

SUB.CODE: 18UCO6C14/18UCOA6C14

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**DHANALAKSHMI SRINIVASAN COLLEGE
OF ARTS & SCIENCE FOR WOMEN
(AUTONOMOUS)**



(For Candidates admitted from 2018-2019 onwards)

UG DEGREE EXAMINATIONS APRIL – 2021

B.COM & B.COM CA

COMMERCE & COMMERCE WITH COMPUTER APPLICATIONS

INCOME TAX THEORY LAW AND PRACTICE

Time: 3 Hrs

Max.Marks: 75

PART – A

CHOOSE THE CORRECT ANSWER.

(10 X 1=10)

- Amount paid as secret commission to employees of buyer of assessee's goods is a
 - Revenue expenditure
 - Capital expenditure
 - Illegal expenditure
 - personal expenditure
- Residential status of taxable entities is
 - Fixed in nature
 - Can change from year to year
 - Fixed once in 5 years
 - None of these
- Exemption for house rent allowance is determined by
 - Rule 24 C
 - Sec 80 C
 - Rule 2A
 - Sec 91
- Perquisites provided to Govt. employees posted abroad are
 - Fully taxable
 - Fully exempted
 - Taxable upto 15% of employees salary
 - Taxable upto 7.5% of salary
- GAV of self occupied house is
 - Always Nil
 - Always fully taxable
 - Higher of MRV/ FRV
 - None of these
- The basis of charge for tax on Income from house property is
 - annual value
 - Rental value
 - Municipal value
 - Market value
- Contribution to approved association to undertake research in social science or statistical science is eligible for weighted deduction of
 - 80%
 - 175%
 - 125%
 - 100%
- Contribution made to an approved scientific research association is eligible for deduction upto
 - 50%
 - 80%
 - 100%
 - 150%

(OR)

b) From the following statement compute the business income.

- i) Commission earned Rs.20,000
- ii) Sales Rs.1,20,000
- iii) Purchases Rs.20,000
- iv) Staff Salary Rs.11,000
- v) Purchase of typewriter Rs.8,000

15. a) From the following particulars compute the total income of Shri. Manoj for the A.Y. 2020- 21

S.No.	Particulars	Rs.
1	Sale Price of jewellery in Oct. 2019 (CII-289)	75,00,000
2	Cost of acquisition in 2005-06 (CII-117)	3,00,000
3	Amount deposited in capital gain deposit scheme for completing the construction of the house (deposited on 27.06.20)	12,00,000

Compute deemed capital gain if he is able to invest Rs.10,00,000 out of amount deposited in capital gain deposit scheme before October 2022.

(OR)

b) Mr.Basu received the following incomes during the year 2019-20. Compute taxable income under the head 'Income from other sources', separately for each case.

		Rs.
A	Winnings received from Sikkim Lottery	70,000
	Winnings from Horse Races	2,000
	Winnings from crossword puzzles	4,000
B	Winings from lottery	2,000
	Winnings received from Horse Races	56,000

PART - C

ANSWER ANY THREE QUESTIONS:

(3X10=30)

16. Explain any six incomes exempted from Income tax U/S 10.

17. Mr. Sen is employed at Kolkatta with a Mercantile firm as Sales Manager. From the undernoted particulars, compute his taxable income for the assessment year 2020-21.

a) Basic Salary - Rs. 25,000 x 12 = Rs. 3,00,000

- b) Dearness allowance at 20% of the basic salary but only 10% of salary is eligible for service benefits.
- c) Incentive commission at 1% of the sales achieved by him but not exceeding 50% of monthly salary of Rs. 25,000. The turnover achieved by him for the relevant previous year before charging the said Commission was Rs. 17,28,000.
- d) Mr. Sen's contribution to the recognised Provident Fund of the firm is Rs. 60,000 for the year and his employer also contributes an equal amount.
- e) Interest credited to Provident Fund at the rate of 14% p.a. amounted to Rs. 4,200.
- f) The employer has provided Mr. Sen a house, whose rent of Rs. 7,000 per month is paid to the owner by employer. Cost of furniture provided is 1,00,000.
- g) He is provided with a Motor Car of not more than 1.6. Ltr. rating which he uses for both private and official purposes. Driver's Salary of Rs. 1,250 p.m., is paid by the employer. He is also provided with a gardener and watchman whose salary was Rs. 600 p.m. and Rs. 700 p.m. respectively.
- h) During the relevant previous year he purchased books worth Rs. 800 for his office work.
- i) He has been getting entertainment allowance of Rs. 8,000 per year from the same employer since 1953.
- j) Mr. Sen's son is a Medical student of Kolkatta Medical college and Mr. Sen spent Rs. 2,000 for his studies as college tuition fees.
- k) According to the terms of appointment his employer contributes a sum of Rs. 6,000 per year to an approved Superannuation Fund on his account.
- l) During the previous year Mr. Sen paid the following Life Insurance premium.
- (i) On a policy of Rs. 60,000 on his own life with LIC Rs. 12,000
- (ii) With Max India Insurance Co. on a policy of Rs. 50,000 on his wife's life Rs.12,000. Contribution to Jeevan Akshay plan of LIC Rs. 40,000.
- Professional Tax paid by Sen is Rs. 1,500.
- m) Income tax paid by employer is Rs. 4,000.
- Deposit in ELSS Rs. 30,000.

18. For the assessment year 2020-21, 'X' submits the following information:

Income from business (speculative) : Rs.40,000

Property	House I Rs.	House II Rs.
FRV	3,60,000	-
Municipal Valuation	3,50,000	8,00,000
Annual Rent	3,80,000	6,80,000

Municipal taxes paid by tenant	3,000	4,000
Municipal taxes paid by 'X'	20,000	40,000
Repairs paid by tenant	500	18,000
Land revenue paid	2,000	16,000
Insurance premium paid	500	2,000
Unrealised rent of the previous year 2019-20	-	50,000
Interest on loan borrowed for payment of municipal tax of house property	-	1,20,000
Nature of occupation	Let out for residence	Let out for Business
Date of completion of construction	April 1, 2015	July 1, 1999

Rs.5,00,000 is borrowed to construct the House I on 01.07.2013 and the loan was repaid on 01.01.2015. Rate of interest is 12%.

Rs.6,00,000 is borrowed to construct 2nd house on 01.01.1998 and the loan is still due. Rate of interest is 12%

Determine the taxable income of 'X' for the assessment year 2020-21.

19. The following is the profit & loss account of Mr.Roy for the year

Particulars	Rs.	Particulars	Rs.
To Rates and Taxes	450	By Gross Profit	14,623
To Establishment (Staff)	1,750	By Bank interest on personal deposits	577
To Rent	600		
To Household expense	1,450		
To Discount	250		
To Advertisement	200		
To Income-tax	480		
To Postage, Stationery	810		
To Fire Insurance	150		
To Gifts and presents	160		
To Charity and donations (to approved institution)	1,140		
To Purchase of plant and Machinery (not yet installed)	1,500		
To Repairs of furniture	1,000		
To Interest on Loan	600		

To Life insurance premium	700		
To Reserve for doubtful debts	250		
To Interest on capital	3,660		
To Net Profit			
	15,200		15,200

You are required to ascertain the business income of Mr.Roy

20. Explain the following terms :

- a) Short-term capital assets (STCA)
- b) Long-term capital assets (LTCA)