

B. COM. DEGREE END SEMESTER EXAMINATION – OCT. 2020: JANUARY 2021**SEMESTER – 5: COMMERCE (OPTIONAL COURSE FOR FINANCE & TAXATION)****COURSE: 15U50PCFT3: INCOME TAX LAW AND PRACTICE**

(Common for Regular 2018 admission and Improvement 2017/ Supplementary 2017/2016/2015 admissions)

Time: Three Hours

Max. Marks: 75

SECTION A

Answer all questions. Each question carries 2 marks.

1. Define the term 'Income'
2. What is meant by the term Perquisites?
3. Define 'Previous Year'
4. What do you mean by Maximum Marginal Rate?
5. Who is an 'Assessee'?
6. What are Capital Gains?
7. Define the term 'Profession'
8. Who is a 'Non-Resident'?
9. What is meant by 'Pre-Construction Interest'?
10. What do you mean by Standard Rent? (2 x 10 =20)

SECTION B

Answer any five questions. Each question carries 5 marks.

11. What is meant by Agricultural Income? How are they treated?
12. What do you mean by 'Transferred Balance'? How is it treated?
13. Define Cost of Acquisition. Briefly explain the situations when cost of acquisition is taken as cost to the previous owner
14. From the following information determine taxable Capital Gains:
 - a) 'X' purchased a house property in May 2010 for Rs. 3, 34,000.
 - b) His son 'Y' acquired the property by inheritance on 10th January 2011 after the death of his father.
 - c) Fair Market Value of the house on 10th January 2011 was Rs. 4, 00,000.
 - d) 'Y' sold the property on 20th June 2018 for Rs. 30, 00,000.
 - e) Stamp Valuation Authority valued the property at Rs. 36, 00,000 which is not objected by the seller or the buyer of the house.
 - f) On 15th November 2018, 'Y' purchased a residential flat for Rs. 14,00,000 and invested Rs. 9,00,000 in bonds issued by the NHAI redeemable after five years.
 - g) Cost of Inflation Index for 2010-11 = 167 and for 2018-19 = 280.

15. After serving thirty five years and eight months in TISCO Ltd, Mr. S retires from service on 31.12.2018. The employee is covered under the payment of Gratuity Act 1972, and receives the gratuity of Rs. 16,00,000/-. His particulars of salary for the month immediately preceding the retirement were; Basic Salary Rs 72,000 pm, DA 32,000 pm, HRA Rs 6,000 pm, and Bonus Rs 800 pm. From the above particulars, compute taxable gratuity.
16. From the following figures, compute Depreciation Allowance and Capital Gain if any for the Assessment Year 2019-20

	Plant & Machinery	Building
WDV at the beginning of the year	2,50,000	10,00,000
Additions during the year	3,00,000	0
Sales during the year	6,00,000	2,00,000

17. From the following information compute total income and cost of bonus units if any:
- 4000 units of a Mutual Fund purchased on 01.09.'18 for Rs. 50,000. Record date 15.10.'18.
 - 2000 bonus units were allotted to him on Record date.
 - 4000 original units sold on 10.03.'19 for Rs. 40,000.
 - Other short term capital gains Rs. 2,00,000.

(5 × 5 =25)

SECTION C

Answer any three questions. Each question carries 10 marks.

18. Briefly explain the provisions related to residential status and incidence of Income Tax in India.
19. What do you mean by profits in lieu of Salary? Explain the tax treatment of Statutory and Public Provident Funds.
20. Mr. 'X' is employed in a factory as an accountant on a monthly salary of Rs.12, 000/-, Dearness Allowance of Rs. 1200 pm. He is a member of an Unrecognized Provident Fund to which he contributes 10% of his salary and his employer also contributes an equal amount. On 1st August 2018, he resigned and joined another factory on the same date on a monthly salary of Rs.16000/- plus a Dearness Allowance at 10% of his salary. He received Rs. 40,000/- (including Rs. 8000/- interest) from the Unrecognized Provident Fund of which half the amount consisted of Employer's Contribution and interest thereon. In his new employment, he contributed 15% of his salary to a recognized provident fund while his employer contributed Rs. 16,160/-. He is also provided with an unfurnished rent free house by the second employer in a city (Population 12, 00,000), the municipal valuation of which is Rs. 900 pm. Find out his taxable income from salary for the Assessment Year 2019-20, assuming salary to be due on the first day of the next month.

21. Mr. Y is the owner of two houses. He has furnished the following particulars for the Financial Year 2018-19.

First House: Municipal valuation Rs. 40,000, It is used by Y for own residence. He paid Rs.200 as fire insurance premium and Rs. 4000 Municipal Tax. He also paid interest on loan of Rs. 20,000. This loan was taken to repay another loan taken for the construction of this house.

Second House: Municipal Valuation Rs. 24,000/- and Standard Rent is Rs. 30,000 (Rent Control Act applicable). It has been let out at Rs. 3,000/- pm. He made the following payments: Municipal tax Rs. 6,000, Repairs Rs, 1,000, Land Revenue Rs. 200, Legal expenses incurred to get the house vacated Rs. 500, Annual Charge Rs. 3,000. This house remained vacant for two months. Rs. 9000 could not be recovered from the defaulting tenant. The tenant has vacated the house. The conditions of Rule 4 are satisfied.

Compute his taxable income from house property for the Assessment Year 2019.20.

22. Following is the Profit and Loss Account of Mr. X for the year ended on 31st March 2019. Compute his taxable income from business for that year:

Opening Stock	15000	Sales	280000
Purchases	140000	Closing Stock	20000
Wages	20000	Gift from Father	10000
Rent	46000	Sale of car	17000
Repairs of Car	3000	Income Tax Refund	3000
Medical Expenses	3000		
General Expenses	10000		
Deprecation of Car	4000		
Profit for the year	89000		
Total	3,30,000		3,30,000

Additional Information:

- Mr. X carries on his business in a rented premise, half of which is used as his residence.
- Mr. X bought a car during the year for Rs. 20,000. He charged 20% depreciation on the value of the car. The car was sold during the year for Rs 17000. The use of the car was 3/4th for the business and 1/4th for personal use.
- Medical expenses were incurred for the medical treatment of Mr. X
- Wages include Rs. 250 per month on account of Mr. X's driver for ten months.

(10 x 3 = 30)