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Reg. No.....

Name.....

M.Com. DEGREE (C.S.S.) EXAMINATION, FEBRUARY 2021

Third Semester

Faculty of Commerce

CM 010 302—INCOME TAX—LAW AND PRACTICE

[2019 Admissions]

(Common for all Branches)

Time : Three Hours

Maximum Weight : 30

Section A

*Answer any **eight** questions.*

*Answer shall not exceed **one** page.*

Weight 1 each.

1. What is transferred balance ?
2. Who is an Assessee in Default ?
3. Explain relief of tax ?
4. Explain about Presumptive taxation.
5. Explain Bond Washing Transaction.
6. Mr. Zuan a citizen of Japan came to India for the first time on 1-5-2014. He stayed here without any break for 3 years and left for Austratlia on 1-5-2017. He returned to India on 1-4-2018 and went back to Japan on 1-12-2018. He was posted back to India on 20-01-2020. Determine his residential status for the Assessment Year 2020-21.
7. Mr. Anand, an individual, purchased shares in Indian companies as investments on June 10, 2018 for Rs. 2,20,000. On June 1, 2019 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. 1,80,000. These shares were sold by Mr. Anand Rs. 3,00,000 on October 20, 2019. Compute income.
8. Compute income from other sources from the following information : 1) Interest on fixed deposit with bank—20,000, 2) Dividend received from Indian company—4,500, 3) Winning from horse race—2,000, 4) Income from agricultural land in Pakistan—10,000, 5) Rent from subletting a house—3,000.

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9. Mr. X resides in Delhi. He gets a basic salary of Rs. 5,00,000 and dearness pay Rs. 1,00,000 and house rent allowance of Rs. 1,20,000 per annum. He pays a rent of Rs. 1,40,000 per annum. Determine the amount of H.R.A chargeable to tax.
10. From the following information compute the annual value of the house : Fair rent—4,50,000, Municipal value—3,50,000, Standard rent—2,50,000, Actual rent—60,000 p.m, the building remained vacant for two months during the previous year. Unrealised rent Rs. 40,000. Conditions of Rule 4 are satisfied. Municipal tax paid by the owner Rs. 15,000 and by the tenant Rs. 15,000.

(8 × 1 = 8)

Section B

Answer any six questions.

Answer shall not exceed two pages.

Weight 2 each.

11. From the following particulars of Mr. Z, calculate his total income and net tax payable by him for the Assessment Year 2020-21. Rent from let out property—4,00,000, Long term capital gain—2,50,000, income from lottery (gross)—1,00,000, net agricultural income—50,000, payment of interest on loan taken for higher education—25,000, profit from own business—10,00,000.
12. Explain the provisions regarding set-off of losses.
13. Briefly explain any five deductions in Income Tax.
14. Explain about aggregation of Income.
15. Mr. A purchased a house in Gujarat in 1999 for Rs. 80,000 and added two rooms in the house at a cost of Rs. 30,000 in 2000. He added two bathrooms at a cost of 45,000 in May, 2003. On 1-1-2018 Mr. A agreed to sell the house to Mr. B who however failed to honour his promise, as a result, the advance money of Rs. 90,000 was forfeited by Mr. A. Mr. A sell the house on 1st July, 2019 for Rs. 29,00,000 and incurred Rs. 15,000 as advertisement expenses ; 4,50,000 as registration fees and selling commission. Mr. A also paid Rs. 4,00,000 to tenant for vacating the house property. Find out capital gains, if the fair market value of the house on 1st April, 2001 was Rs. 2,80,000. The cost inflation indices in 2001-02, 2003-04 and 2019-20 were 100, 109 and 289 respectively.





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16. Mr. Mukund an ordinarily resident in India earned the following incomes during the Financial year 2019-20 :

Income from agricultural land in Bangladesh	...	25,000
Interest on postal savings bank account	...	200
Ground rent for land in Rajasthan	...	6,000
Dividend from foreign company	...	1,000
Director's fees	...	4,000
Rent from sub-letting a house	...	30,000
Rent payable by Mr. Mukund for the sub-let house	...	22,000
Other expenses incurred on this sub-let house	...	2,000
Winning from Horse race	...	14,000
Interest on deposits with IFCI	...	600
Interest on securities	...	5,000

You are required to calculate 'Income from Other Sources' of Mr. Mukund for the Assessment Year 2020-21.

17. Mr. P retired on 10th April, 2019 after serving for 31 years and 7 months. He was getting a salary Rs. 20,000 p.m from 1.1.2018 to 31.12.2018 and thereafter Rs. 20,600 p.m. he received D.A @ Rs. 4,000 p.m (forming part of salary for computation of retirement benefits) and 2% commission on sales achieved by him. Turnover achieved him during 10 months (preceding the months in which he retired) Rs. 30,00,000. He received a gratuity of Rs. 5,50,000. Compute the exempted amount of gratuity. He is not covered under the payment of Gratuity Act.
18. The net profit of Mr. Devadath as per his profit and loss Account after charging the following items was Rs. 4,00,000 :

(a) Interest on capital	...	22,000
(b) Salary to staff	...	1,20,000
(c) Office expenses	...	4,000
(d) Bad debts written-off	...	14,000
(e) Provision for bad debts	...	12,000

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(f) Provision for income tax	...	17,000
(g) Donation	...	12,000
(h) Depreciation	...	16,000

Depreciation allowable as per the Act is only Rs. 14,000.

Compute income from the business.

(6 × 2 = 12)

Section C

Answer any two questions.

Answer shall not exceed five pages.

Weight 5 each.

19. Mr. Sushand has furnished the following details with regard to his salary income for the year ended 31st March, 2020 :

- (I) Salary at Rs. 12,000 per month .
- (II) Bonus at six months' salary.
- (III) Travelling allowance for a tour at Rs. 300 per month.
- (IV) Entertainment allowance of Rs. 500 per month.
- (V) Commission equal to four months" pay.
 - (a) He is also provided with a rent-free furnished quarter in a city (population 15 lakh), valued at Rs. 3,000 per month and furniture and fittings of the value of Rs. 10,000. He is also provided with free lunch at the company valued at Rs. 60 per meal for 300 working days.
 - (b) He claims :
 - (i) Electricity and water charges incurred by him for his residence Rs. 1,600 per annum.
 - (ii) Entertainment and travelling allowance in full.
 - (c) His contribution to the company's recognised provident fund is at Rs. 2,000 per month and the employer contributes an equal sum. The interest credited to the provident fund account is Rs. 12,000 at 9.5%. Compute his taxable salary.





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20. Mr. Mohan kumar is a Chartered Accountant. He has prepared the following income and expenditure account for the year ending 31st March, 2020 :

Income and Expenditure Account

Expenditure	Amount	Income	Amount
Office expenses	10,000	Audit fees	3,70,500
Employee's salary	5,000	Gift from Father in law	5,050
Books (other than annual publications)	500	Dividends	8,000
Personal expenses	2,17,000	Profit on sale of an asset	6,450
Donation to N.D.F.	500	Tax consultancy fees	2,50,000
Interest	700		
Income tax	1,13,300		
Car expenses	2,000		
Net Surplus	2,91,000		
	6,40,000		6,40,000

You are required to compute his personal income for the Assessment Year 2020-21 considering the following points :

The car is used equally in official and personal purposes and the depreciation allowed for official work is Rs. 500 ; b) Rs. 1,000 domestic servant salary is included in the employee's salary ; c) Loan has been taken to purchase an office building ; d) Mr. Mohan Kumar is the owner of a building. Its written down value is Rs. 80,000 on 1st April, 2019. The building is used for Mr. Mohan Kumar's office. Besides this furniture cost is Rs. 30,000. Its W.D.V on 1st April, 2019 is Rs. 20,000. Allowed depreciation @ 10% on building and @ 10% on furniture under Income Tax Act.

Allow depreciation on books @ 40%.

21. Mr. Dayal is a Government employee working in Trivandrum. He gives the following details :
- Salary Rs. 30,000 per month.
 - Leave surrendered Rs. 50,000.
 - Entertainment allowance for 8 months Rs. 10,000.

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- (d) Life insurance premium deducted from salary Rs. 5,000
- (e) House rent allowance Rs. 2,000 per month.
- (f) He has been provided a small car for his official use. Running expenses of the car paid by the Government amounted to Rs. 6,000 per month, including driver's salary.
- (g) Interest on savings account with a cooperative bank Rs. 5,000
- (h) Interest on National Plan Certificates Rs. 2,000.
- (i) He has a house, which has been occupied by his brother-in-law free of rent.
The annual letting value of the house according to municipal valuation is Rs. 40,000. He paid municipal tax Rs. 1,000 and professional tax Rs. 3,000 during the year.
- (j) Life insurance premium paid by Mr. Dayal for wife Rs. 2,500.
- (k) During the year he received Rs. 45,000 interest on debentures of a company (not listed)

Compute the total income of Mr. Dayal for the assessment year 2020-21.

22. Mr. Govind is an Income Tax Officer at Indore. He owns two residential houses. The first house is in Delhi. He has let out it at a rent of Rs. 3,000 per month to a company for its office. The second house is at Indore. It was constructed on 1st March, 2019 and has been occupied by him for his own residence. He took a loan of Rs. 60,000 on 1st August, 2014 at 12% p.a. interest for the purpose of construction of this house.

Other relevant particulars in respect of these houses are given ahead :

		1 st House	2 nd house
Municipal Valuation	...	24,000	18,000
Municipal tax	...	10%	6.25%
Fire Insurance Premium	...	200	—
Ground rent	...	175	130
Land and building tax	...	1,000	650
Interest on loan	...	—	7,200

The ground rent of the Ujjain on 1st October, 2019, where he resides in a house at a monthly rent of Rs. 2,400 and his house at Indore was let on 1.10.2019 at a rent of Rs. 1,500 per month. Calculate the income from house property of Mr. Govind for the Assessment year 2020-21.

(2 × 5 = 10)

