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M.Com.(CBCS) DEGREE EXAMINATION,  
NOVEMBER 2022.

Third Semester

Commerce – Core

TAXATION AND TAX PLANNING

(For those who joined in July 2021 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. A person by whom any tax or other sum of money is payable under income tax act.  
(a) Individual (b) HUF  
(c) Assessee (d) Partner
2. The term income includes  
(a) Profits and gains (b) Dividends  
(c) Capital gains (d) All of these

3. Perquisites are taxable under the head
  - (a) House property
  - (b) Salary
  - (c) Capital Gains
  - (d) Profits and gains of business
4. U/S 17 salary include
  - (a) Wages
  - (b) Leave salary
  - (c) Gratuity
  - (d) All of these
5. The basis of charge for tax on income from house property
  - (a) Annual value
  - (b) Rental value
  - (c) Municipal value
  - (d) Market value
6. Municipal taxes are deductible on
  - (a) Payment basis
  - (b) Accrual basis
  - (c) Due basis
  - (d) Property basis
7. Profits earned from an illegal business is
  - (a) Taxable
  - (b) Not taxable
  - (c) Ignored by income tax authorities
  - (d) None of the above

8. Professional expenses are allowed on
  - (a) Payment basis
  - (b) Accrual basis
  - (c) Due basis
  - (d) Both (a) and (b)
9. Income from sale of rural agricultural land is
  - (a) Taxable capital gain
  - (b) Exempted capital gain
  - (c) Taxable income
  - (d) Agriculture Income
10. Dividends from cooperative society are
  - (a) Exempted
  - (b) Taxable
  - (c) Ignored by income tax authorities
  - (d) Deductable

PART B — (5 × 5 = 25 marks)

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

11. (a) Write a brief note on
  - (i) Assessee
  - (ii) Assessment year
  - (iii) Previous year

Or
- (b) State, How will you assess the residential status of individual.

12. (a) Dr Manikandan was appointed as a manager of a Private Ltd., Co on 1<sup>st</sup> January 2019 in a grade of Rs.17,400-300-25,000 at a basic salary of Rs.17400/- PM. Compute his salary income from the previous year 2021-22 if,

- (i) salary is due on first of every month and
- (ii) if salary is due on the last date of every month.

Or

(b) X a resident of Ajmeer receives Rs.48,000 as basic salary during the previous year 2021-22. In addition he get Rs.4,800 as DA forming part of salary, 7% commission on sales made by him (sales value Rs.86,000) and Rs.6,000 as HRA. He however pays Rs.5,800 as house rent. Determine the quantum of HRA exempted from tax.

13. (a) A House Property is Self occupied for part of the year and let out for the remaining part of the year. Find out the gross annual value in the following cases;

Particulars	House I	House II
Let out period	8 months	7 months
Self occupied period	4 months	5 months
a) Municipal valuation	1,80,000	1,90,000
b) Fair rent	1,90,000	2,00,000
c) Standard rent	NA	2,10,000
Actual rent	1,40,000	2,20,000

Or

(b) Rajan owns 3 houses, two of which are self occupied; the particulars of the house are given below;

Particulars	House I	House II	House III
Municipal value	70,000	99,000	40,000
Fair rent	78,000	1,20,000	45,000
Standard rent	--	1,00,000	38,000

Find the gross annual value of the property.

14. (a) State the admissibility/non admissibility of the following items in the business head:

- (i) Commission paid Rs.10,000/- to secure order for business.
- (ii) Rs.2,00,000/- paid as compensation to employee for pre mature termination of service for illegal activities.
- (iii) Stock was lost in fire Rs.30,000/- debited to profit and loss account.
- (iv) Loss due to embezzlement by an employee Rs.8,000/- and
- (v) Purchase of building Rs.3,00,000/-

Or

(b) Compute the business income from the following.

(i) Commission earned	Rs.20,000
(ii) Sales	Rs.1,20,000
(iii) Purchases	Rs.20,000
(iv) Staff salary	Rs.11,000
(v) Purchase of typewriter	Rs.8,000

15. (a) Determine Capital Gain in each of the following situation.

- (i) Machine A was purchased 1<sup>st</sup> October 2014 at a cost of Rs.5,00,000 and the written down value on 1<sup>st</sup> April 2021 is Rs.50,000/- and the same was sold on 1<sup>st</sup> August 2021 for Rs.3,00,000/-.
- (ii) A Furniture purchased on 1<sup>st</sup> October 2016 for Rs.7,00,000/- written down value on 1<sup>st</sup> April 2021 was Rs.5,00,000/- and it was sold for Rs.4,00,000/- on 1<sup>st</sup> September 2021.

Or

(b) GG King Furnishes the following particulars of his income for the previous year 2021-22.

Compute income from other source for the AY 2022-23;

(i) Dividend (gross) from Ashok Leyland Ltd	Rs.25,000
(ii) Dividend from Cooperative society	Rs.5,000
(iii) Interim dividend from Rane (Chennai)	Rs.6,000
(iv) Dividend from foreign company	Rs.26,000
(v) Dividend from mutual funds	Rs.3,000

PART C — (5 × 8 = 40 marks)

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

16. (a) Explain the incomes that are excluded from total income and exempted from tax.

Or

- (b) Dr. Illango is employed in UK was deputed to British Hospital in India on 1<sup>st</sup> April 2018. On 2<sup>nd</sup> January 2019 he went to UAE. On 1<sup>st</sup> April 2020 he came back to India and left for Japan on 20<sup>th</sup> October. He came again to India and joined his original post on 5<sup>th</sup> January 2022. Determine his residential status for the Assessment year 2019—2020 to 2022—2023.
17. (a) Mr X an employee of Tamilnadu Government submits the following information relevant for the assessment year 2022—2023.

Salary Rs.86,000/- Entertainment allowance Rs.8000/- Bonus Rs.10,200/- Education allowance Rs.4000/- for her grand children. Income tax penalty paid by the employer Rs.2,000/- Medical expenses reimbursed by the employer Rs.2,000/- Leave travel Concession Rs.1,000/- Free Residential telephone Rs.4,000/- Free refreshment during office hours Rs.4,000/- Payment of electricity bill by employer Rs.1,060/- Reimbursement of

Gas bills Rs.1,000/- Professional Tax paid by the employer Rs.300/- Professional tax paid by Mrs X Rs.150/- Mrs.X is provided with a car of more than 1.6 litres for both personal and official use and expenses of maintaining and running the car with driver are borne by the employer. Contribution to PPF Rs.1,20,000/- (Principal amount) repayment of loan taken for purchase of house Rs.70,000/- Determine the taxable salary and amount deductible U/S 80C.

Or

- (b) The following information is given to you by Mr. X an individual to enable you to ascertain his taxable salary for the assessment year 2022—23.

He was employed as a senior manager of a company and was paid the following; Basic Salary Rs.4,000/- per month, Special allowance at 25% of the basic salary, Peon allowance Rs.200 per month, Bonus Rs.20,000/- Entertainment allowance Rs.1,500/- per month. Three of his children were educated in convents outside the place of his service and the employer paid an allowance of Rs.7,600/- per children per annum to meet the costs of education and boarding expenses. During the year he was asked to proceed to Amritsar to manage



temporarily the branch and was paid a special pay (not included above) Rs.5,000/- for this agreement. The employer reimbursed X with Rs.300/- per month being the tuition fee to the institute of higher learning where X enrolled himself for an MBA course. During the year he availed LTC for his family and himself, the company paid Rs.10,800/- and his wife and two of his children availed the facility, the cost of both the ways is Rs.1,800/- per head. Compute his taxable salary

18. (a) Mr X occupies 3 flats for his residential purpose, the particulars of which are as follows;

Particulars	House I	House II	House III
Municipal valuation	90,000	45,000	40,000
Fair rent	1,20,000	40,000	45,000
Std Rent as per rent control act	80,000	NA	25,000
Municipal taxes paid	10%	10%	10%
Fire insurance	1,000	600	1,200
Interest payable on capital borrowed for purchase of flat before 1/4/1999 for house I and for house II and III after 1/4/1999	40,000	50,000	10,000

Determine the taxable income for the Assessment year 2022—23. You are informed that X could not occupy House II for 2 months commencing from 1/12/2021 and that he has attained the age of 65 on 23/08/2021.

Or

- (b) Mr.X owns a house property. It is used by him throughout the previous year 2021- 22 for his residence. Municipal value of the house is Rs.40,000, Fair rent is Rs.50,000. Municipal tax paid by him was Rs.4,000. Mr X Borrowed Rs.10,00,000 on 1/1/2015 at 10% Per Annum for construction of the house. The construction was completed on 1/10/2017. Compute income from house property for the Assessment Year 2022—23.

19. (a) The following is the profit and loss account of Mr Roy. You are required to ascertain his business income considering the following;

Particulars	Amount	Particulars	Amount
To rent and taxes	450	By Gross profit	14,623
To establishment (staff)	1,750	By bank interest on personal deposits	577
To rent	600		

Particulars	Amount	Particulars	Amount
To house hold expenses	1,450		
To discount	250		
To advertisement	200		
To income tax	480		
To postage and stationery	810		
To fire insurance	150		
To gifts and presents	160		
To charity and donation to approved institutions	1,140		
To purchase of plant and machinery (not installed)	1,500		
To repairs of furniture	50		
To interest on loan	1,000		
To life insurance premium	600		
To reserve for	700		

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Particulars	Amount	Particulars	Amount
doubtful debts			
To interest on capital	250		
To net profit	3,660		
Total	15,200		15,200

Computation of business income for Mr Roy

Or

(b) Shri Singh is practicing as Chartered Accountant in Delhi. He deposits all receipts in his bank account and pays all expenses by cheque. Following is the analysis of his bank account for the year ending 31/3/2022. Compute his income from profession.

Receipts	Amount	Payments	Amount
Consultation	4,00,000	Computer purchased	50,000
Audit fees	90,000	Stipend to article clerks	24,000
Appellate tribunal appearance	50,000	Office expenses	30,000
Present from clients	20,000	Office rent	15,000
Interest on	60,000	Salary and	18,000

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government securities		wages	
Rent received from house	70,000	Printing and stationery	5,000
Loan from client	1,00,000	Subscription to CA institute	800
Miscellaneous receipts	7,000	Purchase of book for professional use (Annual subscription)	10,000
		Travel expenses	12,000
		Interest on loan	15,000
		Donation to NDF	20,000

Additional information:

- (i) Travel expenses are incurred for profession and only 50% is allowed.
- (ii) Computer was purchased on 1/8/2021 and used for office purpose.
- (iii) 50% of the books were purchased in August 2021.
- (iv) 50% of loan from client is used for personal purpose.

20. (a) Mr. David owned two motor cars which were mainly used for business purposes. The written down value on 1<sup>st</sup> April 2021 of these cars is Rs.1,81,000/-. The block of assets comprising of these two assets was sold June 2021 for Rs.1,50,000/-. In September 2021 he sold 1000 shares in X Ltd (unlisted) an Indian Company for Rs.30,00,000/- He has purchased the same in March 2005 for Rs.3,10,000. A house plot purchased in March 2011 for Rs.3,00,000/- was sold by him for Rs.9,35,000/- on January 2022. (CII: (2010 — 11) — 167; (2004 — 05) — 113; (2021 — 22) — 317.) Compute Taxable gains chargeable to tax in respect of the above transactions for the AY 2022-23.

Or

- (b) Mrs Arun and Varun received the following dividends from different Indian Companies during 2021-22;

Particulars	Arun	Varun
Dividends from :		
A Ltd	8,00,000	2,50,000
B Ltd	20,00,000	3,50,000
C Ltd	28,00,000	4,00,000
Interest on capital borrowed from earning dividend	21,000	2,50,000



Other incomes	2,00,000	8,00,000
Deductions U/S 80C to 80U	2,20,000	1,50,000

Compute the income from other sources.

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