

Reg. No. :

Code No. : 20472 E Sub. Code : SECO 5 A

**B.Com (CBCS) DEGREE EXAMINATION,
NOVEMBER 2019.**

Fifth Semester

Commerce — Main

**Major Elective – INCOME TAX LAW AND PRACTICE
– I**

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. The person who has to pay or other sum of money payable under I.T. Act is
 - (a) An assessee
 - (b) A client
 - (c) A debtor
 - (d) A creditor

2. Income Tax is levied as a
- (a) Direct tax
 - (b) Indirect tax
 - (c) Local tax
 - (d) Wealth tax
3. As per the first basic condition to determine residential status, a person should have been in India during the previous year concerned for
- (a) 60 days or more
 - (b) 120 days or more
 - (c) 182 days or more
 - (d) 240 days or more
4. Exempted incomes do not form part of total income of
- (a) Individual assessee's only
 - (b) HUF only
 - (c) Firm and company assesses only
 - (d) All assessees.

	Rs.
Opening stock of medicine	10,000
Salary to employees	1,50,000
Dr. Narayanan went to attend a medical seminar in Germany to update knowledge and spent Rs.65,000 on it.	
Medical books purchased	20,000
Rate of depreciation on books in 40 %. (Not being Annual Publication)	

5. Education allowances is exempted upto a maximum of
 - (a) One child
 - (b) Two children
 - (c) Three children
 - (d) Four children.
6. Statutory limit for exemption of gratuity received by non-govt. employees is
 - (a) Rs.3,00,000
 - (b) Rs.5,00,000
 - (c) Rs.10,00,000
 - (d) Rs.4,00,000.
7. Municipal taxes are deductible on
 - (a) Payment basis
 - (b) Accrual basis
 - (c) Due basis
 - (d) Not allowed.

8. Pre-construction interest is deductible in

- (a) 4 instalments
- (b) 5 instalments
- (c) 6 instalments
- (d) 3 instalments

9. Bad debts allowed earlier and recovered latter on is

- (a) Business income
- (b) Non business incomes
- (c) Exempted income
- (d) Income from other sources.

10. General deductions for Business or Profession are covered in the I.T. Act 1961 under-

- (a) Section 20
- (b) Section 31
- (c) Section 37
- (d) Section 45.

- (i) Electricity and water charges include domestic bill of Rs. 2,500.
- (ii) Half of motor car expenses are for professional use.
- (iii) Telephone expenses include 40% for personal use.
- (iv) Opening stock of medicines was Rs. 6,000 and closing stock was Rs. 4,000

Or

- (b) Dr. Narayanan is a medical practitioner in Chennai. From the following calculate his income from profession for the A.Y.2019-20.

	Rs.
Gross receipts from dispensary	2,35,000
Gross receipts from consultancy	1,65,000
Operation fees	2,50,000
Visiting fees	50,000
Gift from patients	30,000
Medicines purchased	1,25,000
Closing stock of medicine	35,000

Salary to nurse and compounder	36,000	To dividends	5,000
To Dep. On surgical equipment	6,000		
To Purchase of medicines	36,000		
To Depreciation on X-ray Machine	4,000		
To Income tax	5,500		
To Donation to Rama Krishana Mission	4,000		
To Motor Car expenses	9,600		
To Dep. On car	4,800		
To Net income	<u>93,100</u>		
	<u>2,47,000</u>		<u>2,47,000</u>

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Write a note on 'Person' u/s 2 of the income tax Act.

Or

- (b) Write a short note on

(i) Total income

(ii) Assessee.

12. (a) Mr. A comes to India for the first time on 01-08-2018. During his stay in India, he stayed upto 25-10-2018 in Chennai and there after in Mumbai. Determine his residential status for the P.Y.2018-2019.

Or

- (b) Discuss the rules relating to determination of residential status of an assessee.

13. (a) Mr. Vipin is working in a Central Government office at Shimla. His salary particulars are as follows:

Salary Rs. 3,60,000

D.A. (fully enters in to pay for retirement benefits) Rs. 96,000

Hill compensatory allowance	Rs. 24,000
Transport allowance	Rs. 24,000
Provided with rent free house: Annual License Fee	Rs. 72,000
Cost of furnishing	Rs. 3,00,000
Calculate value of rent free house.	

Or

- (b) Mr. Hari is employed at Amritsar on a salary of Rs. 30,000 p.m. The employer is paying H.R.A. of Rs. 8,000 p.m. but the actual rent paid by him is Rs. 12,000 p.m. He is also getting 2% Commission on turnover achieved by him and turnover is Rs. 50,00,000.

Calculate his gross salary.

14. (a) Mr. E owns a house at Bharathi Nagar and submits the following particulars:

Rent received	Rs. 1,75,000
Standard rent	Rs. 1,60,000
Municipal valuation	Rs. 1,70,000
Fair rental value	Rs. 1,72,000

Municipal tax is 12% of MV+2% of municipal taxes as surcharge.

Compute Net Annual value of the above information.

Or

Let-out 1/3 portion from 1-4-2018 to 31-8-2018 @ Rs 7,200 p.m. and self-occupied from 1-9-20 18 onwards.

Municipal taxes Rs. 6,000 p.a.

Fire Insurance Premium Rs. 2,000 p.a.

Ground Rent Rs. 4,000 p.a.

Interest on loan Rs. 7,500.

20. (a) From the following statement, compute the income from profession of Dr. S.K. Kapoor if accounts are maintained on cash/receipt system:

	Rs.		Rs.
To Dispensary rent	36,000	By visiting fees	45,000
To Electricity and water charges	6,000	To consultation fees	1,25,000
To Telephone expenses	6,000	To sales of medicines	72,000

19. (a) Mr. Raghav owns a residential house property. It has two residential units—Unit-I and Unit-II. While Unit-I is self occupied by Raghav for his residential purpose; Unit-II is let out (rent beings Rs 6,000 per month, rent of two months could not be recovered). Municipal value of the property is Rs 1,30,000, standard rent is Rs 1,25,000 and fair rent is Rs. 1,40,000. Municipal Tax is imposed @ 15 percent which is paid by Raghav. Other expenses for the previous year 2018-19 being repairs Rs 800, insurance Rs.1,500, interest on capital (borrowing suring 1998) for constructing the property: Rs 63,000.

Find the house property income of Raghav for the assessment year 2019-20.

Or

- (b) From the particulars given below compute income from house property which consists of two independent units having 1/3 and 2/3 area:

Date of completion 1-11-2013

Municipal Rental Value Rs. 96,000

Fair Rental Value Rs. 84,000

Self-occupied 2/3 portion

- (b) Calculate GAV from the particulars given below:

MRV Rs.60,000 p.a. FRV Rs.66,000.

- (i) If Actual Rent is Rs.72,000 p.a. and Standard Rent is Rs.69,000 p.a. or
(ii) If Actual Rent is Rs.63,000 p.a. and Standard Rent is Rs.69,000 p.a.

15. (a) Explain the term Business and profession.

Or

- (b) Mr. Rajan submits the following particulars of his business from which you calculate the income from business?

Net profit as per P/L a/c (after charging the following) Rs. 1,25,000

- (i) Sales tax Rs. 20,000 and income tax Rs. 55,000
(ii) Bad debts provision Rs.3,000
(iii) Commission to procure business order Rs.8,000
(iv) Interest on capital Rs. 38,000
(v) Depreciation Rs. 4,000 (but as per income tax rules Rs.2,000 only)

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Explain the historical background of Income Tax Act.

Or

- (b) Distinction between Direct tax and Indirect tax.

17. (a) X' had the following income during the previous year 31-3-2019.

(i)	Salary received in India for three months	9,000
(ii)	Income from house property in India	13,470
(iii)	Interest on savings Bank Deposit in SBI	1,000
(iv)	Amount brought into India out of the past Untaxed profits earned in Germany	20,000
(v)	Income from agriculture in Indonesia being Invested in India	12,350
(vi)	Income from business in Bangladesh, being controlled from India.	10,150
(vii)	Dividends received in Belgium from French companies out of which Rs. 2,500 were remitted to India	23,000

You are required to compute his total income for the assessment year 2019—20, if he is

- (1) Resident
- (2) Not ordinary Resident and
- (3) Non — Resident.

Or

- (b) Explain any eight exempted incomes.

18. (a) Write a short note on the following:

- (i) House rent allowances
- (ii) Perquisites
- (iii) Entertainment allowances

Or

- (b) Mr. Z gets a salary of Rs.33,000 p.m. and he has been provided with rent-free furnished accommodation at Karnal (Population 7.5 lakhs). The fair rental value of the unfurnished house is Rs. 60,000 p.a. He gets D.A.@ 40% of salary which is given as per terms of employment. He gets education allowance of Rs. 500 p.m. for education of his son. The cost of furnishing of the house is Rs. 2,30,000. The employee has been provided with hired air conditioner for five months and hire charges of Rs. 1,000 p.m. are paid by the employer. Compute his gross salary.