

**M.Com. DEGREE (C.S.S.) EXAMINATION, JANUARY 2015****Third Semester****Faculty of Commerce****DT 03 C12—DIRECT TAXES—LAW AND PRACTICE****(2012 Admission onwards)****Time : Three Hours****Maximum Weight : 30****Section A**

*Answer any five questions.  
Each question carries a weight of 1.*

1. Discuss the following terms :—

- (a) Previous Year.
- (b) Assessee.
- (c) Income.

2. What are the provisions of the Income Tax Act regarding leave travel concession ?

3. What do you understand by Unabsorbed Depreciation ?

4. Write a note on Bond Washing Transactions.

5. What do you understand by Aggregation of Income ?

6. State the provisions regarding set-off speculation losses.

7. Who is a Deemed Assessee ?

8. Mr. Arun is employed in Alpha Co. at Rs. 12,000 per month. He is a member of Recognized Provident Fund to which he and his employer contribute 14 % of his salary. During the year he was given credit of Rs. 4, 200 as interest on the provident fund balance of Rs. 40,000. Calculate the taxable amount of annual accretion to be included in his income under the head 'salaries' for assessment year 2013-14 ?

(5 × 1 = 5)

**Turn over**



**Section B**

*Answer any five questions.  
Each question carries a weight of 2.*

9. Income tax is charged on the income of the 'Previous Year'. Do you fully agree with this statement? If not, what are the exceptions?
10. Following are the particulars of taxable income of Shri Manu for the previous year ended 31<sup>st</sup> March, 2013 : Calculate his total income if he is a Not Ordinarily Resident.
  - (a) Royalty received from Govt. of India—Rs. 25,000.
  - (b) Income from business earned in Srilanka—Rs. 10,000 of which Rs. 5,850 were received in Kanpur. Business is controlled from India.
  - (c) Interest on U.K. Development Bonds—Rs. 19,000.
  - (d) Dividend from an Indian Company—Rs. 50,000.
  - (e) Share of profit from a firm in India, Rs. 50,000.
11. Mr. Manoj is appointed at Mumbai. He stayed in a hotel for 50 days and thereafter shifted in a house provided by the employer. From the following information determine the taxable value of perquisite, stay in hotel
  - (a) Room rent in hotel Rs. 2,000 per day.
  - (b) Salary for valuation of accommodation during the P.Y. Rs. 7,30,000.
  - (c) The employer recovered Rs. 200 per day from Mr. Manoj regarding stay in hotel.
12. After serving for 32 years and 8 months in Solar Ltd. ; Mr. Joy who is covered under the payment of Gratuity Act retires from service on 30<sup>th</sup> December 2012. The employer pays him a gratuity of Rs. 10,00,000 . His monthly basic salary at the time of retirement was Rs. 32,500, D.A. Rs. 12,000 and HRA Rs. 5,900. Compute the exempted amount of gratuity?
13. Briefly explain the rule of Earned Leave Salary.



14. Mr. Kiran is the owner of a house at Delhi, particulars in respect of which for the year ended 31<sup>st</sup> March, 2013 are as below :

(a) Actual rent received	... Rs. 9,000
(b) Municipal Value	... Rs. 8,400
(c) Total Municipal Tax	... Rs. 1,260
(d) Municipal Tax paid by Mr. Kiran	... Rs. 840
(e) Municipal Tax paid by tenant	... Rs. 420
(f) Interest on loan taken for renewing the house	... Rs. 300
(g) Unrealised rent allowed in the A.Y. 2009-10 recovered during the year	... Rs. 4,000

Compute Mr. Kiran's Income from House Property for the A.Y. 2013-14.

15. The Net profit of Mr. Rajeev of Madurai as per his profit and loss are for the year ended 31<sup>st</sup> March 2013 after charging the following item was Rs. 4,80,000:

(a) Interest on capital	Rs. 40,000
(b) Salary to staff	Rs. 2,32,000
(c) Office Expenses	Rs. 6,000
(d) Bad debts written-off	Rs. 26,000
(e) Provision for bad debts	Rs. 20,000
(f) Provision for income tax	Rs. 32,000
(g) Donation	Rs. 20,000
(h) Depreciation	Rs. 34,000

Depreciations allowable as per the Act is only Rs. 24,000.

Compute income from business.

16. Mr. Raju purchases 1000 Equity Shares of Rs. 10 each for Rs. 80 per share in 1987-88 and incurs an expenditure of Rs. 800 on brokerage. In May 1991, he receives 200 bonus shares. In Sept. 2011 he gets 200 right shares for Rs. 40 each. He sold 200 bonus shares in Nov. 2011 at Rs. 180 per shares and 200 rights shares at 60 per share in Dec. 2011. Find out the capital gains for the Assessment Year 2012-13. The cost of inflation index for 1991-92 is 199 and for 2011-12 it is 785.

(5 × 2 = 10)



### Section C

Answer any **three** questions.  
Each question carries a weight of 5.

17. Briefly explain the provisions for deductions from Gross Total Income under chapter VIA of the Income Tax Act.
18. Mrs. Mohan has the following investments for the previous year ended 31<sup>st</sup> March 2013
- 10 % Rs. 30,000 tax free Govt. Securities.
  - 10 % Rs. 40,000 Karnataka Govt. loan.
  - 10 % Rs. 36,000 tax-free debentures (listed) of a company.
  - 10 % Rs. 20,000 debentures (listed) of a tea company.
  - Rs. 7,200 received as interest on debentures of a company (not listed)
  - Interest (gross) on deposits with a company Rs. 10,000
  - University remuneration for working as examiner Rs.16,000.
  - Royalty for writing books Rs. 80,000, actual expenses spent by him for writing the book is Rs.20,000.
  - Dividend declared by a domestic company on 1-3-2013, but paid on 1-5-2013 (Gross) Rs. 12,000.
  - Interim Dividend declared on 1-3-2013, but paid on 1-5-2013 Rs. 6,000.
  - Family pension received – Rs. 48,000.
  - Interest on NSC VIII<sup>th</sup> issue Rs. 5,900.
  - Gift of jewellery from a friend Rs. 60,000.

She paid commission to her bank Rs. 500 for collecting the amounts. Compute the taxable "Income from other sources" for the A.Y.2013-14.

19. Dr. Rajan is a Medical Practitioner. He gives you the following summary of cash book for the previous year :

	Rs.		Rs.
To Balance	10,000	By Rent of clinic	18,000
Consultation fee	60,000	Purchase of medicine	38,000
Visiting fees	45,000	Staff salaries	24,000
Gifts and presents	8,000	Surgical equipments	40,000
Sale of medicine	42,000	Motor car expenses	8,000
Dividends from UTI	6,000	Purchase of car	1,40,000
Life Insurance maturity	1,00,000	Household expenses	7,000
Dividend on shares	6,000	Closing balance	2,000
	<u>2,77,000</u>		<u>2,77,000</u>



Other information :

- 1 50 % of the motor car expenses are incurred in connection with profession. Car was purchased in December 2011.
- 2 Household expenses include Rs. 6,800 insurance premium.
- 3 Gift and presents include Rs. 3,000 from relatives.
- 4 Closing stock for medicine Rs. 12,000 and Opening stock on 1-4-2012 was Rs. 4,000.
- 5 Depreciation of car as per Rules 20 % and surgical equipment 25 %.

Compute his taxable income from profession.

20. Mr. Deepak gives the following particulars of his income for the year ending 31-3-2013 :

*Determine the taxable income of Deepak for the AY 2013-14.*

	Rs.
1 Salary (after deduction of tax at source and own contribution to RPF at 15 % of basic salary) ...	1,57,700
2 Tax deducted at source ...	3,500
3 Employers contribution to provident fund ...	10,800
4 Interest credited on 31-3-2012 at 10.5 % to RPF ...	1,050
5 Allowance for holiday trip ...	1,800
6 Academic research allowance for training of Deepak (expenditure incurred Rs. 4,000) ...	10000
7 House Rent Allowance (Rent paid for a house at Poona Rs. 9,000) ...	17000
8 Deepak pays life insurance premium of Rs. 16600 on own Life Insurance Policy and Rs. 3,000 towards ULIP	
9 His income from other sources ...	86,920.

21. Anand owns a house in Bangalore. During the Previous year 2012-13, 3/4th portion of the house was self occupied and 1/4th portion was let out for residential purposes at a rent of Rs 12,000 p.m. The tenant vacated the property on 28 February 2013. The property was vacant during March 2013. Rent for the months of January and February 2013 could not be realized in spite of owner's efforts. All the conditions prescribed under Rule 4 are satisfied.

The other details of the entire property are given below :

Municipal value	p.a	4, 00,000
Fair rent	p.a	4, 00,000
Standard rent	p.a	4, 80,000
Municipal tax paid By Anand		40,000



A loan of Rs. 30,00,000 was taken by him during the year 2006 for acquiring property, interest on loan paid during the PY 2012—13 was Rs. 1,48,000. Compute Anand's income from House property for the AY 2013-14.

22. Briefly explain the following :—

- (a) Rule for Rent Free Accommodation.
- (b) Difference between Capital and Revenue Expenditure.
- (c) Rule for the perquisite Motor Car.
- (d) Rule for Key man insurance policy.
- (e) Transferred Balance

(3 × 5 = 15)