E 8178 (Pages : 4) Reg. No.................................

Name..................................

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, OCTOBER 2019

Fifth Semester

INCOME TAX LAW AND PRACTICE

(Common for Optional Stream Finance and Taxation of Model I and Model II B.Com. and U.G.C. Sponsored B.Com. Taxation)

(2013—2016 Admissions)

Time : Three Hours Maximum Marks : 80

Answers may be written **either** *in English* **or** *in Malayalam.*

Part A

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

1. Define the term Assessee.
2. What is Average Rate of Tax ?
3. What do you mean by transferred balance ?
4. What is Encasement of Earned Leave ?
5. What is the treatment of unrealised rent for tax purposes ?
6. What is standard rent ?
7. What do you mean by block of Assets ?
8. What is the treatment of unabsorbed depreciation ?
9. What is Surcharge ?
10. What is House Rent Allowance.

(10 × 1 = 10)

Part B

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

11. What is an Indian Company for tax purpose ?
12. Distinguish between Assessee and Deemed Assessee.
13. State any *four* Incomes exempt from tax.
14. Distinguish between Recognised and unrecognised provident fund ?

Turn over

15. What do you mean by Sweat Equity Shares ?
16. What are the deductions allowable Under Section 16 ?
17. What do you mean by deemed ownership of a house property ?
18. What is Casual Income ?
19. State any *two* Incomes not taxable under Profits and gains of business or profession.
20. Distinguish between Revenue Loss and Capital Loss.
21. What is Agricultural Income and its tax provisions ?
22. Compute tax liability of the following annual taxable Income Rs. 5,35,000 :
    (a) Person below 60 years ;
    (b) Person above 80 years.

(8 × 2 = 16)

Part C

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

23. What are allowances and explain any *four* fully taxable allowances ?
24. What are perquisites and explain the valuation of taxable perquisites ?
25. Explain the valuation of let out and self occupied house property.
26. What do you mean by amortization of preliminary expenses ?
27. Mr. Smith is a Foreign Citizen and not a person of Indian origin. During the past years he was in India as shown below :

Financial Year		*Days Present*	*Financial Year*		*Days Present*
2007–2008	...	130	2013–2014	...	100
2008–2009	...	340	2014–2015	...	182
2009–2010	...	30	2015–2016	...	85
2010–2011	...	160	2016–2017	...	280
2011–2012	...	96	2017–2018	...	86
2012–2013	...	286			

Determine his Residential status for the P.Y. 2017–2018.

28. Mr. Shyam has the following Income for the P.Y. 2017–2018 :

		Rs.
Income from Salary	—	3,00,000
Income from House Property	—	50,000
Income from Business	—	1,00,000
Agricultural Income	—	1,00,000

Compute his taxable income and tax Liability.

29. From the given information compute taxable HRA of Mr. Ram and Mr. Mohan :

Particulars		*Ram*	*Mohan*
Basic Salary (p.m.)	...	Rs. 18,000	Rs. 12,500
D.A. (p.a)	...	20 %	20 %
HRA received (p.m.)	...	Rs. 3,500	Rs. 2,500
Rent Paid (p.m.)	...	Rs. 4,000	Rs. 3,000

30. From the following details relating to House property, compute the Income from House property :

Actual Rent Rs. 6,000 (p.m.).

Fair Rental Value Rs. 66,000 (p.a.).

Municipal Value Rs. 60,000 (p.a.).

Standard Value Rs. 69,000 (p.a.).

Municipal tax 5 % of municipal value.

Unrealised rent for two months.

31. Mr. Mohan provides the following details of his house property. Compute Income from house property :

		Rs.
Municipal value	...	50,000
Fair Rental value	...	60,000
Standard rent	...	50,000
Actual rent	...	70,000

Municipal tax paid by Mohan Rs. 2,000. Interest on loan for Construction Rs. 5,000.

$(6 \times 4 = 24)$

Part D

Answer any **two** *questions.*
Each question carries 15 *marks.*

32. Explain how residential status is determined and its incidence on tax.

33. Mr. Ram is employed in Delhi in a Company. The Company gives the salary as follows :

Particulars		Rs.
Basic Salary	...	7,00,000
Travelling allowance	...	20,000
Medical allowance	...	20,000
Special allowance	...	12,000
House Rent allowance	...	1,20,000
Employee's Contribution to RPF	...	60,000
Employer's Contribution to RPF	...	60,000
Deposit to approved gratuity Fund	...	8,000

Mr. Ram lives in a rental house paying monthly rent Rs. 15,000. During the year 2017-2018 he paid tax on employment Rs. 5,000.

Compute income from salary for the A.Y. 2018-2019.

Turn over

34. Mr. Lal is the owner of two houses in Chennai. He gives you the following information regarding his houses :

Particular		*House 1*	*House 2*
		Rs.	Rs.
Standard rent	...	40,000	1,00,000
Municipal value	...	35,000	80,000
Annual rent	...	50,000	60,000
Fair rent	...	60,000	90,000
Repairs	...	10,000	10,000
Insurance	...	2,000	4,000
Municipal taxes	...	—	5,000
Interest on loan for purchase	...	20,000	9,500
Vacancy period (months)	...	—	8
Unrealised rent recovered	...	5,000	—

Compute income from house property for the year 2017—2018.

35. Mr. Mithun, a businessman in Goa presents the following Profit and Loss Account :

Profit and Loss Account for the year ended 31-03-2018

		Rs.			Rs.
Domestic expenses	...	8,000	Gross Profit	...	1,80,000
Establishment Expenses	...	27,000	Interest on Government		
Advertisement	...	1,000	Bond	...	20,000
Insurance (goods)	...	2,000	Commission	...	10,000
LIC premium	...	6,000			
Interest on Capital	...	12,000			
Audit Fee	...	300			
Tax Consultancy Fee	...	2,000			
Interest on loan	...	3,500			
Bad Debts	...	3,000			
Reserve for Bad Debt	...	1,000			
Entertainment allowance					
to employees	...	4,000			
Net Profit	...	1,40,200			
		2,10,000			2,10,000

Adjustments :

(a) Depreciation allowable—Rs. 15,000.

(b) Establishment expenses include Rs. 6,000 being rent for building in which he resides.

Compute income from business.

(2 × 15 = 30)