

E 2231

(Pages : 4)

Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2011

Fifth Semester

INCOME TAX LAW AND PRACTICE

(Common for Optional Stream Finance and Taxation of Model I and Model II B.Com. and U.G.C. sponsored B.Com. Taxation)

Time : Three Hours

Maximum Weight : 25

Answers may be written either in English or in Malayalam.

Section A

Answer all questions.

Each bunch of four questions carries weight of 1.

I. Choose the correct answer from the choices given :

1 The Finance Act 2010 is applicable to the Assessment Year :

- | | |
|--------------|--------------|
| (a) 2010-11. | (b) 2009-10. |
| (c) 2011-12. | (d) 2008-08. |

2 Illegal business income is :

- | | |
|------------------------|------------------|
| (a) Taxable. | (b) Non taxable. |
| (c) Partially taxable. | (d) Exempted. |

3 Who is liable to pay tax ?

- | | |
|---------------------------|---|
| (a) Every Person. | (b) Person's total income exceeds exempted limit. |
| (c) All resident persons. | (d) Person not filing return. |

4 Due date of salary :

- | | |
|-----------------------------|----------------------------------|
| (a) First day of the month. | (b) First day of the next month. |
| (c) Last day of the month. | (d) Last day of the next month. |

II. Fill in the blanks :

- 5 Non practising allowance is given to Medical doctors who are in ——— service.**
- 6 Income from paying guest accommodation is chargeable under the head ———.**
- 7 Compensation received by a worker under the Industrial Disputes Act, 1974 is ——— compensation.**
- 8 Income Tax was introduced for the first time in the year ———.**

Turn over

III. State whether the following are True or False :

- 9 Income of a non-resident from shipping business is taxable at 8.5 % on the income of the previous year.
- 10 Person who does not fulfill the assessment procedure as per the IT Act is called Assessee - in default.
- 11 A person satisfying both the additional conditions is called Not ordinarily Resident in India.
- 12 Deductions made by the employer out of salary should not be added to salary income.

IV. Match the following :—

- | | |
|------------------------|-----------------------|
| 13 Perquisites | (a) Employment. |
| 14 Transferred balance | (b) Sec. 17(2). |
| 15 Professional tax. | (c) Govt. |
| 16 Standard rent. | (d) Casual emolument. |
| | (e) URPF. |

(4 × 1 = 4)

Section B

*Answer any five questions.
Each question carries a weight of 1.*

- 17 Define the terms (a) Assessment Year ; (b) Assessee.
- 18 What is Surcharge ?
- 19 Who is an assessee in default ?
- 20 What do you mean by Block of assets ?
- 21 What is MMR ?
- 22 Why is it necessary to distinguish between Capital and Revenue ?
- 23 What is income demand to be received ?
- 24 Explain the concept of income.

(5 × 1 = 5)

Section C

*Answer any four questions.
Each question carries a weight of 2.
Answers should not exceed half a page each.*

- 25 Discuss Exempted Income under I.T. Act.
- 26 How will you compute the annual value of let out property ?
- 27 Describe the deductions allowable u/s 80 C to an individual.
- 28 What is unrealized rent ?
- 29 Compute the Tax Liability of Mr. X who has agricultural income Rs. 90,000 and Non-agricultural income Rs. 7,50,000.

30 From the following information compute the annual value of the house :—

	Rs.
Municipal value ...	2,00,000
Fair rent ...	1,80,000
Standard rent ...	2,50,000
Actual rent ...	20,000 p.m.

Building remained vacant for two months during the previous year. Unrealized rent Rs. 30,000. Conditions of Rule 4 are satisfied. Municipal tax paid by the owner Rs. 15,000 and by the tenant Rs. 15,000.

(4 × 2 = 8)

Section D

Answer any two questions.

Each question carries a weight of 4.

Answers should not exceed four pages each.

31 From the following information, compute the taxable income under the head “salaries” of Sri. Ramdev, who is working as a driver in a transport company :

- (i) Salary Rs. 8,000 p.m.
- (ii) Arrears of salary Rs. 4,000.
- (iii) D.A. Rs. 200 p.m.
- (iv) Employer is paying insurance premium of Rs. 1,000 p.m.
- (v) Bonus received Rs. 15,000.
- (vi) Education allowance Rs. 1,000 p.m.
- (vii) Cash gift Rs. 10,000.
- (viii) City compensatory allowance Rs. 1,000 p.m.
- (ix) Medical expense made by employer Rs. 6,000.
- (x) He contributes 15 % of his salary to a provident fund and his employer contributes the same.
- (xi) He is given lunch allowance at Rs. 100 per day for 250 days during the previous year 2010-11.

32 Compute the income from house property from the following information :

	Rs.
Fair rent ...	72,000
Let out ...	7,000 p.m.
Standard rent ...	60,000
Municipal tax paid at 20 % of MV	
P.Y. 2009-10 ...	10,000
P.Y. 2010-11 ...	10,000

Turn over

Other information's are :

- (i) House remained vacant for two months during the P.Y.
- (ii) Unrealized rent allowed as deduction in the A.Y. 2009-10 but received during the P.Y. 2010-11 Rs. 20,000.
- (iii) Expenditure incurred on collecting unrealized rent Rs. 5,000.
- (iv) Arrears of rent received during the P.Y. Rs. 12,000.

33 Dr. Hari is a practising Chartered Accountant. He maintains his account on cash basis. Following is the Receipts and Payments Account :

For the year ended 31st March 2011

<i>Receipts</i>	<i>Amount</i> Rs.	<i>Payments</i>	<i>Amount</i> Rs.
Balance brought down	... 9,300	Office rent	... 2,400
Audit fees	... 64,700	Salary of audit clerk	... 24,800
Income from accounting work	... 56,800	Allowance of articled clerk	... 1,800
Fees for conducting income tax appeal	... 8,100	Salaries	... 32,400
Examiner fees from University	... 600	Municipal tax	... 400
Dividend	... 7,840	Personal expenses	... 53,500
Rent from property	... 4,000	Membership fees	... 1,100
		Life Insurance Premium	... 1,500
		Income Tax	... 2,500
		Motor car purchased	... 9,000
		Expenses of motor car	... 600
		Insurance of house property	... 300
		Balance c/d	... 21,040
	<u>1,51,340</u>		<u>1,51,340</u>
			(2 × 4 = 8)