

M.Com. DEGREE (C.S.S.) EXAMINATION, JUNE 2016**Fourth Semester**

Faculty of Commerce

Elective—Finance

DT 04 C17—DIRECT TAXES – ASSESSMENT AND PROCEDURES

(2012 Admissions—Regular)

[Common for all electives]

Time : Three Hours

Maximum Weight : 30

Part A*Answer any five questions.**1 weight each.*

1. State the provisions of the Income Tax Act in respect of income escaping assessment.
2. What are the provisions regarding deduction of tax at source under the head salaries ?
3. Explain the procedure for valuing business assets for wealth tax purpose.
4. Distinguish between Tax planning and Tax management.
5. Explain the general principles of imposing penalty under Income Tax Act, 1961.
6. Write a note on 'income escaping assessment'.
7. Describe the organisation of the Income Tax Department.
8. From the following information compute the total income of the firm and tax payable by it for the Assessment Year 2015–16 :
 - (a) Profit from processing of fruits Rs. 4,00,000. The business commenced in February 2007.
 - (b) Profit from business of poultry breeding Rs. 3,00,000.
 - (c) Short-term capital loss Rs. 2,00,000.
 - (d) Long-term capital gain Rs. 4,00,000.
 - (e) Interest from bank Rs. 80,000.
 - (f) Donation to approved charitable institution by cheque Rs. 1,50,000.

(5 × 1 = 5)

Turn over

Part B

*Answer any five questions.
2 weight each.*

9. Explain the basis and procedure of assessment of a Hindu Undivided Family.
10. What is PAN ? Give examples of ten transactions where quoting PAN is compulsory.
11. What do you understand by Advance Payment of Tax ? Explain the provisions of Income Tax Act in this respect.
12. Explain the need and limitations of tax planning.
13. The following informations are given in respect of Dr. (Mrs.) K.N. Mehra, aged 67 years and is a resident of India. Compute tax liability for the assessment year 2015-16 :
 - (a) Pension per month Rs. 6,750.
 - (b) Interest on Bank time deposit Rs. 10,000.
 - (c) Dividend received on unit of Unit Trust of India – Rs. 8,000.
 - (d) She deposited in P.P.F. during the previous year Rs. 10,000.
 - (e) Received share in the income of Hindu Undivided Family Rs. 8,000.
 - (f) Head Examinership remuneration received – Rs. 4,500.
 - (g) Income from business Rs. 5,00,000.
14. From the following information compute the taxable income and tax liability of Hindu Undivided Family for Assessment year 2015-16 :

	Rs.
Rent received from House property	: 6,000 p.m.
Municipal valuation	: 50,000
Local taxes (10%)	
Income from business	: 2,90,000
Short-term capital gain	: 15,000
Long-term capital gain	: 30,000
Dividend received from U.T.I.	: 10,000
Income from Lottery (Gross)	: 50,000

15. The profit and loss account of a professional partnership is as follows :

	Rs.		Rs.
House Tax	... 1,000	Gross profit	... 1,00,000
Other expenses	... 1,30,000	Rent of House property	... 10,000
Remuneration to working partners as per deed	... 80,000	Capital gains	... 20,000
		Net loss	... 81,000
	<u>2,11,000</u>		<u>2,11,000</u>

Out of other expenses Rs. 20,000 are not deductible. Compute the total income of the firm.

16. Following are the incomes of a domestic company for the year ended 31st March 2015 :

- Business profit Rs. 4,20,000.
- Dividend from an Indian public sector company (Gross) Rs. 10,000.
- Dividend from an Indian company whose 80% income is agricultural income (Gross) Rs. 9,000.
- Income from Mutual Fund (Gross) Rs. 5,000.
- Royalty received from a foreign concern for providing technical knowledge Rs. 16,000.
- Fee from an Indian company for technical advise Rs. 12,000.
- Dividend from a foreign company Rs. 8,000.
- Company has donated to National Rural Development Fund during the previous year Rs. 8,000.

Compute the total income of the company for the assessment year 2015-16. Find out gross tax liability if the book profit of the company is Rs. 7,00,000 u/s 115 JB.

(5 × 2 = 10)

Part C

Answer any **three** questions.
5 weight each.

- What are the various authorities envisaged in the Indian Income Tax Law and what are their functions ?
- What is meant by 'Assessment' ? Explain various types of assessment.
- What do you understand by 'Advance payment of Tax' ? Explain clearly the provisions of the Income Tax Act in this respect.

Turn over

20. The Profit and Loss Account of X Ltd, a domestic company for the year ended 31st March 2015 is given below :

Profit and Loss Account

	Rs.		Rs.
Expenses related to		Sale of goods manufactured	
goods manufactured	... 10,00,000	by the company	... 16,00,000
Expenses related to		Sale of other goods	... 14,50,000
Sale of other goods	... 8,20,000	Long term capital gain	... 5,70,000
Preposed dividend	... 8,05,000	Amount withdrawn	
Provision for unascertained		from General Reserve	... 20,000
liabilities	... 40,000		
General Reserve	... 60,000		
Income Tax paid	... 30,000		
Wealth Tax paid	... 45,000		
Net profit	... 8,40,000		
	<hr/>		<hr/>
Total	36,40,000		36,40,000
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Other Information :

- (a) An outstanding liability related to sales tax for 2012-13 paid during 2014-15 Rs. 50,000 which was not charged to above profit and loss account.
- (b) Brought forward loss as per books of account is Rs. 60,000, while the brought forward depreciation as per books of account is Rs. 80,000.
- (c) Brought forward unabsorbed depreciation is Rs. 4,60,000.
- (d) Brought forward loss under the head capital gain Rs. 3,50,000. Compute the tax liability of X Ltd. for the Assessment Year 2015-16.

21. The Profit and Loss account of M/s. XY Glass Works for the year ended 31st March 2015 is :

	Rs.		Rs.
Stock	... 1,30,000	Sales	... 4,50,000
Purchases	... 1,50,000	Stock	... 25,000
Penalties and Fines	... 59,000	Rent from H.P.	... 12,000

Office expenses	...	6,000	
Selling expenses	...	8,000	
Interest to partners	...	6,000	
Net profit	...	1,28,000	
		<hr/>	<hr/>
		4,87,000	4,87,000
		<hr/>	<hr/>

- (a) Interest of Rs. 6,000 at 8% has been paid X on capital.
- (b) Penalties and fines have been levied because of illegal sale and purchase of glass.
- (c) Remuneration payable to partners : X – Rs. 2,00,000 and Y – Rs. 1,00,000 has not been debited to Profit and Loss Account.
- (d) X and Y are equal partners in the firm. Compute the tax payable by the firm and total income of the partners.
22. The following details have been supplied by the Karta of a H.U.F. Compute the total income and the tax payable :
- (a) Profit from business Rs. 2,92,000.
- (b) Salary received by a member of family for services rendered elsewhere Rs. 36,000.
- (c) Rent from let out property Rs. 12,000 p.a.
- (d) Municipal taxes paid there on Rs. 1,000.
- (e) Annual Municipal value of the joint family house Rs. 24,000. Municipal taxes paid Rs. 3,000. Interest on loan taken for construction Rs. 22,000 on loan taken for extension Rs. 10,000.
- (f) Dividend from companies (gross) Rs. 10,000. Directors' fees Rs. 5,000.
- (g) Interest on Bank Time Deposit Rs. 24,000.
- (h) Long-term capital gains Rs. 25,000.
- (i) Donation to Government for family planning by cheque : Rs. 8,320.
- (j) Interest on capital from a firm Rs. 18,000 (12%).

- (k) Salary received by Karta from the firm for his services Rs. 40,000.
- (l) Share of profits from firm Rs. 36,000.
- (m) Medical insurance premium on the health of the members Rs. 8,500.
- (n) Advance Tax paid Rs. 1,000.
- (o) Insurance premium paid on LIC policies Rs. 51,000.

The Income tax Officer has found Rs. 10,000 paid as salary to a member of the family as unreasonable. Depreciation was found to be in excess by Rs. 2,000.

(3 × 5 = 15)