

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2018

(CCSS)

BC 6B 12—INCOME-TAX LAW AND PRACTICE

Time : Three Hours

Maximum : 30 Weightage

I. Objective Type Questions. Answer all questions :

A. Choose the correct answer :

1 The highest authority of Income Tax is _____.

- (a) Income Tax Officer. (b) CBDT.
(c) Tax Recovery Officer. (d) Finance Minister.

2 Any remuneration received by a partner from a firm is taxable under the head _____.

- (a) Business income. (b) Salary.
(c) Capital gain. (d) Income from other sources.

3 The rent fixed as per Municipal valuation is called _____.

- (a) Annual value. (b) Standard rent.
(c) Municipal value. (d) Fair rental value.

4 The rate of tax on long term capital gain is _____.

- (a) 15 %. (b) 20 %.
(c) 30 %. (d) 5 %.

B. Fill in the blanks :

5 Decrease in the value of an asset due to usage is called _____.

6 Any gain arising from the transfer of a short term capital asset is called _____.

7 Interest on post office savings bank is _____ from tax.

8 Donations to notified funds are deducted from Gross total income under section _____.

C. Answer in one word :

9 Mention the amount of exemption from education allowance for children.

10 HRA stands for ?

11 What is the maximum amount of deduction under Section 80 D ?

12 What is the rate of standard deduction from net annual value ?

(12 × ¼ = 3 weightage)

Turn over

II. Short answer type questions. Answer *all* nine questions :

- ✓ 13 Define Capital gain.
- ✓ 14 Who is a person for taxation purpose ?
- ✓ 15 How is the reimbursement of medical expenses for treatment in a private hospital taken for tax purpose ?
- ✓ 16 Mention any *two* items of allowable expenses deductible U/S 37, from business income.
- ✓ 17 What is the deduction for commutation of pension in case of non Government. employees who receive gratuity ?
- 18 Mention the amount of deduction available to an individual under Section. 80DDB and for what.
- ✓ 19 How will you gross up the net income received by way of winning from lottery ?
- ✓ 20 Mr. A, who is a Government. employee is living in a furnished house provided by the Government. free of rent. The rent as per Government. rule is Rs.12,000. He is provided with furniture costing Rs.1,20,000. Find out the value of rent free house.
- 21 Mr. Ajith has a total income of Rs. 2,90,000 including Rs.1,00,000 lottery winning, for the A.Y. 2011-12. Find out tax payable by him.

(9 × 1 = 9 weightage)

II. Short Essay or Paragraph questions. Answer any *five* questions :

- ✓ 22 Mention any *six* incomes taxable under the head Income from other source.
- ✓ 23 Which are the expenses that are ~~expressly disallowed while computing business income ?~~
- 24 Mr. John an Indian citizen came to India for a visit for 7 months on 15-10-2010. From 2006-07 to 2009-10, he stayed in India for 689 days for different years. Determine his residential status for the Assessment Year 2011-12.
- 25 Mr. Ram is a Government. employee. He draws a monthly salary of Rs.20,000 and Rs.500 per month as entertainment allowance. Find out the amount of deduction for entertainment allowance.
- 26 Mr. A is the owner of a house property whose Municipal Value is Rs.30,000 and FRV is Rs. 45,000. The house is let out on an annual rent of Rs. 60,000. He paid municipal tax Rs. 3,000 for the previous year. Find out income from house property for the Assessment year 2011-12, considering that he paid interest on loan Rs. 8,000.
- 27 Calculate depreciation allowable for the Assessment Year 2011-12 for the following assets. Written down value of a building on 1-4-2010 - Rs. 2,50,000. (Rate 10%) Cost of new building bought on 01-11-2010 - Rs.1,50,000; Computers - 1,80,000 (rate 60%) Furniture and fittings -1,20,000 (rate 10%).
- 28 Mr. Vijay had the following income during the year 2010-11 :
Interest on bank deposits - Rs. 4,000 ; Interest on Government. securities - Rs. 8,000 ; Income from Mutual fund Rs.5,000 ; Winning from lottery - Rs. 10,000 ; Winning from horse race - Rs. 5,000 ; He claimed deduction for collection charges for interest Rs. 100 and Rs. 1,000 for cost of lottery tickets. Compute income from other source for the Assessment Year 2011-12.

(5 × 2 = 10 weightage)

IV. Essay questions. Answer any *two* questions. Each question carries a weightage of 4 :

29 Explain the provisions of Income Tax Act relating to the clubbing of income.

30 Following are the particulars of the income of Sri Gopinath for the Assessment Year 2011-12 :—

Basic Salary - Rs. 8,000 per month. DA (Enters into retirement benefits) - Rs. 2,000 per month. Bonus - Rs. 8,000 per annum. Entertainment Allowance - Rs. 500 per month. His and employers contribution to RPF at 15% - Rs.15,000. Interest on RPF at 9.5% - Rs. 1,900.

Rent free accommodation provided by the employer at Kanpur (Population exceeding 25 lakh) the fair rental value of which is Rs. 30,000. Cost of furniture provided to him is Rs. 10,000. Free use of a large motor car for both official and personal purposes with driver is also provided by the employer. Compute taxable salary for the assessment year 2011-12.

31 Mr. Mahesh had two houses. He purchased the first house for Rs. 56,000 in 1979 and its fair market value on 1.4.1981 was Rs. 70,000. He spent Rs. 5,000 on its improvement on 10-9-2010 and sold it in Nov. 2010 for Rs. 10 lakh. The second house purchased for Rs. 2,25,000 in 1987-88 was sold in June 2010 for Rs. 9,20,000. He had purchased some Jewellery in 87-88 for Rs. 75,000. This was sold for Rs. 6 lakh in March 2011. He purchased new jewellery for Rs.3 lakh in March 2011. Determine taxable capital gain for the assessment year 2011-12. Cost inflation index - 1981—82 = 100, 1987—88 = 150 and 2010—11 = 711.

(2 × 4 = 8 weightage)