

E 1784

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Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2015

Fifth Semester

INCOME TAX LAW AND PRACTICE

(Common for Optional Stream Finance and Taxation of Model I and Model II B.Com. and
UGC Sponsored B.Com. Taxation)

[2013 Admissions]

Time : Three Hours

Maximum : 80 Marks

Answers may be written either in English or in Malayalam.

Part A

*Answer all questions.
Each question carries 1 mark.*

1. Who is an assessee in default ?
2. Under which head interest on securities held as stock-in-trade will be taxed ?
3. State any two tax-free incomes.
4. What is direct tax ?
5. What is a capital receipt ?
6. What is 'Key-man insurance policy' ?
7. How is loss from house property treated ?
8. What is Standard Rent ?
9. What is adventure in the nature of trade or commerce ?
10. Give any two examples of expenses allowed while computing income from business.

(10 × 1 = 10)

Part B

*Answer any eight questions.
Each question carries 2 marks.*

11. What are the provisions regarding carry forward and set off of unabsorbed depreciation ?
12. List out four incomes which are neither included in total income nor is income tax payable on them.
13. What is Tax Audit ?
14. What is meant by 'block of assets' ?
15. What are the deductions from Gross Salary under Sec. 16 ?

Turn over

16. Is commuted value of pension taxable ? If yes, to what extent ?
17. Discuss the taxability of House Rent allowance.
18. Why is it that pension taxable under the head 'salary' whereas family pension is taxable under the head 'other sources' ?
19. Who is "person" as per Income-tax Act ?
20. Distinguish between a Finance Bill and a Finance Act.
21. What is the purpose of determining the residential status of an assessee ?
22. Who is an Assessee in Default ?

(8 × 2 = 16)

Part C

Answer any six questions.

Each question carries 4 marks.

23. How would you determine the residential status of an individual ?
24. "Ownership is the criterion for assessment of income from property under Section 22. However, there are instances in which the income from property is assessable in the hands of an assessee, who is not the legal owner thereof." Enumerate these cases.
25. State the rules for determining the value of perquisite when services of sweeper, watchman and gardener are provided by the employer.
26. What is Transferred Balance ? Explain its tax treatment.
27. What are the basic conditions to be fulfilled for availing depreciation while computing income under the head "Profits and gains of Business and Profession" ?
28. Mr. Shereef is a government employee. He is provided with a free 1.8 litre car for official as well as personal use. All expenses relating to running and maintenance are borne by the employer. The employer deducts Rs. 250 per month from his salary for this purpose. Find out the value of car perquisite, if any.
29. Mr. Ganesh retired from service on 31st Dec. 2014. His pension was fixed at Rs. 12,000 per month. He commutes $\frac{1}{2}$ of his pension and received Rs. 3,70,000. Find out the taxable amount of his pension, if Mr. Ganesh is a private employee who did not receive gratuity.
30. Mr. Panav left India for West Germany for higher studies on December 1, 2011. During winter vacations he came to India twice, once on 4th January 2013 and stayed for 30 days and again on 25th December 2013 and stayed for 28 days, after completing his studies he came back to India on 28th November 2014. Determine his residential status for the A.Y. 2015-16.

31. Ms. Sreelakshmi is the owner of a house. The municipal value of the house is Rs.78,000. Municipal tax charged on the house was Rs. 4,000 (of which 50% paid by the tenant). She let it out for a rent of Rs. 7,000 per month. She incurred the following expenses during the previous year :—

	Rs.
(a) Insurance premia relating to house property ...	1,800
(b) Repairs of house ...	3,000
(c) Interest on loan taken for repairs of house ...	4,000
(d) Municipal tax ...	2,000

Compute the income from house property.

(6 × 4 = 24)

Part D

Answer any two questions.

Each question carries 15 marks.

32. Ms. Sulekha owns a house in Chennai. During the P.Y. 2014-15, two-third portion of the house was self occupied and one-third portion was let out for residential purposes at a rent of Rs. 8,000 per month. Municipal value of the entire house is Rs. 3,00,000 p.a., fair rent is Rs.2,70,000 p.a; and standard rent is Rs. 3,30,000. She paid municipal taxes at 10 % of municipal value during the year. A loan of Rs. 25,00,000 was taken by her during the year 2011-12 for acquiring the property. Interest on loan paid during the previous year 2014-15 was Rs. 90,000. Compute her income from house property.
33. Mr. Pramod Kumar is employed as Accountant in a Textile Mills at Ahmedabad (population exceeds 25 lakhs). He gives you the following particulars in respect of his salary for the P.Y. 2014-15.
- Basic Rs. 9,80,000 ;
 - D.A. Rs. 1,00,000 (not forming part of salary) ;
 - Entertainment allowance Rs. 20,000 ;
 - Medical allowance Rs. 10,000 ;
 - Bonus Rs. 10,000 ;
 - Free telephone at residence for official as well as personal purpose.
 - Rent free house provided by the employer. House is owned by employer. FRV of the house is Rs. 40,000.
 - He as well as the Mills contributed 14% of his basic to RPF.
 - A small car provided to him by employer for Sunil's official and personal use. All expenses relating to car including driver's wages met by employer.

During the P.Y., he paid employment tax of Rs. 4,000.

Compute his income from salary.

Turn over

34. Mr. Sharath is carrying on a small business. He gives you the following details drawn from his books of accounts :

Net profit after charging the following Rs. 4,45,000

- (i) Provision for bad debts Rs. 6,400 ;
- (ii) Household expenses 7,000 ;
- (iii) Donations Rs. 15,500 ;
- (iv) Interest paid on bank loan (utilized in business) Rs. 6,000 ;
- (v) Payment in cash for goods purchased Rs. 34,000 ;
- (vi) Audit fees Rs. 5,500 ;
- (vii) Depreciation on plant and furniture Rs. 42,000 ;
[Allowable as per Rules Rs. 34,000]
- (viii) Opening stock Rs. 34,000. It was valued 10% less than cost. Closing stock was valued at cost.
- (ix) Dividend received from a company Rs. 5,000 credited to Profit and Loss a/c.
- (x) Income tax paid Rs. 7,800.

Compute his business income.

35. What is a perquisite ? Discuss the classification of different perquisites for income tax purpose.

(2 × 15 = 30)