

Reg. No. :

Code No. : 20472 E Sub. Code : SECO 5 A

B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2020.

Fifth Semester

Commerce — Main

Major Elective — INCOME TAX LAW AND
PRACTICE — I

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Income tax is levied by _____
 - (a) State government
 - (b) Central government
 - (c) Local authority
 - (d) State and Central governments

2. Income of the P.Y. 2017-18 is taxable in the assessment year _____
- (a) 2016-17 (b) 2018-19
(c) 2019-20 (d) None of these
3. Scholarship granted is _____
- (a) fully exempted
(b) fully taxable
(c) partly exempted
(d) None of these
4. Resident but not ordinarily resident pays _____
- (a) No income tax at all
(b) More tax than a resident
(c) Less tax than a resident
(d) Less tax than a non-resident
5. Dearness allowances is taxable in the hands of _____
- (a) Govt. employees
(b) Non-Govt. employees
(c) All employees
(d) None of these

6. Employer's contribution to RPF is exempted upto _____
- (a) 13% of salary
 - (b) 12% of salary
 - (c) 11% of salary
 - (d) 10% of salary
7. Standard deduction u/s 24 is _____
- (a) 1/4 of NAV
 - (b) 1/5 of NAV
 - (c) 30% of NAV
 - (d) Rs. 10,000
8. Maximum deduction of interest on loan borrowed after 1.4.1999 in case of self occupied house is _____
- (a) Rs. 30,000
 - (b) Rs. 1,50,000
 - (c) Rs. 2,00,000
 - (d) Rs. 3,00,000
9. Profits earned from an illegal business are _____
- (a) Taxable
 - (b) Tax free
 - (c) Ignored by tax authorities
 - (d) None of these

10. Professional expenses are allowed on _____
- (a) Accrual basis
 - (b) Payment basis
 - (c) Accrual or payment basis
 - (d) None

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) State the objectives of taxation.
- Or
- (b) Define (i) person (ii) Assessment year.
12. (a) Mr. Prashant went to Germany for diploma course on 5th August 2018 and came back to Indian on 25th February 2019. His family remained in India. He had never been out of India before. What is his residential status for the year ending on 31st March 2019?

Or

- (b) Explain any five exempted incomes.

13. (a) Calculate income from salary of Mrs. Gunjan, a government employee working in chennai

	Rs.
Basic salary	12,000 p.m
DA	7,000 p.m
CCA	1,000 p.m
HRA	6,000 p.m (Rent paid Rs. 4,000 p.m)
Entertainment Allowances	3,000 p.m
Conveyance allowance	30,000 p.m (Actual amount spent Rs. 25,000)
Washing allowance	7,000
Project allowance	6,000

Or

(b) Compute gross salary from information given below.

(i) Salary @ Rs. 25,000 p.m

(ii) D.A. @ Rs. 5,000 p.m. (Rs. 2,500 p.m. enters into pay for service benefits)

(iii) Advance salary for two months
Rs. 55,000

(iv) Employer's contribution to R.P.F.
Rs. 3,500 p.m.

14. (a) Compute the income from house property from information given below:

	Rs.
Municipal rental value	18,000
Rent received during the year	24,000
Municipal taxes (50% paid by owner)	1,800 p.a.
Expenses incurred on repairs	
(a) By owner	Rs. 3,000
(b) By tenant	Rs. 3,000
Collection charges	Rs. 1,000
Date of completion of house	1.6.1998.

Or

- (b) Mr. E owns a house at Bharathi Nagar and submits the following particulars:

Rent received Rs. 1,75,000

Standard rent Rs. 1,60,000

Municipal valuation Rs. 1,70,000

Fair rental value Rs. 1,72,000

Municipal tax is 12% of MV + 2% of municipal taxes as surcharge.

Compute net annual value of the above information.

15. (a) Cash book of an auditor for the period ended 31.03.2019

Particulars	Rs.	Particulars	Rs.
To balance b/d	9,614	By office expenses	24,150
To audit fees	54,750	By personal expenses	4,769
To accountancy work fee	25,475	By membership fees	4,045
To other source income	27,745	By income tax	2,493
To rent for HP	14,200	By car purchased	23,450
		By car expenses	5,420
		By insurance (house)	300
		By balance c/d	67,157
	<u>1,31,784</u>		<u>1,31,784</u>

Depreciation on car @ 15% $\frac{1}{4}$ of car expenses for personal purpose. Compute professional income.

Or

- (b) Explain the term business and profession.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Explain the tax system prevalent in India.

Or

- (b) Explain the historical background of Income tax act.

17. (a) X' had the following income during the previous year 31.3.2019

- (i) Salary received in India for three months
Rs. 9,000
- (ii) Income from house property in India
Rs. 13,470
- (iii) Interest on savings bank deposit in SBI
Rs. 1,000
- (iv) Amount brought into India out of the past untaxed profits earned in Germany
20,000

- (v) Income from agriculture in Indonesia being invested in India Rs. 12,350
- (vi) Income from business in Bangladesh, being controlled from India Rs. 10,150
- (vii) Dividends received in Belgium from French companies out of which Rs. 2,500
Were remitted to India 23,000

You are required to compute his total income for the assessment year 2019-20, if he is

- (1) Resident (2) Not ordinary resident and (3) Non-resident.

Or

- (b) Discuss the provisions relating to 'Tax holiday'.

18. (a) From the following calculate gross salary

	Rs.
Basic salary	8,000 p.m
Bonus	5,000
DA	6,000 p.m
	(50% forms part of salary)
Tiffin allowance	4400 p.m
Non-practicing allowance	250 p.m
Deputation allowance	150 p.m
Overtime allowance	250 p.m

	Rs.
Special allowance	100 p.m.
Servant allowance	75 p.m.
HRA	1,000 p.m
EA	750 p.m

The employee is a government servant and resides in his own house and works in Mysore. It is the usual practice to give 2% as commission on turnover achieved. The turnover achieved by the employee is 50,000.

Or

(b) Explain the various types of 'provident funds'.

19. (a) Mr. Raghav owns a residential house property. It has two residential units-unit-I and Unit-II. While Unit-I is self occupied by Raghav for his residential purpose; unit-II is let out (rent beings Rs. 6,000 per month, rent of two months could not be recovered). Municipal value of the property is Rs. 1,30,000, standard rent is Rs. 1,25,000 and fair rent is Rs. 1,40,000. Municipal Tax is imposed @ 15 percent which is paid by Raghav. Other expenses for the previous year 208-19 being repairs, Rs. 800, insurance Rs. 1,500, interest on capital (borrowed during 1998) for constructing the property: Rs. 63,000.

Find the house property income of Raghav for the assessment year 2019-20.

Or

(b) Calculate ARV from the particulars given below:

MRV Rs. 60,000 p.a. Actual rent Rs. 7,000 p.m

FRV Rs. 66,000 p.a. Standard rent Rs. 69,000 p.a.

- (i) House was vacant for full year during the previous year 2018-19
- (ii) House was vacant for two months during the previous year 2018-19
- (iii) Actual rent of the house is Rs. 4,000 p.m. and was vacant for two months.

20. (a) The following is the profit and loss account of a merchant for the year ending 31.3.2019

Profit and Loss Account

	Rs.		Rs.
To office salary	2,06,500	By gross profit	4,36,750
To bad debts written off	1,700	By commission	1,250
To provision for bad debts	3,000	By discounts	500
To Advertisement	53,800	By sundry receipts	200
To fire assurance premium (House property)	550	By rent of building	3,600
To general expenses	52,750	By profit on sale of investments	3,000

	Rs.	Rs.
To depreciation	1,200	
To interest on capital	2,000	
To interest on bank loan (due)	1,300	
To net profit	1,22,500	
	<u>4,45,300</u>	<u>4,45,300</u>

Compute the taxable profits from business.
The amount of depreciation is Rs. 1,000.
Interest on Bank loan was paid on 1.8.2019.
Due date of filing of return is 31.7.2019.

Or

- (b) Discuss the procedure for computing business income.
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