

**Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University) Coimbatore-641 043
Bachelor's Degree Examination – November 2018
V Semester**

**Class : III UG
Major : Commerce**

**Time :3 hours
Max. Marks: 100**

15BCOC17 Income Tax Law and Practice - I

Part-A

10 x 1=10

Choose the correct answer

1. The year in which tax is calculated for the income earned last year is _____.
a. Previous year b. Current year c. Assessment year d. Calendar year
2. Agriculture income is _____.
a. Fully exempted b. Partially exempted c. Fully taxable d. Not exempted
3. Education allowance is exempted upto _____ per child for two children only.
a. 100 p.m. b. 200 p.m. c. 300 p.m. d. 400 p.m.
4. If an employee is living in his own house, HRA is _____.
a. Fully Taxable b. Exempted as per conditions
c. Fully exempted d. Partially taxable
5. The deductions are allowable u/s _____ for the house property.
a. 21 b. 23 c. 22 d. 24
6. Annual value of the vacant house property referred to in sec 23(2)(b) shall be _____.
a. Municipal value b. Fair rent c. Standard rent d. Nil
7. Income earned from illegal business is _____.
a. Exempted income b. Taxable income
c. Casual income d. Income from other sources
8. Depreciation allowable on Patent right is _____ under the head Professional income.
a. 20% b. 25% c. 40% d. 50%
9. Capital gain on transfer of residential house are dealt u/s _____.
a. 54 b. 54B c. 54D d. 54EC
10. Tax deducted at source for winnings from lotteries is made if the prize amount exceeds
a. 2500 b. 5000 c. 10000 d. 7500

Part B

5 X 6=30

Answer the following

Answer should not exceed 400 words or two pages

- 11.a. Explain the term "Assessee" under Income Tax Act.
(or)
- 11.b. Ascertain the residential status of the assessee in the following case for the assessment year 2018 – 2019. Ajay is a citizen of India. He left for Iran on 18th May, 2017 and could not return to India till the end of the financial year 2017 – 18.
- 12.a. From the following details calculate taxable HRA of Mr. Thanu who is working and living at Coimbatore
Basic Salary Rs. 78,000
Dearness Allowance (forming part of salary) Rs. 7,800
House Rent Allowance Rs.11,700
Rent paid Rs.13,200
(or)
- 12.b. Explain Gross Salary.
- 13.a. State the deductions made from House Property.
(or)
- 13.b. Calculate ARV from the following:
Actual rent Rs. 6,000 p.m. MRV Rs. 60,000 p.a.
FRV Rs. 66,000 p.a. Standard rent Rs. 69,000 p.a.
During the previous year assessee could not realise rent for one month.
- 14.a. From the following Profit & Loss account, compute taxable business profit

Profit & Loss Account			
Particulars	Amount	Particulars	Amount
To Office salary	6,500	By Gross profit	36,750
To Bad debts	1,700	By Commission	1,250
To Provision for bad debts	3,000	By Discount	500
To Advertisement	3,800	By Sundry receipts	200
To Fire Insurance premium		By Rent of building	3,600
(House property)	550	By Profit on sale of investment	3,000
To General expenses	2,750		
To Depreciation	1,200		
To Interest on capital	2,000		
To Donation	1,300		
To Net profit	<u>22,500</u>		
	<u>45,300</u>		<u>45,300</u>

The amount of depreciation is Rs. 1000.

(or)

14.b. What are the admissible deductions while computing Income from business?

15.a. Sri furnishes the following particulars of his income

i) Dividend from an Indian company	Rs. 600
ii) Dividend on Preference shares	Rs. 3,200
iii) Income from letting on hire of Building and Machinery	Rs. 17,000
iv) Interest on bank deposits	Rs. 2,500
v) Director's sitting fees	Rs. 1,200
vi) Ground rent	Rs. 600
vii) Income from undisclosed sources	Rs. 10,000
viii) Income from lotteries (Gross)	Rs. 10,000

Calculate Income from other sources.

(or)

15.b. Explain the exemptions to be allowed with regard to Capital Gains.

Part C

5 x 12=60

Answer the following

Answer should not exceed 800 words or four pages

16.a. Explain briefly any ten exempted incomes.

(or)

16.b. Which of the following income are taxable when the residential status of Ram is

a) Resident b) Not ordinary resident c) Non resident

1. Share of income from a business in India	Rs. 10,000
2. Dividend	Rs. 1,000
3. Income from agriculture in Pakistan	Rs. 20,000
4. Salary received in India but services rendered in Iran	Rs. 9,800
5. Income from business in Pakistan but controlled in India	Rs. 10,000
6. Income earned and received in Pakistan from bank deposits	Rs. 5,000
7. Income accrued in India but received in Iran	Rs. 10,000

17.a. Compute taxable income from salaries of Mr. Ram

Salary	Rs. 8,000 p.m.
Arrears of salary	Rs. 4,000 p.a.
D.A.	Rs. 2,000 p.m.
Employer is paying insurance premium of Rs. 16,000 p.a. on Ram's life	
Bonus received	Rs. 15,000
Education allowance for Grandchild	Rs. 400 p.m.
Cash gift	Rs. 10,000
City Compensatory Allowance	Rs. 12,000 p.a.

: 3 :

- Medical expenses paid by employer Rs. 6,000
- He and his employer contributes 15% of his salary to RPF
- He is given lunch allowance @ Rs. 100 per day for 250 days.

(or)

17.b. Explain types of perks.

18.a. Compute Income from House property of Mr. X.

	A	B	C	Self occupied
MRV	30,000	30,000	60,000	90,000
FRV	32,000	28,000	66,000	----
Standard Rent	34,000	40,000	50,000	----
Actual Rent	38,000	32,000	48,000	----
Municipal taxes – Paid	2,000	4,000	----	9,000

(or)

18.b. Mr. X has two houses; First, Whose municipal valuation is Rs. 37500 is kept by him for his own residence and the second, whose municipal valuation is Rs. 50000 has been let out @ Rs. 5000 p.m. Following are the expenses relating to these two houses:

	First House (Rs.)	Second House (Rs.)
Municipal tax	6,000	10,000
Land revenue	100	125
Interest on loan taken for construction of house	32,000	2,100
Fire insurance premium	450	1,200

Compute Income from house property for the Assessment year 2018 – 19.

19.a. What are the charging provision u/s 28 under the head "Profits & Gains of Business or Profession"?

(or)

19.b. Following is the profit and loss account of Kesari for the previous year

Profit and Loss Account			
Particulars	Amount	Particulars	Amount
To salaries	25,650	By Gross profit	80,000
To Rent	1,000	By Bank interest	450
To Commission on sales	100	By Bad debts recovered	
To Income tax	2,600	allowed earlier	2,000
To Entertainment expenses	600	By Rent from house property	4,800
To Commission paid to	25	By Interest on commercial	
Collect interest on securities		securities	2,000
To Embezzlement by cashier	1,000		
To Municipal tax of H.P.	600		
To Bad debts	450		
To Repairs to house	1,625		
To Office expenses	9,180		
To Depreciation	5,000		
To LIC Premium	1,320		
To Net profit	40,100		
	<u>89,250</u>		<u>89,250</u>

Depreciation on the assets is Rs. 4500. Compute the taxable business income.

20.a. From the following particulars given by Ramesh, Compute the taxable Capital gain for the Assessment year 2018 – 19

Name of asset	Date of Purchase	Cost (Rs.)	Date of Sale (Rs.)	Sale Price (Rs.)	Expenses (Rs.)
Govt. Securities	1.10.2016	10,000	30.6.2017	15,000	200
Furniture (WDV on 1.4.17 Rs. 4000)	15.2.2003	5,000	20.2.2018	3,000	--
Land (Fair Market Value on 1.4.2001 Rs. 60000)	10..1.1992	12,000	6.1.2018	1,50,000	1,000
Residential house	1.12.2005	80,000	5.5.2017	4,00,000	2,000

The Assessee has no other residential house on 5.5.2017. He purchased a house for residential purposes on 20.3.2018 for Rs. 3,00,000. C.I.I. for 2017 -18 is 272, 2001 – 2002 is 100, 2002- 2003 is 105 and for 2005 -2006 is 117.

: 4 :

(or)

20.b. From the following information, compute income from other sources of Mr. XYZ

i) Interest on deposits with the Company	Rs. 20,000
ii) University remuneration for working as examiner	Rs. 10,000
iii) Royalty for writing books	Rs. 70,000
He claims to have spent Rs. 10000 on writing these books	
iv) Dividend declared by an Indian v Company	Rs. 4,000
v) 11000, 10% Central Government securities	
vi) Directors fees	Rs. 10,000
vii) Family pension received	Rs. 48,000
