

**SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH/APRIL 2018**

(CUCBCSS—UG)

BCM 6B 12—INCOME TAX LAW AND PRACTICE

Time : Three Hours

Maximum : 80 Marks

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

I. Choose the most appropriate answer from the following :

- 1 The aggregate of incomes under various heads after making deductions under Chapter VI A of the Income Tax Act is called ———.
  - (a) Gross total Income.
  - (b) Net Income.
  - (c) Total Income.
  - (d) Net Taxable Income.
- 2 The income Tax Act 1961 defines term person as per ———.
  - (a) Sec. 2 (24).
  - (b) Sec. 2 (30).
  - (c) Sec. 2 (31).
  - (d) Sec. 3.
- 3 Annual accretion is in relation to ———.
  - (a) Statutory Provident Fund.
  - (b) Recognised Provident Fund.
  - (c) Unrecognised Provident Fund.
  - (d) Public Provident Fund.
- 4 Profits in lieu of salary include ———.
  - (a) DCRG.
  - (b) Payment from statutory provident fund.
  - (c) Payment received under Keyman Insurance Policy.
  - (d) All of the above.
- 5 Pre-construction period interest is deductible in ———.
  - (a) Three equal instalments.
  - (b) Five equal instalments.
  - (c) Ten equal instalments.
  - (d) Fully in a year.
- 6 The company whose undertaking is transferred, pursuant to a demerger, to a resulting company is ———.

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- 7 Capital gains from agricultural land, invested in new agricultural land get exemption under section \_\_\_\_\_.
- 8 Selling securities cum-interest and buying back the same, ex-interest after the due date of interest, is called \_\_\_\_\_.
- 9 Interest on own contribution to the unrecognised provident fund is taxable under the head \_\_\_\_\_.
- 10 Depreciation which could not be claimed due to insufficiency of profits is called \_\_\_\_\_.

(10 × 1 = 10 marks)

### Part II

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

- 11 What is previous year ?
- 12 What is maximum marginal rate ?
- 13 State any *two* situations of accelerated assessment.
- 14 Who is a specified employee for the purpose of taxation of perquisites ?
- 15 State the provisions of Income Tax Act regarding taxation of entertainment allowance.
- 16 How expected rent is calculated under income from house property ?
- 17 State the rule 4 in respect of deduction of unrealised rent in computing income from house property.
- 18 How is cost of bonus share determined ?
- 19 What are the deductions admissible in computing income from other sources ?
- 20 State the deductions under section 80 DD.

(8 × 2 = 16 marks)

### Part III

*Answer any six questions.  
Each question carries 4 marks.*

- 21 State any *eight* items of income exempt from tax.
- 22 Explain the taxation of House Rent Allowance.
- 23 State the expenses which are expressly disallowed in computing profits and gains of business or profession.
- 24 Mr. Ashok, an Indian citizen, is employed in London since 2001. He comes to India every year for two months to spend his holidays. However during the year 2016-17, he came to India on leave-and spent 181 days in Kerala. Determine his residential status for the previous year 2016-17.

- 25 A company took a house on rent and allotted to its employee. From the following information find out the value of perquisite of accommodation :

	Rs.
Rent paid for the year	... 60,000
Salary	... 5,00,000
Cost of furniture provided in the house	... 60,000
Rent charged from employee per month	... 1,000

- 26 From the following information, compute depreciation allowable for the Assessment Year 2017-18 :

	Rs.
W.D.V of furniture on 1-4-2016	... 1,10,000
Furniture purchased in June, 2016	... 15,000
Furniture purchased in January, 2017	... 20,000
Part of furniture sold in February, 2017	... 3,000

Rate of depreciation 10 %.

27. Mr. Ashraf purchased shares in Indian companies as investments on June 10, 2015 for Rs. 1,20,000. On June 1, 2016 he started a business as a dealer in shares and transferred the entire holdings to the business. The market value of the shares as on that date was Rs. 1,60,000. These shares were sold by him for Rs. 2,00,000 on October 20, 2016. Compute gains.
- 28 From the following particulars of income and losses calculate the gross total income of an individual after set off losses for the current assessment year :

	Rs.
Income from house property A	... 50,000
Loss from house property B	... 80,000
Income from interest on securities	... 2,00,000
Loss from cycle business	... 2,00,000
Profit from speculation business	... 2,00,000
Gain from short term capital asset	... 2,50,000
Long-term capital loss	... 60,000
Long-term capital gains	... 2,10,000

(6 × 4 = 24 marks)

#### Part IV

Answer any two questions.  
Each question carries 15 marks.

- 29 What are tax free perquisites ?

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- 30 Mr. John is an employee of a company in Mumbai. He gets monthly salary Rs. 20,000, D. A. Rs. 5,000 per month, bonus Rs. 3,000 per month and entertainment allowance Rs. 2,000 per month. He paid tax on employment Rs. 5,000 during the financial year 2016-17. He has been provided a rent free unfurnished house. He owns two houses He claims that both houses are self occupied. The following details are available :

	House I Rs.	House II Rs.
Fair rental value	1,50,000	2,00,000
Municipal valuation	1,60,000	3,50,000
Standard rent.	1,80,000	3,00,000
Municipal taxes paid	10 %	10 %
Repairs, insurance and land revenue	40,000	60,000
Ground rent	10,000	20,000
Interest on capital borrowed	40,000	1,70,000
Loan taken on	1.1.1999	1.1.2006

Determine total income of Mr. John for the Assessment Year 2017-18.

- 31 Mr. Singh has the following investments in the previous year ended 31<sup>st</sup> March, 2017 :—

	Rs.
10 % Karnataka State Govt. Loan	11,000
13.5 % Debentures of LMT Ltd. (listed)	30,000
11 % Securities of Sugar Mill Co. (not listed)	35,000
10 % Tax-free commercial securities (listed)	32,000
Received as interest on Tamil Nadu Govt. Securities	3,580
Received as interest on the securities of a Paper Mill Company (not listed)	3,600
Received as interest on the securities of Textile Company (listed)	4,500

Interest on all securities is payable on 30th June and 31st December.

He was also a director in a company from which he received Rs. 3,000 as director's fees

His other incomes are :

	Rs.
Winning from lottery	25,000
Income from agriculture in Sri. Lanka	10,000
Winning from Horse race	15,000
Interest on Post Office Savings Bank Account	2,000

Find out his taxable 'Income from Other Sources' for the Assessment Year 2017-18.

(2 × 15 = 30 marks)