C 42140 (Pages : 4) Name..............................

Reg. No..............................

THIRD SEMESTER M.Com. DEGREE EXAMINATION, APRIL/MAY 2013

Paper 3.4—INCOME TAX

(2004 Admissions)

Time : Three Hours Maximum : 80 Marks

Part A

Answer **all** *questions.*
Each question carries 2 marks.

1. Define the terms 'Previous Year' and 'Assessment Year'.
2. State any four allowances which are fully taxable.
3. What is Deduction of tax at source ?
4. How do you compute the tax liability on integration of agricultural income of an individual ?
5. What is Belated Return ?

(5 × 2 = 10 marks)

Part B

Answer any **four** *questions.*
Each question carries 10 marks.

6. Briefly explain the following :
   (a) Tax avoidance.
   (b) Short term capital asset.
7. Explain any *five* incomes that are totally exempt from tax.
8. Explain the provisions of the Income Tax Act regarding carry forward and set off of losses.
9. Mr. B is a Production Manager of an Industrial Unit at Chennai. The particulars of his salary income are as under :

		Rs.
Basic salary	...	15,000 p.m.
Dearness Allowance (given under the terms of employment)	...	5,000 p.m.
Entertainment Allowance	...	1,000 p.m.
Medical Allowance	...	500 p.m.
House Rent Allowance	...	4,000 p.m.
Rent paid for the house	...	5,000 p.m.

Turn over

Car of 1.2 litre capacity provided by the employer for private and official use. Employer meets expenses of the Car. He and his employer (each) contribute 15% of salary to R.P.F.

Mr. B had taken interest free loan of Rs. 15,000 to purchase refrigerator.

Compute B's income under the head 'salary' for the Assessment Year 2012–13.

10. Calculate Gross and Net Annual value from the following information :

		House A	House B
		Rs.	Rs.
Municipal Rental Value	...	80,000	80,000
Fair Rental Value	...	1,00,000	1,00,000
Standard Rent	...	70,000	1,20,000
Actual Rent	...	1,20,000	90,000
Municipal taxes	...	8,000	8,000
			(only 50% paid)

It is assumed that both the houses were let out throughout the year and there was also no unrealised rent.

11. From the particulars given below, compute the taxable capital gain of Mr. Z for the Financial Year 2011–12.

		Rs.
(a) Sale price of shares of A Ltd. acquired on 1.6.2010 and sold on 1.5.2011	...	2,00,000
Cost price of these shares	...	1,00,000
(b) Sale price of shares of B Ltd. acquired in 1989–90 [C.I.I : 172] sold on 1.12.2011 [C.I.I : 785]	...	2,10,000
Cost price of shares of B Ltd.	...	50,000
(c) Sale price of Jewellery sold on 1.11.2011	...	3,80,000
Cost of Jewellery acquired in 1985–86 [C.I.I : 133]	...	50,000

Long term capital loss of Rs. 1,00,000 has been B/F from the Assessment Year 2010–11.

(4 × 10 = 40 marks)

Part C

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

12. Explain the provisions of the Income Tax Act regarding deductions to be made in Computing the total income of an assessee in respect of certain payments [Section 80].

13. Following is the Profit and Loss Account of a trader for the Prev .us Year 2011–12.

Profit and Loss Account

		Rs.				Rs.
To Salaries	...	25,650	By	Gross Profit	...	80,000
Rent	...	1,000		Bank interest	...	450
Commission on sales	...	100		Bad debts recovered (last year allowed)	...	2,000
Income Tax	...	2,600		Rent from House property	...	4,800
Entertainment expenses	...	600		Interest on commercial securities	...	2,000
Commission paid to collect interest on securities	...	25				
Embezzlement by cashier	...	1,000				
Municipal taxes on House property	...	600				
Bad debts (allowed)	...	450				
Repairs to house	...	1,625				
Office expenses	...	9,180				
Depreciation	...	5,000				
L.I.C. Premium	...	1,320				
Net Profit	...	40,100				
		89,250				89,250

Depreciation on the assets is Rs. 4,500.

Compute taxable business income for the Assessment Year 2012–13.

14. Y is a professor in Delhi College (Population above 25 lakhs) getting a salary of Rs. 35,000 per month plus 35% on account of dearness allowance. He contributes 12% of his salary to Recognized Provident Fund and the employer contributes the same amount. He is also hostel warden and has been provided with rent-free unfurnished accommodation whose annual rental value is Rs. 12,000 per month. He owns a house which is let out at Rs. 8,000 per month and he pays municipal taxes amounting to Rs. 9,600 per annum.

During the Previous Year, he received the following incomes :

(a) 10% dividend on shares of Rs. 12,000.

(b) Rs. 13,000 as interest on bank deposit.

He has insured his life for Rs. 6,00,000 and paid Rs. 60,000 as annual premium. Ascertain his total income and tax payable for the Assessment Year 2012–13.

(2 × 15 = 30 marks)

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