

SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN (AUTONOMOUS)  
(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)  
Chromepet, Chennai — 600 044.

M.Com.(A&F) - END SEMESTER EXAMINATIONS NOVEMBER - 2022  
SEMESTER - I

**20PAFCT1002 - Income Tax Law and Practice - I**

Total Duration : 2 Hrs 30 Mins.

Total Marks : 60

**Section A**

Answer any **SIX** questions ( $6 \times 5 = 30$  Marks)

1. Define the term "Rates of Tax" and explain it.
2. Briefly explain the scope of total income.
3. Classify the different types of taxable allowances.
4. A gets Rs.18,000 per month as salary and dearness allowance at 10 per cent of the salary. He is getting entertainment allowance of Rs.8,000 p.a. During the previous year ended 31<sup>st</sup> March, 2022, he received a bonus of three months' salary. He is also provided with a rent-free house (unfurnished) in a town (whose population is less than four lakh) whose fair rent is Rs.5,000 per month. Compute taxable salary for the Assessment Year relevant to the previous year 2021-2022.
5. From the following information prepare the annual value of the house:

|                 | Rs.        |
|-----------------|------------|
| Municipal value | 1,50,000   |
| Fair rent       | 1,80,000   |
| Standard rent   | 1,60,000   |
| Actual rent     | 20,000p.m. |

Municipal tax paid by the owner 20% of M.V.

Unrealised rent Rs. 40,000. Conditions of Rule 4 are satisfied.

6. Classify the list of exceptions of income from house property.
7. A banking company has prepared the following Profit & Loss Account for the year ended March 31, 2022.

|                              | Rs.             |   | Rs.             |
|------------------------------|-----------------|---|-----------------|
| To interest paid on deposits | 2,00,000        | By interest on overdraft                      | 60,000          |
| To salaries and allowances   | 1,50,000        | By interest on cash credit                    | 1,00,000        |
| To rent and taxes            | 20,000          | By interest on loans                          | 3,00,000        |
| To postage charges           | 10,000          | By interest on securities                     | 1,20,000        |
| To stationery and printing   | 8,000           | By commission                                 | 40,000          |
| To depreciation              | 40,000          | By rent of buildings(mortgaged with the bank) | 60,000          |
| To other expenses            | 20,000          | By underwriting commission                    | 30,000          |
| To provision for income tax  | 2,30,000        | Profit on sale of shares underwritten         | 70,000          |
| To bad debts provision       | 40,000          |   |                 |
| To profit to balance sheet   | 62,000          |   |                 |
|                              | <b>7,80,000</b> |   | <b>7,80,000</b> |

8. Compare TDS and TCS.

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## Section B

### Part A

Answer any **TWO** questions ( $2 \times 10 = 20$  Marks)

9. The following are the incomes of Shri Krishan Lal for the previous year 2021-2022 :

1. Income from agriculture in Pakistan 30,000.
2. Salary received in India but the services were rendered in Iraq (computed) 12,000.
3. Income from a business carried on in India 12,000
4. Dividend from a domestic company 2,000
5. Interest earned and received in Bangladesh from bank deposits there 6,000
6. Income from a business in Sri Lanka but controller from India and remitted to India 14,000.

Compute Shri Krishan Lal gross total income for the Assessment Year 2022-23 if he is :

- (i) Ordinarily resident
- (ii) Not-ordinarily resident
- (iii) Non-resident.

10. Compute taxable salary of Mr. X for the Assessment year 2022 – 23 :

- (a) Salary Rs.60,000 p.m.
- (b) D.A. Rs.10,000 p.m.
- (c) Entertainment Allowance Rs.1,000 p.m.
- (d) Employer does contribute to Recognized Provident Fund Rs.88,800. His own contribution was Rs.88,800.
- (e) Interest @ 10% p.a. on credit balance of recognized P.F. amounted to Rs.50,000.
- (f) City compensatory allowance Rs.500 p.m.
- (g) Medical allowance Rs.1,200 p.m.

(h) He has been provided with a large car for both official and personal use. Employer bears all the expenses of the car. He is provided an unfurnished house by the employer in a city (population 12 lakh). The fair rental value of the house is Rs.90,000 p.a. Employer charges Rs.2,000 from him per month as rent.

11. Mr.A let-out a house to Mr.B on 1.4.2014 @ Rs.3,000 p.m. for five years. After the expiry of five years, Mr.B refused to vacate the house. Hence, Mr.A filed a suit to get the house vacated and incurred expenses Rs.1,000 in this connection. Later on, Mr.A agreed to renew the tenancy for five years w.e.f 1.4.2019 if B pays him rent @ Rs.4,000 p.m. from 1.4.2019. B agreed to it and paid the arrears of rent from 1.4.2019 to 31.3.2021 on 1.6.2021.

Mr.A paid the following amount during the previous year :

- (a) House rent Rs.6,000.
- (b) Insurance premium Rs.800
- (c) Ground rent Rs.500.

Compute the income from house property for the Assessment year 2022-23.

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12. Mr.Om is a cloth merchant. From the following P & L A/c for the year ended 31<sup>st</sup> March, 2022 compute his income from business and his gross total income for the Assessment Year 2022-23:

|                       | <b>Rs.</b>      |                              | <b>Rs.</b>      |
|-----------------------|-----------------|------------------------------|-----------------|
| To salaries and wages | 15,000          | By Gross profit              | 2,70,000        |
| To Rent and Taxes     | 4,000           | By Dividend from UTI (Gross) | 4,000           |
| To Domestic Exps.     | 2,000           | By Rent from let out house   | 10,000          |
| To TDS on interest    | 500             |                              |                 |
| To income Tax         | 1,200           |                              |                 |
| To postal charge      | 1,500           |                              |                 |
| To Donation           | 2,500           |                              |                 |
| To LIC Premium        | 2,000           |                              |                 |
| To Audit fees         | 1,500           |                              |                 |
| To Bad Debts Reserve  | 1,800           |                              |                 |
| To Bad Debts          | 2,500           |                              |                 |
| To Depreciation       | 5,000           |                              |                 |
| To Net Profit         | 2,44,500        |                              |                 |
|                       | <b>2,84,000</b> |                              | <b>2,84,000</b> |

**Other information :**

- (a) Rent and taxes include Rs.2,000 paid as Municipal Tax on house let out.
- (b) Value of LIC policy is Rs.18,000.
- (c) Donation was given to an approved institution.
- (d) Permissible Depreciation was Rs.4,000.

**Part B**

Compulsory question (1 × 10 = 10 Marks)

13. During the financial year 2022-23 compute the tax to be deducted at source in the following cases, if the recipient is an individual and resident in India :

|   | <b>Rs.</b> |
|---|------------|
| (i) Income from interest on Securities  | 6,000      |
| (ii) Payment regarding Lottery winnings | 500        |
| (iii) Dividends from domestic company   | 12,000     |
| (iv) Winnings from a horse race         | 20,000     |
| (v) Winnings from another horse race    | 2,000      |
| (vi) Commission to Lottery agent        | 25,000     |
| (vii) Insurance commission              | 34,000     |

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