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Reg. No.....

Name.....

**M.Com. DEGREE EXAMINATION, FEBRUARY 2021**

**Third Semester**

Faculty of Commerce

Branch—Finance

**Paper XIII—DIRECT TAXES : LAW AND PRACTICE**

(2004 Admission onwards)

[For Private Registration Candidates—Regular/Supplementary/Mercy Chance and Non-CSS—College Going (2004—2011) Admissions—Special Mercy Chance Examination].

Time : Three Hours

Maximum : 75 Marks

**Section A**

*Answer all questions.*

*Each question carries 2 marks.*

*Each answer not to exceed **half a page** each.*

1. What is gross total Income ?
2. What is the purpose of determining the residential status of an assessee ?
3. What is transferred balance ?
4. Enumerate the deductions allowable U/S 24 (1) while computing income from house property ?
5. What is partly agricultural income ?
6. What is unabsorbed depreciation ?
7. Give three examples of items which are not treated as capital asset.
8. What is "Bond washing transaction".
9. What do you mean by clubbing of income ?
10. What is inter-head set-off and how will you set-off speculation loss ?

(10 × 2 = 20 marks)

**Section B**

*Answer any **five** questions.*

*Each question carries 5 marks.*

*Each answer not to exceed **one** page.*

11. List ten incomes which are neither included in total income nor is income tax payable on them.
12. How would you determine the residential status of an individual ?

Turn over



13. Discuss the taxability of House Rent Allowance.
14. Define Annual values. How it is determined ?
15. Compute the Gross Salary from the given information :
- (a) Salary at Rs. 3,500 p.m.
  - (b) D.A at Rs. 1,000 p.m D.A. enters into pay for service benefits.
  - (c) CCA at Rs. 200 p.m.
  - (d) HRA at Rs. 1,000 p.m.
  - (e) Commission on turnover achieved by him is Rs. 6,000
  - (f) Living in a rented house at Delhi and rent paid is Rs. 1,500 p.m.
16. Mr. Anil is the owner of a house property in Delhi. The construction of the property was completed on 30<sup>th</sup> November 2008. The property consists of 4 units. Actual rent received for each unit is Rs. 48,000 per annum. Standard rent of the property under the Delhi Rent Control Act is Rs. 2,20,000. Municipal valuation of the property is Rs. 1,65,000. Rent of a similar property in the same locality is Rs. 2,00,000. The Municipal tax paid for the whole house by Mr. A during the previous year is Rs. 35,000. Three units are let out for residential purposes and one for professional purpose. Find out the annual value of the property for the Assessment Year 2013-14.
17. Mr. Narayanan purchased 1,000 equity shares in A Ltd. @ Rs. 40 per share on November 15, 1979. On 30<sup>th</sup> June 1985 he gets 500 bonus shares. Fair market value of shares in A Ltd. on 1-4-1981 is Rs. 45.
- He sells 1,000 equity shares on June 10, 2012 @ Rs. 500 per share. In July 2012, he sold 500 bonus shares @ Rs. 140 per share (Brokerage 1.5 %). Compute the amount of capital gain chargeable to tax. CII for 1985-86-133, 2012-13-852.
18. Mr. Subash discloses the following incomes. Compute his gross income :
- (a) Salary received—Rs. 66,000.
  - (b) Interest on bank deposit—Rs. 6,400.
  - (c) Winnings from horse races: (Gross)—Rs. 17,900.
  - (d) Winnings from lottery (Gross)—Rs. 8,000.
  - (e) Dividend from Indian companies—Rs. 6,000.
  - (f) Interest on NSC VIII issue—Rs. 7,400.
  - (g) Ground rent—Rs. 1,200.
  - (h) Dividend units of UTI (Gross)—Rs. 4,500.
  - (i) Interest on enhanced compensation from Government—Rs. 20,000.

(5 × 5 = 25 marks)



**Section C**

*Answer any one question.*

*It carries 10 marks.*

*Answer not to exceed three pages.*

19. Explain the provisions regarding set-off and carry forward of losses while computing the Total Income.
20. Profit and Loss Account of a trader shows net profit of Rs. 38,000 after debiting the following items. Find out income from business for the Assessment Year 2013-14.
- (a) Payment of Income tax Rs. 7,000 and income tax proceeding expenses Rs. 11,000.
  - (b) Interest on loan taken for payment of Income Tax Rs. 1,000.
  - (c) Sales tax Rs. 1,800 and penalty Rs. 4,000 for delay payment.
  - (d) Cash payment to a creditor Rs. 28,000.
  - (e) Municipal tax Rs. 1,800.
  - (f)  $\frac{1}{3}$ rd portion of the house is used for business and  $\frac{1}{2}$  portion is used for self residents and the remaining portion is let out.
  - (g) Income of Rs. 750 accrued during the previous year is not recorded in Profit and Loss Account.

Aforesaid net profit include Rs. 3,000 for recovery of old bad debts, which were disallowed by Income Tax Officer in past.

(1 × 10 = 10 marks)

**Section D**

*Answer any one question.*

*It carries 20 marks.*

*Answer not to exceed five pages.*

21. Explain the exemptions available under Sec. 54 of Income Tax Act, 1961 under the head capital gains.
22. From the following particulars, Compute Gross salary of Mr. Gopan. He is employed in Textile Industry in Mumbai at a monthly salary of Rs. 4,000.

He is entitled to commission of 1 % on sales achieved by him, which were Rs. 10,00,000 for the year. In addition he received the following allowances from the employer during the previous year :

**Turn over**



- (a) Dearness Allowance Rs. 2,000 per month, which is granted under the terms of employment and counted for retirement benefits.
- (b) Bonus Rs. 32,000.
- (c) House Rent Allowance Rs. 1,000 per month.  
(Rent paid for house in Mumbai Rs. 1,200 per month).
- (d) Entertainment allowance Rs. 1,000 per month.
- (e) Children education allowance Rs. 500 per month for two children.
- (f) Transport allowance Rs. 1,000 per month.
- (g) Medical Allowance Rs. 500 per month.
- (h) Servant's allowance Rs. 200 per month.
- (i) City Compensatory Allowance Rs. 300 per month.
- (j) Research Allowance Rs. 500 per month (Amount spent on research Rs. 3, 000).
- (k) A small car provided to him by employer for Gopan's official and personal use. All expenses relating to car including drivers wages met by employer.

During the P.Y. he paid employment tax of Rs. 4,000. Compute his income from salary.

(1 × 20 = 20 marks)