

Code No. 3509 / E

FACULTY OF COMMERCE**B.Com. (CBCS) III – Semester Examination, November / December 2017****(Common Paper for General/Computers/Computer Applications/
Advertising/Foreign Trade and Tax Procedure Courses)****Income Tax – I****Paper Code-BC-305****Time : 3 hours****Max. Marks : 80****Part – A (5 X 4 = 20 Marks)****Note : Answer any Five of the following questions.**

- 1 Previous year Vs Assessment year.
- 2 Incidence of Tax
- 3 Residential status
- 4 Smt. Meenakshi Bhat has born in Mumbai city, on 15-6-1981. She left India for the first time to Australia on 14-5-2016 and never returned so far. Determine her residential status as 'Resident' or not for the relevant previous year 2016-17.
- 5 From the following particulars calculate agricultural Income and Business Income.
Sale of Sugar 1000000/-
Manufacturing expenses including depreciation 7,00,000/-
Cost of Sugarcane (grown in own field) 5,00,000/-
Market value of the sugarcane 7,00,000/-
Cultivation expenses 3,80,000/-
- 6 Sri Hari Gopal, senior accounts officer in Indian Railways retired from the service after serving for 28 years. He received 7,50,000 as gratuity, on the date of his retirement his monthly salary was Basic pay 35,000, DA 4,000 and HRA 750. Calculate the taxable amount of gratuity.
- 7 Sri Ragava Rao purchase a house in Kakinada in the year 1990 and using for residential purpose. During the previous year and relevant year the following particulars are furnished.
MRV 25,000, FRV 30,000, the expenses paid are Municipal taxes 10%, Non-Agricultural land tax Rs.1,000, Repairs 2,800, Insurance 500, and interest paid on loan taken to purchase the house 38,000. Compute income from house property.
- 8 State, with reasons, whether the following expenses are admissible while computing business income.
 - i) Donation to an approved trust 5,000/-
 - ii) Legal expenses to defend a trade contract 6,000/-
 - i) Contribution to staff welfare fund
 - ii) Sales tax paid

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Part – B (5 X 12 = 60 Marks)

Note : Answer the following questions not exceeding FOUR pages each.

- 9 a) Explain exempted incomes from tax under section 10 of Income Tax Act 1961.

OR

- b) During the previous year relevant to the current assessment year in college annual day function as a student of your college you have received the following. Calculate tax liability for each of the receipt and comment upon the same on the assumption that your income from other heads is Rs.3,50,000/-
- i) Best student cash prize of Rs.10,000/-
 - ii) Lucky student in a lucky dip prize Rs.10,000/-
 - iii) Best singer prize Rs.10,000/-
 - iv) Merit scholarship received Rs.1,00,000/-

- 10 a) Define kinds of Agricultural Income and explain what are the conditions to be satisfied for an income to be treated as an agricultural income.

OR

- b) Sri Manik Rao a resident individual of 56 years age submitted the following particulars related to the previous year 2016-17. Calculate his tax liability and tax payable for the assessment year 2017-18.
- i) Income from profession 9,00,000/-
 - ii) Income from house property 65,000/-
 - iii) Income from other sources 25,000/-
 - iv) Income from Agricultural in India 40,000/-
 - v) Income from Agricultural in Foreign country 50,000/-
 - vi) Deductions u/s 80 1,50,000/-
 - vii) Advance tax Rs.2,15,000/- (paid in Advance)

- 11 a) Smt. Umadevi Central Government employee received the following emoluments during the previous year 2016-17. Compute income from salary for the a.y. 2017-18.

- i) Basic pay 35,000 p.m.
- ii) DA 15,800 p.m.
- iii) Entertainment allowance 6,000 p.a.
- iv) She received education allowance for her daughter 100 pm
- v) She provided the following for her personal and official purpose : Laptop costing Rs.50,000 and small motor car and employer pays all expenses including driver's salary Rs.10,500 pm.
- vi) Her contribution to SPF is 12% of salary and 10% by the employer. Interest credited in PF @8.5% is Rs.3,200.
- vii) The employer presented gift worth Rs.11000/- silver articles.
- viii) The employer paid club membership fee Rs.13,800 for the benefit of assessee and her family members.
- ix) Her payments : profession tax 3,200/-

OR

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b) Mr. 'X' furnishes the following details of his salary income :

- A) Basic salary 1,80,000/-
- B) DA (part of salary) 56,000/-
- C) CCA 6,000/-
- D) Entertainment allowance 8,000/-
- E) Travelling allowance (50% spent) 9000/-
- F) Bonus 10,000/-
- G) Commission 12,000/-
- H) House Rent Allowance (Rent paid at Chennai 18,000) 12,000/-
- I) Free use of Chauffeur driven motor car of 1.8 litre cc expenses of which are met by employer.
- J) Gift received in kind from employer 14,000/-
- k) Own \ Own contribution to RPF 18,000/-
- L) Employer contribution to RPF 18,000/-
- M) Interest credited to RPF @12% is 7,200/-

Compute his taxable salary for the assessment year 2017-18.

12 a) Following are the particulars supplied by Mr.Chandra income from house property. Compute income from house property.

Particulars	House I	House II
Municipal value	80,000	1,20,000
Fair Rental value	90,000	1,20,000
Standard Rent	1,00,000	1,00,000
Actual Rent	1,20,000	Self occupied
Date of construction	1-6-99	1-9-2014
Interest on loan	10,000	12,000
Preconstruction interest	40,000	30,000
Education cess	4,000	2,000
Annual charges	14,000	—
Fire insurance premium	3,000	4,000
Ground Rent	—	6,000
Collection Charges	2,000	1,000

OR

b) Dr. Raja Reddy, Age 55 years has two flats in one at Hyderabad and the other in Miyapur city, one occupied by him and his wife, and another occupied by his parents and children. He claimed both the houses as self occupied but income tax officer asked to opt any one as self occupied. You are required to advise which flat can be treated as self occupied.

Particulars	Flat I	Flat II
Municipal valuation	50,000	96,000
Fair Rental value	65,000	1,80,000
Municipal taxes	10%	10%
Rebate on Municipal taxes	10%	—
Penalty for delay in municipal taxes	—	2%
Insurance premium	13,000	28,000
Interest on loan taken to purchase the flat	2,60,000	4,10,000

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- 13 a) Given below is the profit and loss account of Mr 'X' for the year ending 31-3-2017.

Dr.			Cr.
To Salaries	40,000	By Gross profit	4,00,000
To Bad debts	10,000	By Discount	10,000
To Provision for bad debts	15,000	By Commission	10,000
To Insurance	4,000	By Bad debts recovered	20,000
To Advertising	10,000	By Rent Received	30,000
To Interest on capital	5,000		
To Interest on loan	5,000		
To Depreciation	25,000		
To Net profit	3,56,000		
	<u>4,70,000</u>		<u>4,70,000</u>

Additional Information :

- Allowable depreciation as per I Tax rules Rs.30000/-
- Insurance includes Life Insurance premium of the proprietor Rs.2000

OR

- b) Income and expenditure account of Mr.Raja Rao a chartered Accountant of Bangalore for the year ending 31-3-2017 is as under. Compute the professional income for the Assessment year 2017-18.

Expenditure	Rs.	Income	Rs.
To Office Rent	96,000	By Audit fee	4,05,000
To Telephone charge	35,000	By Financial Advice	2,78,000
To Salaries to staff	2,10,500	By Accountancy works	7,06,000
To Stipend to trainees	42,300	By Gifts from clients	2,500
To Income Tax	68,000	By Interest on Bank fixed deposit	41,000
To Subscription to Journal	4,000	By Dividends on shares	65,000
To House hold expenditure	1,05,800	By Profit on sale of shares (long term)	25,000
To Motor car expenditure	67,200		
To Electricity bill	11,500		
To General expenses	30,100		
To Membership fees paid to the institute of CA	5,000		
To Purchase of Books (Annual Publication)	9,000		
To Depreciation on Motor car as per IT rules	18,150		
To Net income	8,19,950		
	<u>15,22,500</u>		<u>1,52,2500</u>

Additional Information :

- 20% motor car use is for personal
- General expenses includes Rs.8100/- spent for providing free butter milk to general public in summer and Rs.500/- for tender coconut water to clients.
