000
Income from other sources: Interest on bank deposits		84,150
Gross Total Income		3,70,150
Less: Deduction u/s 80C		20,000
Total Income (rounded off)		3,50,150



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Total income exclusive of LTCG taxable at special rate		2,60,150
Computation of tax:	₹	₹
Tax on Total Income of ₹2,60,150 + 39,850 shifted from LTCG Tax on long-term capital gains @ 20% on ₹50,150 (₹90,000 - 39,850)		Nil 10,030
Tax payable		10,030
Less: Rebate under section 87A		5,000
		5,030
Add: Education cess & SHEC @ 3%		151
Tax rounded off		5,180

**5(a)** Mr. Rajesh carries on his own business, For the year ending 31.3.2017 his Trading/Profit and Loss Account was as follows-

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening stock	2,20,000	Sales	2,12,89,000
Purchases	1,86,09,000	Closing stock	2,52,000
Salaries	2,56,000	Interest on Jay Co. Ltd. Debentures	2,000
Rent	2,31,000	Dividend from UTI	2,000
Audit fee	3,30,000	Discount received	12,000
Bonus	3,000	Race winning (Gross)	12,000
Printing, Postage and stationery	4,000		
Miscellaneous expenses	4,000		
Advertisement expenses	22,000		
Drawings	12,000		
LIC premium	5,000		
Car expenses: Driver's salary           6,000 Petrol & repairs           12,000	18,000		
Property tax	4,000		
Cost of NSC (VIII series)	6,000		
Net profit	18,45,000		
	2,15,69,000		2,15,69,000

Additional information:

1. Advertisement expenses included cost of 20 gift packs of ₹ 1,100 each presented to leading esteemed customers on occasion of Diwali
2. The car was used both for business and personal purposes. 2/3rd is for business purposes.
3. The property tax of ₹ 4,000 was in respect of his self-occupied house whose rental value is ₹

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18,000.

4. Rent paid includes ₹ 4,00,000 from which tax was deducted at source on 31-3-2017 but the same was deposited on 16-10-2017

Compute the GTI and total Income of Mr Rajesh for the Assessment year 2017-18.

**[10 Marks]**

**5(b)** From the following information please compute the total income of Mr Amit for the A.Y 17-18

**[5 Marks]**

Particulars	Amount (₹)
Income from HP	1,00,000
Income from Salaries	2,60,000
Business loss	3,20,000
LTCG	2,80,000
STCG	1,40,000

**Answer: 5.a**

	₹	₹	₹
Profit and Gains from Business or Profession Net Profit as per P & L A/c.		18,45,000	
<i>Add:</i> Expenses/Payments not admissible			
Drawings	12,000		
LIC Premium	5,000		
Car expenses Driver salary (1/3)	2,000		
Petrol (1/3)	4,000		
Property Tax	4,000		
Cost of NSC	6,000		
30% of the rent of Rs. 4,00,000, TDS on account of which was deposited after due date of return u/s 139(1)	1,20,000	1,53,000	
		19,98,000	
<i>Less:</i> Incomes which are not taxable under this head			
Interest on debentures			
	2,000		
Dividend from U.T.I.	2,000		
Horse race income	12,000	16,000	
Income from Business			19,82,000
Income from Other Sources			
Interest	2,000		
Dividend from U.T.I.	Exempt		

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Horse race income	12,000		14,000
Less: Deduction under chapter VIA U/s 80C (LIC – NSC – ` 6,000)			11,000
Taxable Income			19,85000

**Answer: 5.b.**

Computation of total income of Amit for the Assessment year 2017-18 relating to previous year 2016-17

	₹	₹
Income under the head "Salaries"		2,60,000
Income from house property		1,00,000
Profit and gains of business or profession		(3,20,000)
Capital gains:		
Short term capital gains	1,40,000	
Long term capital gains	2,80,000	4,20,000
Total income		4,60,000

Note: Business Loss cannot be set off against income under Salary. Therefore, the business loss of ₹ 3,20,000 will be adjusted from house property (₹ 1,00,000) and capital gain (₹ 4,20,000).

**6(a)** Compute the total income of Mr Amit who is resident Indian citizen from the following enumerated information:

**8 Marks**

Particulars	Amount (₹)
Gross salary	2,50,000
Professional tax	2,000
Own contribution to RPF	10,000
Employer contribution to PF	10,000
STCH	40,000
LTCG from HP	60,000
Income on deposit with the company	49,000

**6(b)** ABC, LLP, furnishes you the following details pertaining to the financial year 2016 - 17:

Particulars	Amount (₹)
Net profit as per P/L Account	90,00,000
Depreciation debited in P/L Account	7,00,000
Depreciation allowable u/s 32	9,00,000
Inadmissible expenses	5,00,000
Deduction 10AA (computed)	12,00,000
Deduction 80-IA (computed)	60,00,000
Compute total income, adjusted total income u/s 115JC, and tax liability of ABC LLP for the A.Y 17-18. :	<b>7 Marks</b>

**Answer: 6.a**

		₹	₹
1.	Income from Salary:		
	Gross Salary	2,50,000	

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	Less: Deduction on account of profession tax	2,000	2,48,000
2.	Income from capital gains		
	Long-term capital gain from house property	60,000	
	Short-term capital gain referred to in section 111A	40,000	1,00,000
3.	Income from other sources:		
	Dividend from Indian company	Exempt	
	Interest on deposits with company	49,000	49,000
	Gross Total Income		3,97,000
	Less: Deduction u/s 80C		10,000
	Total Income		3,87,000
	Computation of tax		
	LTCG — ₹60,000 @ 20%		12,000
	STCG u/s 111A — ₹40,000 @ 15%		6,000
	Tax on balance ₹2,87,000		3,700
			21,700
	Less: Rebate u/s 87A		5,000
			16,700
			501
	Add: Education cess and SHEC @ 3%		
	Tax rounded off		17,200

**Answer: 6.b.**

**(a)** Computation of total income of ABC LLP for the assessment year 2017- 18 relating to the previous year 2016- 17

	₹	₹
Net Profit as per P/L Account		90,00,000
Add: Depreciation debited in P/L account		7,00,000
Add: Inadmissible Expenses		5,00,000
Total		1,02,00,000
Less: Depreciation allowable u/s 32	9,00,000	
Less: Deduction u/s 10AA	12,00,000	
Less: Deduction u/s 80IA	60,00,000	81,00,000
Total income		21,00,000

**(b)** Adjusted total income u/s 115JC:

	₹	₹
Total income as above	21,00,000	
Add: Deduction u/s 12AA	12,00,000	
Add: Deduction u/s 80IA	60,00,000	
Adjusted Total Income		93,00,000
Tax Liability: ₹ 93,00,000 x 18.5%	17,20,500	
Add: EC and SHEC [2% + 1%]	51,615	17,72,115

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**7(a)** Raj Industries Ltd. furnishes you the following information for the year ended 31<sup>st</sup> March 2017. Compute the book profit u/s 115JB for the A.Y 17-18. :

**8 Marks**

Particulars	Amount (₹)
Net Profit as per Statement of Profit and Loss	16,00,000
Provision for warranties to customers Statement of Profit and Loss	2,00,000
Wealth tax paid debited to Statement of Profit and Loss	30,000
Agricultural income credited to Statement of Profit and Loss	1,00,000
Deferred tax credited to Statement of Profit and Loss account	4,00,000
Brought forward depreciation	2,50,000
Business loss	3,00,000

**7(b)** Computation of Advance Tax where the calculation is made by the Assessee himself as per section 209. :

**7 Marks**

**Answer: 7.a.**

Computation of book profit of Raj Industries Ltd. for the assessment year 2017-18

	₹	₹
Net profit as per Statement of Profit and Loss		16,00,000
Add: provision for warranties to customers is an ascertained liability. Hence, no addition is required		Nil
Wealth tax is not to be added back. Only income tax paid/payable/provided is added back		Nil
Total		16,00,000
Less: Agricultural income being exempt is to be excluded	1,00,000	
Deferred tax credit to be excluded	4,00,000	
Lower of brought forward loss or unabsorbed depreciation as per books is deductible	2,50,000	7,50,000
Book Profit u/s 115-JB		8,50,000

**Answer: 7.b.**

### **Computation and Payment of Advance Tax where the calculation is made by the assessee himself [Section 209]**

The amount of advance tax payable by an assessee in the financial year on his own accord on the estimated current income shall be computed as follows:

- Step I** — Estimate the current income of the financial year for which the advance tax is payable.
- Step II** — Compute tax on such estimated current income at the rate(s) of tax given under Part III of the First Schedule of the relevant Finance Act.
- Step III** — On the net tax, if any, computed at Step III, add surcharge if applicable.
- Step IV** — Add education cess + SHEC to the amount computed under step IV.
- Step V** — Allow relief, if any, under section 89, 90, 90A & 91.
- Step VI** — Deduct credit, if allowable, under section 115JAA (MAT credit) or 115JD (AMT credit)

of the tax paid in earlier years.

- Step VII** — Deduct the tax deductible or collectable at source during the financial year from any income (as computed before allowing deduction admissible under the Act) which

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has been taken into account in computing the current income [Section 209(1)(d)].

**Step VIII**— The balance amount is the advance tax payable provided it is ₹ 10,000 or more. However, it will be payable in certain instalments.

8. Short Notes (Answer any three questions out of four)

(5 x 3=15 Marks)

- A. Best Judgment Assessment.
- B. Fees for filling appeal.
- C. ICDS VIII on "Securities".
- D. Rectification of mistake u/s 169.

**Answer: 7.a.**

### Best judgment assessment [Section 144]

The Assessing Office shall make an assessment of the total income or loss to the best of his judgement and determine the tax payable by the assessee, if any person:

- (a) fails to make return under section 139.
- (b) fails to comply with the notice issued under section 142 to file return of income or produce books of account or furnish such information as required by the Assessing Officer.
- (c) fails to get his accounts audited if directed by the Assessing Officer.
- (d) fails to comply with all the terms of a notice issued under section 143(2).

**Answer: 7.b.**

**Fees for filling appeal [Section 249(1) ]:** Form 35 shall be accompanied by a fees as under:

	₹
(a) where the total income /loss of the assessee as computed by the A.O in the case to which appeal relates is ₹ 1,00,000 or less	250
(b) Where the total income/loss of the assessee, computed as aforesaid in the case to which appeal relates exceeds ₹ 1,00,000 but does not exceed ₹ 2,00,000	500
(c) Where total income/loss of the assessee, computed as aforesaid in the case to which appeal relates exceeds ₹2,00,000	1,000
(d) Where the subject matter of appeal relates to any matter other than specified in clauses (a), (b) and (c) above	250

The fee should be credited in a branch of the authorised bank or a branch of the State Bank of India or a branch of the Reserve Bank of India after obtaining a challan from the Assessing Officer and a copy of challan sent to the Commissioner of Income-tax (Appeals).

If the appeal is unsigned or unverified, or is signed or verified by a wrong person, that would be a curable defect and in appropriate cases, an opportunity should be given to the assessee to rectify it. [*Rajendrakumar Maneklal Sheth (HUF) v CIT(1995) 213 ITR 715 (Guj)*].

**Answer: 7.c.**

**Income Computation and Disclosure Standard VIII relating to securities:** This Income Computation and Disclosure Standard deals with securities held as stock-in- trade.

The Standard does not deal with:

- (a) the bases for recognition of interest and dividends on securities which are covered by the Income Computation and Disclosure Standard on revenue recognition;
- (b) securities held by a person engaged in the business of insurance;
- (c) securities held by mutual funds, venture capital funds, banks and public financial institutions.

**Definitions:** The following terms are used in this standard:

- (a) "Fair value" is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.
- (b) "Securities" shall have the meaning assigned to it in clause (h) of Section 2 of the Securities Contract (Regulation) Act, 1956.

**Recognition and Initial Measurement of Securities:**

A security on acquisition shall be recognised at actual cost.

- (a) The actual cost of a security shall comprise of its purchase price and include acquisition charges such as brokerage, fees, tax, duty or cess.
- (b) Where a security is acquired in exchange for other securities, the fair value of the security so acquired shall be its actual cost.
- (c) Where a security is acquired in exchange for another asset, the fair value of the security so acquired shall be its actual cost.
- (d) Where unpaid interest has accrued before the acquisition of an interest-bearing security and is included in the price paid for the security, the subsequent receipt of interest is allocated between pre-acquisition and post-acquisition periods; the pre-acquisition portion of the interest is deducted from the actual cost.

**Answer: 7.d.**

**Rectification of mistakes: Section 169**

The provisions relating to rectification of mistakes are as under:

- (1) With a view to rectifying any mistake apparent from the record, the Assessing Officer may amend any intimation issued under section 168, within one year from the end of the financial year in which the intimation sought to be amended was issued.
- (2) The Assessing Officer may make an amendment to any intimation under sub-section (1), either suo motu or on a mistake brought to his notice by the assessee.
- (3) An amendment to any intimation, which has the effect of increasing the liability of the assessee or reducing refund, shall not be made under this section unless the Assessing Officer has given notice to the assessee of his intention so to do and has given the assessee a reasonable opportunity of being heard.
- (4) Where any such amendment to any intimation has the effect of enhancing the sum payable or reducing the refund already made, the Assessing Officer shall make an order specifying the sum payable by the assessee and the provisions of this Chapter shall accordingly apply.