

**B.Com(CS) DEGREE EXAMINATION, APRIL 2019**  
**III Year V Semester**  
**Income Tax Law and Practice - I**

**Time : 3 Hours**

**Max.marks :75**

**Section A** (10 × 2 = 20) Marks

Answer any **TEN** questions

1. What is meant by Assessment Year?
2. What is meant by Gross Total Income?
3. Write the basic conditions for residential status of a resident individual.
4. Write the provision for calculating House Rent Allowance (HRA).
5. Mr. Rajendran left for USA along with his family for the first time on 14-10-2017. He returned to India on 31-5-2018. Determine his residential status for the assessment year 2018-19.

6. Compute taxable allowance of Mr. Prakash from the following:

High cost of living allowances	Rs.500 p.m
Lunch allowance	Rs.100 p.m
Family allowance	Rs.150 p.m
Marriage allowance	Rs.1,000 p.m

7. Determine the Gross Annual Value from the following:

Fair Rent	Rs.87,000
Municipal Value	Rs.86,000
Standard Value	Rs.84,000
Actual Rent	Rs.82,000

8. The profit and loss a/c of a firm shows a profit of Rs.50,000 after debiting the following sums. Compute the Business Income.

Income tax paid	Rs.30,000
Travelling expenses (business)	Rs.20,000
Penalty & fees	Rs.40,000
Sales tax	Rs.30,000

9. Compute the amount to be written off during the previous year 2017-18 on account of Patent Right acquired on 1-5-2017 at a cost of Rs.1,47,000.
10. What is meant by PAN?
11. What is meant by Business?
12. What is meant by Belated Return?

**Section B** ( $5 \times 5 = 25$ ) MarksAnswer any **FIVE** questions

13. Following are the particulars of taxable income of Mr. Hari for the previous year ended 31<sup>st</sup> March 2018.
- Royalty received from Govt. of India Rs.24,000.
  - Income from business earned in Afghanistan Rs.25,000 of which Rs.15,000 were received in India. Business is controlled from India.
  - Interest received from Aditya, a non-resident against a loan provided to him to run a business in India Rs.5,000.
  - Royalty received outside India from Arun a resident for technical services provided to run a business outside India Rs.20,000.
  - Income from business in Jaipur Rs.40,000. This business is controlled from France. Rs.20,000 were remitted to France. Compute total income of Mr. Hari if he is: (a) resident of India (b) not ordinarily resident of India (c) non resident of India.
14. X, a resident of Ajmer, receives Rs.48,000 as basic salary during the previous year 2017-18. In addition, he gets Rs.4,800 as dearness allowance (forming part of basic salary), 7% commission on sales made by him (sale made by X during the previous year is Rs.86,000) and Rs.6,000 as house rent allowance. He, however, pays Rs.5,800 as house rent. Determine the house rent allowance exempt from tax.
15. Mr. Raj, an employee of Audco Ltd., receives Rs.3,00,000 as gratuity. He is covered by the payment of gratuity Act, 1972. He retires on November 15, 2017, after rendering service of 32 years and 7 months. At the time of retirement his monthly basic salary and DA were Rs.3,000 and Rs.1,000 respectively. Compute the taxable gratuity.
16. Mr. B has let out a house property for a monthly rent of Rs.20,000. Its Municipal Valuation is Rs.2,50,000 p.a. Its Fair Rental Value is Rs.2,40,000 p.a. It has been let out from 1-10-91. Mr. B paid Rs.10,000 as Municipal Taxes. Municipal taxes paid by the tenant are Rs.5,000. Rs.3,000 Municipal Taxes are due but not paid. Out of Rs.10,000 paid by Mr. B, Rs.2,000 relates to subsequent two years. Find out the Net Annual Value of the house property for the A.Y: 2018-19.
17. The following is the Profit & Loss A/C of Mr. Roy for the year.

Particulars	Rs	Particulars	Rs
To Rates & taxes	450	By Gross profit	14,623

To Establishment (staff)	1,750	By Bank interest on personal deposits	577
To Rent	600		
To household expenses	1,450		
To discount	250		
To advertisement	200		
To income-tax	480		
To postage, stationery	810		
To fire insurance	150		
To gifts & presents	160		
To charity & donations (approved institutions)	1,140		
To purchase of plant and machinery	1,500		
To repairs of furniture	50		
To interest on loan	1,000		
To Life insurance premium	600		
To Reserve for doubtful debts	700		
To interest on capital	250		
To Net Profit	3,660		
	15,200		15,200

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

18. What is meant by Self Assessment and Best Judgement Assessment?
19. Mr.Sharma retires on 30-09-2017 after 20 years of service and received Rs.96,000 as leave encashment for 12 months. His employer allows him 1 months of leave for every one year of service. He has already encashed leave for 18 months. His salary for 2017-18 was Rs.6,000 and from 1-4-2017 it was raised to Rs.8,000 p.m. Compute the taxable amount of leave encashment.

**Section C** ( $2 \times 15 = 30$ ) Marks

Answer any **TWO** questions

20. Briefly explain any 15 incomes that are exempted from tax.
21. Mr. Ram is General Manager of a company in Madras and draws Rs.8,500 per month as salary. He is provided with a house for which the company pays Rs.60,000 P.A as rent. Furniture and fittings costing Rs.30,000 are also provided. He is also provided with a car of 1.6 Litres by his employer and the

car is used for both private and official purpose. All expenses including salary of driver are borne by the employer.

The employer has also provided him services of sweeper @ Rs.140 p.m, a watchman @ Rs.160 p.m and gardener @ 600 p.m.

He is a member of RPF to which he contributes 12% of salary and a similar contribution is made by the employer. Interest on PF balance at 14% is credited to his provident fund account and amounted to Rs.4,200. His son is studying in an engineering college and the expenditure of Rs.24,000 p.a was met by the employer.

Compute his salary income for the P.Y.2017-18.

22. Mr.Srinivasan took a loan of Rs. 4,00,000 on 1-4-2014 at 20% p.a to construct a house. The construction of the house was completed on 1-11-2016. Compute the amount of interest deductible in computing the income from house property if the house is let out and the loan is not yet repaid during 2017-18.
23. Kishore, a lawyer by profession keeps his cash book as per cash system of accounting. The following is the summary of his cash book for the year ended 31<sup>st</sup> March 2018.

Receipts	Rs	Payments	Rs
To Balance	5,000	By Rent of Chamber	2,400
To Fees	35,000	By Car expenses	3,600
To Remuneration as examiner	3,000	By Household expenses	12,000
To Interest on bank deposits	2,500	By Local tax for the house	1,200
To Rent from House Property	8,000	By Repairs of the house	4,000
To Dividends	1,600	By LIC premium for self	4,800
		By Cost of books for profession	4,000
		By Medical treatment of self	5,000
		By Balance	18,100
	55,100		55,100