

THIRD SEMESTER M.Com (CUCSS) DEGREE EXAMINATION, JANUARY 2013

MC 3C 13 – INCOME TAX LAW & PRACTICE

Time : Three Hours

Maximum : 36 Weightage

PART A

Answer all questions. Each question carries one weight.

1. Define a widely held company.
2. What is Unrealized Rent?
3. What do you mean by carry forward and set off of losses?
4. What is meant by perquisites?
5. What do you understand by unabsorbed depreciation?
6. What is concealment of income?

(6 x 1 = 6 Weights)

PART B

Answer any six questions. Each question carries three weights.

7. Enumerate any ten items of income which are totally exempt from income tax.
8. What do you understand by Aggregation of Income? Explain.
9. Explain the provisions for payment of tax by Companies U/S 115 JB.
10. Mr. P's investments during the year ended on 31st March, 2011 consisted of the following:
 - a. Rs. 17500, 10% Govt. Securities.
 - b. Rs. 10,000, 12% Agra Municipal Bonds.
 - c. Rs. 20000, 9 % Bombay Port Trust Bonds.
 - d. Rs. 10,000, 7 year Post Office National Savings certificates.
 - e. Rs. 10,000, 9 % Securities issued by a foreign investment.
 - f. 7 % Govt. Bonds Rs. 18,000.
 - g. 7 % National Plan Certificates Rs. 5,000.

He paid Rs. 60 as commission for collecting the interest taxable under the interest on securities and Rs. 1,200 as interest on loan which he had taken for the purpose of purchasing the Bombay Port Trust Bonds.

Find out the income from other sources of Mr. P

11. A, B and C are partners in a firm (which fulfills the conditions of sec. 184) sharing profits and losses in the proportion of 3:2:1 respectively. The firm's Profit and Loss Account for the year ending 31st March 2011 showed net profit of Rs. 2, 44,000 after debiting, inter alia the following amounts:
 - a. Salary of Rs. 4,000 p.m. paid to C.

- b. Rent of Rs. 19,000 paid to A for the portion of the Building owned by A in which the firm's office was situated. Fair rental value of the building is Rs. 10,000.
- c. Interest on capital of Rs. 1,000, Rs. 2,000 and Rs. 3,000 to A, B and C respectively.
- d. Commission paid to B Rs. 40,000.
- e. Expenses on current repairs of the business premises belonging to partner A, Rs. 1,000.
- f. Donation to approved bodies Rs. 5,000.
- g. Salary to B's son Rs. 72,000. B's son is qualified management graduate and was serving another concern on Rs. 5,800 p.m.

The net profit of Rs. 2, 44,000 included Rs. 12,000 from interest on Govt. Securities.

Compute total Income of the firm for the assessment year 2011-12 assuming that it is a professional firm.

12. A Domestic Company in which public are substantially interested submits the following particulars of its income of the previous year ending on March 31, 2011:
- i. Profits of business after deduction of donations to approved charitable institution Rs. 1,90,000
 - ii. Donation to charitable institution Rs. 30,000
 - iii. Interest on Govt. Securities Rs. 10,000
 - iv. Dividend from a domestic company (Gross) Rs. 60,000
 - v. Long term capital gain Rs. 50,000
 - vi. Book Profit U/S 115 JB Rs. 8,00,000
- During the financial year 2010-11 the company deposited Rs. 15,000 in Industrial Development Bank of India. The company distributed a dividend of Rs. 1,00,000 on 6.9.2010.
- Compute the taxable income of the company and tax payable by it for the Assessment Year 2011-12.
13. X, an employee in a company in Bhopal (population exceeding 25 lakh), is drawing Rs. 8,000 p.m. as salary plus dearness allowance @20% of his salary. He is also getting City Compensatory allowances of Rs. 4,000, Medical allowance of Rs. 6,000, Bonus Rs. 16,000 and commission Rs. 4,000. He is provided with a rent free furnished house owned by the employer of the fair rental value of Rs. 24,000 per annum. He is provided free of charge a sweeper and a cook whose wages are Rs. 250 p.m. He is also given free electricity for personal use for which the employer has paid Rs. 6,000 during the year to electric supply company. Compute his taxable salary for the A.Y. 2011-12.
14. From the following information compute the capital gains for the Assessment year 2011-12:

	House I	House II
Date of Purchase	May , 1977	Dec, 1980
Cost of Acquisition	Rs. 1,90,000	Rs. 2,50,000

Cost of additional construction in 1980	Rs. 10,000	Rs. 25,000
Fair Market Value on 1 st April, 1981	Rs. 1,75,000	Rs. 3,50,000
Cost of additional Construction in 1994-95	Rs. 51,800	Rs. 77,700
Sale proceeds of property in 2010-11	Rs. 16,00,000	Rs. 29,00,000
Cost Inflation Index is: 1981-82—100; 1994-95—259, 2010-11—711		

(6 x 3 = 18 Weights)

PART C

Answer any two Questions: Each Question carries six weights

- Describe briefly the procedure for filing an appeal to the appellate tribunal against the order of a commissioner?
- From the following Profit and Loss Account of a partnership firm for the year ending 31.3.2011 compute Book Profit, Income from Business and Total Income of the firm for the A.Y. 2011-12. The firm fulfils the conditions of sec. 184.

Profit And Loss Account for the year ending 31-03-2011			
Rates and taxes	3,750	Gross Profit	1,44,000
Rent	18,000	Commission	7,500
Car Expenses	13,500	Income Tax Fund	11,550
Entertainment Expenses	4,500	Excise suspense Recd.	3,750
salaries	54,000	Scrap sales	7,500
Electricity and water	3,300	Short term Capital Gain	22,500
Repairs	9,000		
Trade Expenses	9,750		
Depreciation	12,000		
Legal Expenses	5,250		
Net profit	63,750		
	<u>1,96,800</u>		<u>1,96,800</u>

Other particulars:

- Salaries include Rs. 23,400 paid to managing partner
- Rent includes Rs. 9,000 paid to a partner for the premises occupied by the firm.
- Rates and Taxes include municipal taxes of Rs. 1,500 paid on the premises of the partner to be borne by him.
- Repairs include cost of Electronic motor replaced at a cost of Rs. 4,500
- Trade Expenses include: i) Donation to charitable institution Rs. 2,250 ii) Diwali Pooja Exp. Rs. 1,500.
- Legal Expenses include Rs. 750 paid to advocate in connection with the litigation of the partners property. Excise suspense was disallowed when debited in the earlier year, i.e. assessment Year 2009-10.

17. Mr. X is employed in a company in Kanpur. He furnishes the following particulars of his income/investments during the previous year 2010-11:

i) He draws salary @Rs. 10,000 p.m. and dearness allowance amounting to Rs. 3,000 p.m. forms part of basic pay for retirement benefits. He is provided with a furnished flat at concessional rent of Rs. 1000 p.m. The Company pays Rs. 6,000 p.m. as rent for the flat. Cost of furnishing Rs. 60,000, WDV on 1.4.2010 Rs. 25000.

Neither he, nor his family, nor any minor child, nor HUF owns any residential house in Kanpur.

He has been paid Rs. 17,050 on account of arrear of Bonus for 2008-9 and 2009-10 and salary in lieu of leave Rs. 5,000 for 2010-11. He has been provided with a large chauffeur driven car for personal and office use. All expenses of its maintenance are met by the employer.

He is a member of unrecognized provident fund to which he contributes 15% but the employer contributes 20% of salary.

ii) Income from Mutual Funds Rs. 12,000(Gross)

iii) He has received 1/3 share of the crop for leasing out agricultural land in Ambala. One- Half of the crop has been consumed in domestic use and the rest has been sold for Rs. 30,000. He deposited this sum in Public Provident Fund.

iv) He has purchased National Savings certificates VIII issue for Rs. 20,000 on 15-2-2011.

Compute his total Income and gross tax liability for the A.Y 2011-12.

(2 x 6 = 12 Weights)