



M 26114

Reg. No. :

Name :

**Third Semester M.A./M.Sc./M.Com. Degree (Reg./Sup./Imp.)
Examination, November 2014
COMMERCE
Paper – XI : Taxation – I : Income Tax**

Time : 3 Hours

Max. Marks : 80

Instructions: Section A : Answer **any 5** questions.

Section B : Answer **any two** questions.

SECTION – A

Answer **any five** questions. **Each** question carries **8** marks.

(5×8=40)

1. Define 'Previous year'. Explain the exceptions to the general rule.
2. Explain tax free perquisites.
3. Determine the residential status of Mr. Ajith for the previous year 2009-10 who left India for the first time on 15-9-2005 and came back on 1-9-2008. He again left for USA on 15-6-2009 and came back on 14-2-2010 to settle in India.
4. Mr. Sunder retired from service on 31st January 2010 after serving for 27 years, 8 months. He received a gratuity of Rs. 2,65,000. He had 9 months earned leave to his credit which he encashed and received Rs. 2,20,000. His basic as on 01-01-2009 was Rs. 13,500 and the increment of Rs. 500 fell due on 1st October. DA was fixed at Rs. 2,500 per month. 50% of which enters retirement benefits. Calculate taxable gratuity and leave encashment.

P.T.O.



5. For the assessment year 2010-11, Mr. Mahesh a non resident individual, furnishes the following information;

Income from house property Rs. 2,18,500

Business income Rs. 1,05,000

Short term capital gains Rs. 4,22,000

Long term capital gains Rs. 2,02,500

Income from owning and maintaining race horses Rs. 1,15,000

Income from card games Rs. 2,16,000

Besides Mr. Mahesh has the following brought forward losses/allowances.

Brought forward business loss of the assessment year 2005-06 Rs. 1,12,000

Unabsorbed depreciation allowance of the assessment year 2003-04 Rs. 2,06,000

Long term capital loss in respect of the assessment year 2008-09 Rs. 2,47,200

brought forward loss in respect of owning and maintaining race horses for the assessment year 2007-08 Rs. 1,25,000

Speculation losses of the assessment year 2006-07 Rs. 30,000

Determine net income and tax liability for the AY 2010-11.

6. Mr. Jacob sold the following properties.

a) Jewellery costing Rs. 1,00,000 in Jan. 2008, sold for Rs. 1,80,000 in Jan. 2010.

b) House at Trivandrum let out for residence, sold on 30-09-09 for Rs. 25,00,000. It was inherited by him in 1980 and its FMV on 1-4-1981 was Rs. 2,00,000. His father had acquired it for Rs. 2,50,000 in 1979. He purchased another house in July 2009 for Rs. 15,00,000 and deposited Rs. 50,000 in post office MIS.



- c) Household furniture costing Rs. 28,000 in October 2006, sold for Rs. 30,000 on June 2009.
- d) Agricultural land in Palakad sold for Rs. 8,25,000. It had cost him Rs. 1,85,000 in December 2000. He purchased agricultural land for Rs. 3,00,000 in August 2010.
- e) Sold 1000 shares for Rs. 80 per share in October 2009. These shares were purchased on Jan. 2009 for Rs. 30 per share. He paid Rs. 800 towards commission on sales.

Compute his taxable capital gain.

CII for 1981-82 : 100, 2000-01; 400

2005-06; 497, 2006-07; 519

2009-10; 632.

7. Write a short note on :

- a) Profit in lieu of salary
- b) Deduction u/s 80C.

8. Mr. Amar whose gross total income is Rs. 70,00,000 including Rs. 20,00,000 as share from AOP, makes the following donations during the previous year 2009-10

	Rs.
a) P. M. National relief fund	1,25,000
b) National defense fund	2,50,000
c) Municipal corporation	1,25,000
d) Promotion of family planning	1,70,000
e) To a social activist for charity	50,000
f) National children fund	40,000
g) Jawaharlal memorial fund	2,50,000
h) Temple of public worship (notified)	4,00,000

Compute his total income for the AY 2010-11.

7,10,000



SECTION – B

Answer **any two** questions. **Each** question carries **20** marks. **(2×20=40)**

9. Mrs. Anjana owns four houses, particulars of which are as follows :

	I (Rs.)	II (Rs.)	III (Rs.)	IV (Rs.)
Municipal valuation	30,000	5,000	68,000	95,000
Fair rent	39,000	18,000	77,000	95,000
Standard rent	36,200	12,000	75,000	90,000
Rent (If letout through out the year)	42,000	—	—	—
Unrealised rent	3,500	—	—	—
<u>Municipal taxes :</u>				
Paid by Anjana	—	500	7,000	9,000
Paid by tenant	3,000	—	—	—
Date of completion of construction	May 31, 2008	May 31, 2008	May 31, 2008	April 1 st 2007
Repairs	—	2,000	1,000	3,000
Collection charges	200	—	—	—
Land revenue	400	300	—	600
Ground rent	300	400	300	—
Nature of occupation	letout for residence	self occupied for residence	self occupied for business	self occupied for residence



Property I remains vacant for 2 months (March 16, 2010 to May 15, 2010) Mrs. Anjana borrows Rs. 30,000, Rs. 40,000 and Rs. 65,000 for construction of House I, II and IV respectively (date of borrowing : June 15, 2003, date of repayment of loan along with interest; December 31, 2007, rate of interest : 15% p.a.)

Business Income of Mrs. Anjana for the previous year 2009-10 is Rs. 12,55,000. Her contribution to PPF is Rs. 40,000. Compute her tax liability for the assessment year 2010-11.

10. The following is the profit and loss account of Sneha Industries for the previous year.

	Rs.		Rs.
To Opening stock	30,000	By Sales	6,10,000
To Purchases	1,59,000	By Dividends (gross)	6,000
To Wages and Salaries	50,000	By Rent from staff quarters	7,000
To Rent	20,000	By Interest on government securities	50,000
To Reserve for bad debt	10,000	By Closing stock	25,000
To Advertisement	5,000	By Income from smuggling	10,000
To Reserve for Income tax	7,000	By Deividend (Foreign Company) Net	2,000
To Depreciation on machinery	5,000		
To Wealth tax	7,000		
To Interest	7,000		
To Sales tax due	15,000		
To Insurance	2,000		
To Donation	25,000		
To Loss on sale of old typewriter	3,000		
To Computer purchased	45,000		
To Staff welfare fund	40,000		
To Net profit	2,80,000		
	7,10,000		7,10,000



You are required to compute taxable income after considering the following information.

- a) Stock undervalued by 10%.
- b) Bad debts amounted to Rs. 2,000.
- c) Purchases include Rs. 25,000 paid in cash.
- d) Traced embezzlement by an employee in business Rs. 3,000.
- e) Allowable depreciation amounted to Rs. 4,000, excluding computer.
- f) Interest of Rs. 7,000 includes interest on loan taken to buy shares Rs. 3,000.
- g) Sales tax due was paid on 30th July of AY.
- h) Donations charged above paid in cash is deductible u/s 80G.

11. Mr. Raghavan aged 35 years, who was employed with ABC (P) Ltd. upto 30th September 2009, got the following salary and benefits ;

Basic pay Rs. 80,000 per month, bonus and incentives : Rs. 3,000 per month, free club facility (employer's expenditure; Rs. 2,000 p.m.) Free services of personal attendant (salary paid by the employer Rs. 1,800 per month), free services of watchman (salary paid by the employer Rs. 500 per month), free education facility to his son at a school maintained by the employer (cost of education : Rs. 940 per month), employers contribution towards recognised provident fund Rs. 10,000 per month. He also makes a matching contribution.

On October 1st 2009, he joins XYZ Ltd. on monthly salary of Rs. 90,000. Besides, he gets conveyance facility for private use Rs. 32,000 being expenditure of the company, house rent allowance Rs. 9,000 per month, club facility (expenditure of employer Rs. 800 per month) and employers contribution to unrecognised provident fund Rs. 6,000 per month (he also makes a matching contribution).

On January 10, 2010. XYZ Ltd. pays Rs. 2,000, being accident insurance premium on the life of him to cover its liability under labour law.



On January 10, 2010, XYZ Ltd., purchases a laptop computer for Rs. 1,60,000 and the same is given to him for office and personal use. On March 1st 2010, the company purchases a fridge for Rs. 15,000 for the kitchen of Raghavan.

In two cases ownership is not transferred to Raghavan income of Raghavan from other sources is Rs. 2,12,370.

Determine tax liability of Raghavan for the AY 2010-11 on the following assumptions.

- a) Salary in both cases, falls due on first of next month.
- b) He resides in Delhi and pays rent of Rs. 9,200 per month throughout the previous year.

12. Define perquisites. Briefly discuss tax provisions relating to different types of perquisites provided by an employer to the employee.