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M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2020.

Third Semester

Commerce – Core

TAXATION AND TAX PLANNING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Income tax act was passed in
 - (a) 1961
 - (b) 1971
 - (c) 1981
 - (d) 1951
2. Agricultural income is
 - (a) Taxable
 - (b) Partially taxable
 - (c) Exempted
 - (d) None of the above

3. Fixed medical allowance is fully taxable in case of
- (a) Private employees
 - (b) Government employees
 - (c) Semi-government employees
 - (d) All employees
4. Gratuity received by the government employee is
- (a) Partially exempted
 - (b) Fully exempted
 - (c) Fully Taxable
 - (d) Exempted up to Rs.3,50,000
5. A Standard deduction of ____ of the net annual value is allowed as deductions u/s 24.
- (a) 24% (b) 22%
 - (c) 30% (d) 16%
6. A rent in which a similar property can fetch in a similar locality is called
- (a) Municipal value
 - (b) Fair rental value
 - (c) Actual rental value
 - (d) standard rent

7. Rate of depreciation on furniture is
(a) 10% (b) 20%
(c) 15% (d) 25%
8. Which of the following expenditure is not allowed as deduction while computing business income?
(a) Donation (b) Rent
(c) Entertainment (d) Salary
9. Financial asset is called as long term asset if it is held for more than
(a) 12 Months (b) 24 Months
(c) 36 Months (d) 48 Months
10. After converting shares into stock in trade the difference between actual sale value and fair market value is
(a) Capital gain (b) Other sources
(c) Business income (d) None of these

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) List out any five incomes which are exempted from tax.

Or

- (b) Explain the history of income tax in India.

12. (a) Computation of Gross Salary of Mr. Sampath for the assessment year 2019-20.

Salary Rs. 1,75,000

Dearness Allowance Rs.5,000 p.m. (Enter in to retirement benefits)

Bonus Rs.25,000

Conveyance allowance Rs.21,000 fully utilized for official purpose

Interest on RPF @ 14.5 Rs. 24,800

House Rent allowance Rs. 6,500 p.m. (Actual Rent paid Rs.7,000 p.m.)

Or

- (b) Mr. Basker retired on 31.12.2018 and his pension was fixed at Rs. 3,600 p.m. He got 3/4th of the pension commuted for which he received Rs. 1,80,000 from his employer, a Ltd.,Co. Find out the taxable amount of commuted value of pension if:

- (i) He gets gratuity and
(ii) He does not get gratuity

13. (a) Calculate the annual Rental value from the particulars given below:

Actual Rent Rs. 12,000 P.m.

FRV Rs. 1,36,000 p. a

M.R.V Rs. 1,20,000 p. a

Standard rent Rs.89,000 p. m

During the previous year 2018-19 Assessee could not realize rent for three months.

Or

- (b) From the following particulars, compute the Net Annual Value.

MRV Rs.1,20,000 P. a

FRV Rs.1,80,000 p. a

SRV Rs.1,50,000 p. a

Actual rent Rs.16,000 p. m

Municipal tax paid by the owner 10% of municipal value. Unrealised rent Rs.3,000.

14. (a) The profit and loss account of a firm shows a profit of Rs.55,000 after charging the following items. Find out income from business.

Fire insurance premium (House Property)	Rs. 2,500
Drawing by the partner	Rs. 6,000
Advance income Tax	Rs. 3,000
Income Tax	Rs. 4,000
Sales Tax	Rs. 2,800

Or

- (b) From the following receipts and payments account of Dr.Raj, compute his professional income for the previous year 2018-19.

Particulars	Amount	Particulars	Amount
To Balance c/d	6,000	By Salary to staff	1,80,000
To Consultation fees	7,50,000	By Rent of clinic	60,000
To Visiting fees	60,000	By Purchase of medicine	70,000
To Sale of medicine	94,500	By Surgical equipment	2,30,000
To Interest on deposits	55,500	By Purchase of car	4,00,000
To Dividend on investment	34,000	By Balance c/d	60,000
	10,00,000		10,00,000

15. (a) Mr. James furnished the following particulars regarding his capital assets.
- (i) Sale of residential house on 31st October 2018 Rs. 13,00,000 (House was purchased during 2002-03 for Rs. 3,00,000)

- (ii) Purchase of another residential house in 1st February 2019 Rs. 2,00,000
- (iii) Investment in bonds on 20th February 2019 which qualifies For u/s 54 EC Rs.1,50,000

Compute his Capital gain. (CII:2002-03:105;2018-19:280)

Or

- (b) Mr.Kumar acquired certain number of shares of XY Ltd. on 03.03.2013 for Rs. 1,50,000. He sold them on 02.01.2019 for Rs. 7,50,000. He paid a brokerage of 1%. He invested Rs. 3,00,000 in the bonds of National Highway Authority of India Ltd. on the same day. Compute his capital gain.(CII:2012-13:200;2018-19:280)

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Discuss the scope of total income.

Or

- (b) Mr. Anand furnishes the following particulars of his income earned during the previous year relevant to the Assessment year 2019-20.
 - (i) Interest on German development bonds (1/3 received in India) Rs. 51,000

- (ii) Income from agricultural in Bangladesh, remitted to India Rs.31,000
- (iii) Income from property in Canada received in U.S.A Rs.1,10,000
- (iv) Dividend from an Indian company Rs.15,000
- (v) Profit from a business in Chennai; this business is controlled from Singapore Rs.1,25,000
- (vi) Profit on sale of building in India but received in Nepal Rs.2,50,000
- (vii) Income from agriculture in Punjab, received in Mumbai Rs.30,000
- (viii) Profit from business in Indonesia; this business is controlled from Delhi (60% of the profit deposited in a bank there and 40% is remitted to India) Rs.40,000
- (ix) Interest received from Mr. Shyam, a non-resident on the loan provided to him for a business in India Rs. 28,000

Compute his Gross total income if he is

- (1) Resident
- (2) Not Ordinarily Resident
- (3) Non-Resident

17. (a) Mr. Kailash provided following information about his salary income:

Salary Rs.20,000 p. m

D.A. as per terms of employment 100% of salary

Bonus Rs. 20,000

CCA Rs. 400 p. m.

Lunch allowance Rs.500 p. m

Reimbursement of medical expenditure incurred on treatment of wife from a private nursing home is Rs.42,000.

Entertainment allowance Rs. 1,000 p. m

House rent allowance at Rs. 8,000 p. m. (rent paid Rs.8,000 p. m.)

Professional Tax Rs. 1,500.

Or

- (b) Mr. X an employee of Ranchi (Population 15 lakhs) based company provides the following particulars of his salary income:

Basic Salary Rs. 12,000 p.m

Bonus Rs.12,000

Commission Rs. 42,000

Entertainment allowance Rs. 2,000 p.m

Club facility Rs.6,000 p.m

Transport allowance Rs. 1,800 p.m

Free use of car of more than 1.6 ltr. Capacity for both personal and official purpose.

Rent free house provided by the employer.

Lease rent paid by the employer Rs. 6,000 p.m.

Free education facility for three children of the employee (bill issued in the name of employer) Rs. 22,500

Gas, water and electricity bills paid by employer Rs.16,800

Compute income under the head salary for the assessment year 2019-20

18. (a) Following are the particulars of let out house of Mr. Ramesh.

Municipal valuation	Rs.4,20,000
FRV	Rs.3,60,000
Standard rent	Rs.4,40,000
Actual rent	Rs.4,80,000
Unrealised rent for current year	Rs.40,000
Vacancy	2 months
Municipal taxes: Actually paid	Rs.12,000
Due but not paid	Rs.30,000
Repairs	Rs.10,000
Insurance premium	Rs.12,000
Other expenses	Rs.8,000

Determine income from House property.

Or

- (b) A house was completed on April 1, 2018 and following information is available about this house:

Municipal Value of the House	Rs. 30,000 p.a
Fair Rental Value of the House	Rs. 32,000 p.a
Actual Rent	Rs. 4,000 p.a
Municipal taxes	Rs. 6,000 p.a

Let out for the period 1.4.2018 to 31.12.2018 and self occupied from 1.1.2019 onwards.

Fire Insurance Premium Rs. 3,600

Land Revenue Rs. 6,000

Interest on Loan for the period

(i) 1.4.2015 to 31.3.2018 Rs. 45,000

(ii) 1.4.2018 to 31.3.2019 Rs. 15,000

Calculate income from house property for the previous year ending on 31.3.2019.

19. (a) From the following P & L account of Mr. Saravanan, calculate his income from business of the previous year 2018 - 19.

Particulars	Rs.	Particulars	Rs.
To Salary	8,000	By Gross Profit	65,000
To Postage	2,000	By Dividend from shares of X & co	15,000
To Municipal tax	1,000		
To Preliminary expense	5,000		

To Patent	8,000		
To Copy right	6,000		
To Statistical research exp.	6,000		
To Capital Expenses on scientific research	4,000		
To net profit	40,000		
	80000		80000

Or

- (b) From the following receipts and patent account of Narayanan a chartered Accountant. Compute his income from profession.

Receipts	Rs.	Payment	Rs.
To Balance b/d	6,000	By Office expenses	28,000
To Audit fees	1,80,000	By Printing and stationary	37,000
To Consultation fees	30,000	By Subscription to CA Institute	5,000
To Appellate Tribunal Appearance	15000	By Staff Salary	48000
To Presents from clients	4000	By Books	6000
To Rent from house property	35000	By Computer with software	60000
		By balance c/d	86000
	270000		270000

20. (a) Sankar shifted his industrial undertaking from an urban area to a rural area during the previous year 2018-19. In that regard he furnished the following particulars.

Particulars	P&M	L&B	Furniture
Sale proceeds	500000	300000	100000
Written down value	280000	-	80000
Cost of acquisition	400000	100000	90000
Acquired on	04.04.2016	01.04.2015	08.09.2012
Amount invested on 10.3.2011	250000	200000	150000

Compute taxable capital gain. CII:2012-13:200; 2015-16:254; 2016-17-264 and 2018-19:280.

Or

- (b) M/s R.K Brothers who were running an industrial unit, were ordered by the Municipal Corporation Ludhiana to shift their concern from the urban area of Ludhiana. They shifted their concern during 2018-19, and in this process sold some of their assets whose details are given below:

Particulars	Plant & Machinery	Land	Building
Acquired in	2009	2005-06	2009
Sale proceeds	1000000	700000	1200000
Written down value on 1.4.2018	440000	-	732500
Cost of acquisition	600000	200000	1000000
Amount invested during Dec-2018 due to shifting	800000	200000	500000

Compute taxable capital gain for the previous year 2018-19. CII: 2005-06 is 117 ; 2009-10: 148 and 2018-19:280.
