

MCOM DEGREE EXAMINATION - OCTOBER 2015

SEMESTER: 3, SUBJECT: COMMERCE

COURSE: P3COMT12- DIRECT TAXES- LAW AND PRACTICE

Time: 3 Hours

Max. Marks: 75

SECTION- A

Answer **all** questions. Each question carries 2 marks

1. What is block of assets?
2. What is transferred balance?
3. Who is an assessee-in-default?
4. What is an Indian company?
5. What are the incomes exempt U/S 13A?
6. How is the annual value of a house property let out throughout the computed?
7. Define keyman insurance policy.
8. What is maximum marginal rate of tax?
9. Define unabsorbed depreciation.
10. How is the residential status of a company determined?

[10×2 = 20 marks]

SECTION- B

Answer any **five** questions. Each question carries five marks

11. Discuss the provisions regarding the valuation of rent free accommodation provided by employer to employee.
12. Income earned during a previous year is normally charged to tax in the financial year next following it. What are the exceptions to this general rule?
13. What are the deductions allowable in computing income under the head 'Income from Other Sources'?
14. Explain the incidence of residence on income tax liability.
15. Kamal purchases a house property for Rs 26,000 on May 10, 1962. He gets the first floor of the house constructed in 1967-68 by spending Rs 40,000. He dies on September 12, 1978. The property is transferred to Mrs Kamal by his Will. Mrs X spends Rs 30,000 and Rs 36,700 during 1979-78 and 1984-85 respectively for renewal /reconstruction of the property. Mrs Kamal sells the house property for Rs 38,50,000 on March 15, 2015 (brokerage paid by Mrs Kamal is Rs 20,000). The fair market value of

the house on April 1, 1981 is Rs 2,68,000. Compute capital gain taxable in the hands of Mrs Kamal. (CII for 1984-85: 125 and for 2014-15: 1024)

16. Mr. Anilkumar owns a house at Ernakulam which was constructed on 1st March 2014 and was occupied by him for his own residence. He took a loan of Rs 1,50,000 on 1st July 2012 @12% p.a. interest for the construction of the house. He has not started repayment of the loan.

Other information in respect of the house is given below:

| | |
|---------------------|------------------|
| Municipal valuation | Rs 25,000 |
| Municipal tax | 10% of the above |
| Repairs | Rs 7,000 |
| Interest on loan | Rs 8,400 |

Municipal tax of the house remains unpaid for the financial year 2014-15. Mr. Anilkumar was transferred to Chennai on 1st October, 2014 where he resides in a house taken on rent of Rs 6,000 per month and his house at Ernakulam was let out on 1st January 2015 on a monthly rent of Rs 2500.

Compute Mr Anilkumar's taxable income from house property for the AY 2015-16.

17. From the particulars given below in respect of the income of a resident individual, compute the income under the head 'Income from Other Sources' for the AY 201-16.

| | |
|---|-----------|
| i) Royalty from a publisher | Rs 30,000 |
| ii) Salary for a part-time job | Rs 15,000 |
| iii) Salary as an MLA | Rs 72,000 |
| iv) Agricultural income | Rs 12,000 |
| v) Agricultural income from abroad | Rs 25,000 |
| vi) Dividend from an Indian company | Rs 12,000 |
| vii) Dividend from a co-operative society | Rs 1,000 |
| viii) Daily allowance as MLA | Rs 1,500 |

ix) He has incurred the following expenses:

- Paid collection charges Rs 100 for collecting dividend from Indian company.
- Rs 2500 spent for earning and collecting royalty income.

18. From the following information compute the income of Mr. & Mrs. Johns for the AY 2015-16

Income of Mr. Johns:

| | |
|---------------------------------------|-------------|
| Income from house property (computed) | Rs 1,20,000 |
| Income from other sources | Rs 25,000 |

Income of Mrs Johns:

| | |
|-------------------------------------|-------------|
| Income from salary | Rs 1,12,000 |
| Dividend from a cooperative society | Rs 1,500 |

Income of minor son of Mr & Mrs Johns from business Rs 25,000

(5 × 5 = 25)

SECTION –C

Answer any two questions. Each question carries 15 marks

19. From the following particulars compute the tax liability of Mr. Ram for the assessment year 2015-16.

| | Amount (Rs) |
|--|----------------|
| 1 Salary for 12 months | 3,60,000 |
| 2 Agricultural income | 1,20,000 |
| 3 Income from house property (computed) | 34,000 |
| 4 Interest on securities (Gross) | 12,000 |
| 5 Long term capital gains | 7,000 |
| 6 Short term capital loss | 5,000 |
| 7 Contribution to recognized provident fund | 14,400 |
| 8 Contribution to PPF | 12,000 |
| 9 Paid insurance premium (sum assured Rs 1,50,000) | 20,000 |
| 1 Paid donations to National Children's Fund | 10,000 |
| 0 | |
| 1 Interest on government securities | 6,000 |
| 1 | |

20. The following is the Profit & Loss Account of a sole trader for the FY ending 31st March 2015. Compute his income from for the AY 2015-16.

| | Rs | | Rs |
|-------------------------------------|--------------|--------------------------------|--------------|
| Staff salaries | 12500 | Gross Profit B/d | 78000 |
| Rent | 6800 | Miscellaneous receipts | 620 |
| Establishment expenses | 4800 | Discounts | 470 |
| Interest on capital | 2400 | Interest on securities | 3200 |
| Reserve for bad debts | 800 | Bad debts recovered | 740 |
| Income tax | 7200 | Profit on sale of fixed assets | 8640 |
| Legal charges | 2800 | | |
| Cost construction of office room | 24600 | | |
| Charity and donation | 4800 | | |
| General expenses | 1200 | | |
| Depreciation | 7800 | | |
| Net profit | 15970 | | |
| Total | 91670 | Total | 91670 |

Other information:

- 1) The expenditure of rent includes a sum of Rs 1200 being the rent charged for a godown owned by the assessee and used for the business.

- 2) Salary included Rs 1800 being salary of a domestic servant engaged at the residence of the assessee.
- 3) Legal charges include payment of Rs 2000 being stamp and registration fee for the Deed of purchase of a property for the business.
- 4) Bad debts recovered includes Rs 240 the claim for which was disallowed in the related year of assessment.
- 5) Claim for bad debts includes Rs 400 due from a customer who is solvent and no proceeding for recovery has been initiated against him so far.
- 6) Depreciation admissible under the Income Tax Act is Rs 6900.

21. From the following particulars regarding the salary of Shri Lal, compute his salary income chargeable to income tax for the assessment year 2015-16.

| | Rs |
|--|--------|
| 1 Basic pay p.m. | 24,000 |
| 2 Dearness allowance p.m. | 4800 |
| 3 Bonus | 7800 |
| 4 Entertainment Allowance (wef 1 st April 2014) | 9000 |
| 5 Employer's contribution to RPF | 32000 |
| 6 Lal's contribution to RPF | 32000 |
| 7 Annual value of rent free unfurnished house provided by the employer (city Mumbai) | 45000 |
| 8 Interest on RPF @12% | 2520 |
| 9 Club bill of Lal paid by the employer | 3200 |
| 10 Lal's deposit in PPF | 12000 |
| 11 Medical expense of Lal met by the employer | 14600 |
| 12 Personal expense of Lal's son met by the employer | 1400 |
| 13 Contribution to ULIP paid by the employer | 14200 |

22. Amal, a resident individual, furnishes the following information about his incomes:

| Business A: | Rs |
|--|--------|
| Loss of the year 2014-15 | 72000 |
| Brought forward loss of the PY 2013-14 | 32000 |
| Business B: | |
| Profit of the year 2014-15 | 220000 |
| Business C:(PY ends on 31st March, business discontinued on 10th April, 2014) | |
| Profit up to 10 th April | Nil |
| Brought forward loss on 2013-14 | 48000 |
| Business D: (PY ends on 31st March, business discontinued | |

| | |
|---|-------|
| on 31 st March 2014) | |
| Brought forward loss of 2013-14 | 40000 |
| Income from other sources: | |
| Loss from the activity of owning and maintaining race horses | 32000 |
| Dividend on units of UTI held as stock in trade | 60000 |
| Interest on debentures held as investment | 96000 |
| Long-term capital loss | 14600 |
| Income from House Property | 60000 |

Compute the total income of Shri Amal for the AY 2015-16 showing the amount of losses which he can carry forward for being set off against income of subsequent AYs.

[2 × 15 = 30]