

**M. COM DEGREE END SEMESTER EXAMINATION OCTOBER  
2016**

**SEMESTER - 3: COMMERCE**

**COURSE: P3COMT12- DIRECT TAXES - LAW AND PRACTICE**

Common for Regular (2015 Admission) & Supplementary / Improvement (2014  
Admission)

Time: Three Hours

Max. Marks: 75

**Section- A**

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

1. Distinguish between tax-free securities and less tax securities
2. What are the provisions of Income Tax Act regarding leave travel concession?
3. Write a short note on Bond Washing Transactions.
4. Mention any five general deductions u/s 37 of Income Tax Act 1961.
5. State the provisions regarding set-off of speculation losses.
6. What do you mean by Average Rate of Tax?
7. Distinguish between long-term and short-term capital gains.
8. What do you mean by Profit in lieu of salary?
9. What is meant by integration of agricultural income?
10. What are the fully exempted incomes under Income from house property?

[2 × 10 = 20]

**Section- B**

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

11. What are the provisions of the Income Tax Act regarding carry forward of losses?
12. Discuss the provisions regarding deduction from gross total income under Section 80DDB.
13. Shri Ramesh has the following incomes for the financial year 2014-15
  - a. Income from house property situated in London Rs 40000

b. Income from Salary received in India for services rendered in London  
Rs28000

c. Profit from business in London controlled from India Rs 120000

d. Profit from Karnataka business Rs 110000

e. Agricultural Income India Rs 10000 Compute the Income of Shri Ramesh  
for the Assessment Year 2015-16 if he is

I. Resident

II. Not- Ordinarily Resident

III. Non-resident

14. Discuss the provisions regarding relief u/s 89(1).

15. Salary Income of Mr. Ram is Rs.7 65,000. He deposited Rs 90000 in PPF,  
Rs.20000 in RPF and paid tuition fee of his son Rs 18000 He deposited Rs  
25000 in pension fund of LIC of India He paid interest Rs 15000 on loan  
taken from a financial institution for his higher education. Compute his total  
income for the AY 2015-16.

16. Royal Brothers of Kottayam submit the following particulars for computing  
the income

for the assessment year 2015-16.

Loss from business before depreciation	20000
Depreciation allowable	6000
Income from house property	18000
Interest on securities	100000
Income from other sources	20000
Brought forward business losses from AY 2014-15	50000
Unabsorbed depreciation for AY	80000
Brought forward loss of house property from A.Y. 2014-15	10000

You are required to compute the Gross Total Income for the AY 2015-16

17. Shri Arunkumar furnishes you the following information. Compute the  
amount qualifying under section 80C for the Assessment Year 2015-16.

a. Life Insurance premium paid Rs. 20000 on his own policy. Sum assured  
Rs 1,80,000.

- b. His own contribution to RPF Rs. 5000 and employer's contribution to RPF Rs 4000.
- c. Repayment of loan taken for construction of residential house Rs 80000 out of which Rs. 30000 is interest.
- d. Purchased NSC IX Issue for Rs 10000
- e. Contribution to family benefit fund Rs 1000
- f. Accrued interest on NSC (VIII issue) amounted to Rs 1000.
- g. Life insurance premium paid by him on his brother's Life policy was Rs. 5000. Sum assured Rs 60,000

18. What do you mean by clubbing of income? What are the provisions of the Income Tax Act regarding clubbing of the income of a minor child?

[5 × 5 = 25]

### Section -C

Answer **any two** questions. Each question carries **15** marks

19. Shri Ajay provides you the following details from his business books for the assessment year 2015-16.

Rs

Computed net profit after charging the following

72000

Provisions and reserves debited to P&L A/c

Provision for discount on debtors

42000

Provision for depreciation

31000

Household expenses

48000

Donation to a recognized school

70000

Computer purchased for scientific research

20000

Bearer cheque issued for a purchase of stationery  
25000

OYT deposit 16000  
Advertisement expenses on sign boards  
45000

Audit fee paid in cash  
25000

Patent purchased during the year  
75000

Market survey and feasibility report expenses  
(Cost of a new project Rs 600000)  
50000

Opening stock is valued at cost + 10% basis and closing stock is valued at  
cost -10% basis

Opening stock was valued at Rs 66000/- and closing stock valued at Rs.  
72000

Income credited to Profit and loss account was:

Bank interest on F.D

7000

Refund of Excise duty

5000

Dividend from Indian Companies

3000

Bad debts recovered

3000

Compute Business Income of Shri Ajay for the assessment year 2015-16.  
Give proper notes in  
support of your answer.

20. Work out depreciation allowances for the assessment year 2015-16 from the  
following particulars of assets of a Steel factory:

Assets	W.D.V on 1-4-2014	
Depreciation		
Building	1547380	10%
Godowns	2015740	10%
Machinery	3500000	15%
Motors Bus	150000	
30%		
Furniture	25170	
10%		

The Factory purchased and installed old machinery on 31<sup>st</sup> October 2014 at a cost of Rs 500000

of the same rate of depreciation.

One go down (whose WDV on 1-4-2014 was Rs 115600) was completely destroyed by fire on 1-9-2014 and Rs 100000 was received from the insurance company in respect thereof.

21. From the following information compute tax payable by Mr. X for the Assessment Year 2015-16

	Rs
1. Equity shares purchased on 10.6.2013	18250
Sold shares in recognized stock exchange on 15.12.2014	
25400	
Paid brokerage Rs.300 and security transaction tax Rs. 50	
2. Equity shares purchased on 8.5.2014	
100000	
Sold shares in recognized stock exchange on 6.2.2015	
150000	
Paid brokerage Rs 1500 and securities transaction tax Rs 300	

3. Listed Equity shares purchased on 9.5.1984 40000 Company purchased its own shares during previous year From shareholders and paid to Mr. X for his holdings 360000
4. Other Income 250000 Cost Inflation Index 1984-85, 2013-14 and 2014-15 was 125, 939, 1024 respectively.
22. The following particulars relate to the income of Sri Rajeev Kumar for the Previous Year 2014 -15: He is employed in a cotton textile mill at Coimbatore on a monthly salary of Rs 25000. He is also entitled to a commission @ 1% of sales effected by him. The sales effected by him during the previous year amounted to Rs 400000.He received the following allowances and perquisites during the previous year:
- a. Dearness pay @ Rs 6000/-per month.
  - b. Bonus @two month's basic salary.
  - c. Entertainment allowance @ Rs.2000 per month.
  - d. HRA @Rs 5000 per month.
  - e. The employer paid Rs 10000 towards the income tax liability of Sri Rajeevkumar. The employer provided him LTC of Rs. 35000 for going to Simla.
  - f. He has also been provided with gas, electricity and water facility and employer spent Rs 15000 on these.
  - g. The employer gave him cotton worth Rs 1000 free of cost.
  - h. He and his employer both contributed 15% of his salary to his recognized provident fund and interest credited to this fund @9% amounted to Rs 30000 during the previous year.
  - i. He spent Rs 6000 per month as rent of the house occupied by him in Coimbatore. Compute His taxable income under the head Salaries for the AY 2015-16

[15 × 2 = 30]

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