

Reg. No. : .....

**Code No. : 10097 E      Sub. Code : SECO5A**

B.Com. (CBCS) DEGREE EXAMINATION,  
NOVEMBER 2021.

Fifth Semester

Commerce — Main

Major Elective — INCOME TAX LAW AND  
PRACTICE -I

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Income Tax Act currently in force is \_\_\_\_\_.  
(a) IT Act 1922                      (b) IT Act 1944  
(c) IT Act 1956                      (d) IT Act 1961
2. The term income includes \_\_\_\_\_.  
(a) Legal income only  
(b) Legal and illegal incomes  
(c) Illegal income only  
(d) None of the above

3. Income accrued and received outside India is taxable in the hands of \_\_\_\_\_.
- (a) Non-resident
  - (b) Resident and ordinarily resident
  - (c) Resident and not ordinarily resident
  - (d) None of these
4. Allowances of MP/MLA or MLC are \_\_\_\_\_.
- (a) Fully exempted
  - (b) Fully taxable
  - (c) Partly exempted
  - (d) None of these
5. Statutory limit of exemption of leave encashment is \_\_\_\_\_.
- (a) Rs. 3,50,000
  - (b) Rs. 3,00,000
  - (c) Rs. 5,00,000
  - (d) Rs. 2,50,000
6. House rent allowance is \_\_\_\_\_.
- (a) Fully exempted
  - (b) Partly taxable
  - (c) Fully taxable
  - (d) Actual rent paid alone is taxable

7. Expected rent cannot exceed \_\_\_\_\_.
- (a) Municipal rent
  - (b) Fair rental value
  - (c) Actual rental value
  - (d) Standard rental value
8. Maximum loss possible on self occupied property is \_\_\_\_\_.
- (a) Rs. 10,000 or Rs. 50,000
  - (b) Rs. 20,000 or Rs. 1,00,000
  - (c) Rs. 30,000 or Rs. 2,00,000
  - (d) Rs. 1,00,000 or Rs 3,00,000
9. Contribution made to an approved scientific research association is eligible for deduction upto \_\_\_\_\_.
- (a) 50%
  - (b) 80%
  - (c) 100%
  - (d) 175%
10. Gifts from clients are \_\_\_\_\_.
- (a) Professional income
  - (b) Income from other sources
  - (c) Non taxable item
  - (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) Define the term 'Income' under the income tax Act 1961.

Or

- (b) Define (i) Assessment year (ii) Previous year

12. (a) Show how the following incomes are to be assessed in the hands of an assessee who is (i) Resident (ii) Non- Resident and (iii) Not-ordinarily resident.

(1) Salary drawn during the year for employment outside India from Government of India Rs. 93,500.

(2) Salary drawn for employment in London office of an Indian company for three months Rs. 18,000.

(3) Profits earned abroad and received in India Rs. 25,000.

(4) Profit earned from business transactions outside India and kept in bank there Rs. 18,000.

(5) Dividend received from an Indian company Rs. 3,000.

Or

- (b) Define 'Resident of India' and 'Non Resident of India.'

13. (a) What do you mean by perquisite? Give any four examples.

Or

- (b) Compute gross salary from information given below.

- (i) Salary @ Rs. 25,000 p.m.
- (ii) D.A. @ Rs. 5,000 p.m (Rs. 2,500 p.m. enters into pay for service benefits)
- (iii) Advance salary for two months Rs. 55,000.
- (iv) Employer's contribution to R.P.F. Rs. 3,500 p.m. .

14. (a) Compute Net Annual Value from the following:

Actual rent received      Rs. 72,000

Municipal rental value    Rs. 60,000

Fair rental value          Rs. 66,000

Municipal tax paid 10% of MRV.

Or

- (b) Calculate GAV from the particulars given below :

MRV Rs. 60,000 p.a. FRV Rs. 66,000.

- (i) If Actual Rent is Rs. 72,000 p.a. and Standard Rent is Rs. 69,000 p.a. or  
(ii) If Actual Rent is Rs. 63,000 p.a. and Standard Rent is Rs. 69,000 p.a.

15. (a) From the following profit and loss account, compute the business income.

Particulars	Rs.	Particulars	Rs.
To Office salary	6,500	By Gross profit	40,000
To provision for bad debts	3,000	By Commission	5,000
To interest on capital	2,000	By Rent of building	500
To Depreciation	1,200		
To Advertisement	2,000		
To Fire insurance (building)	3,000		
To Sales tax	1,000		
To Net profit	<u>26,800</u>		<u>          </u>
	<u>45,500</u>		<u>45,500</u>

Or

- (b) Mr. Kedambi, an Advocate, furnishes the following receipts and payments for the previous year 2018-19.

**Receipts and Payments Accounts**

	Rs.		Rs.
To Balance b/d	6,540	By Rent	2,400
To Legal fees	84,400	By Telephone	3,000
To Salary (as a part time Lecturer)	3,600	By Salaries	2,400
To Interest on debentures	2,700	By Subscription to law journal	240
To Gift from clients	10,000	By Travelling	560
To Rent	6,000	By Office expenses	600
To Interest on foreign security	8,000	By Purchases of stamp paper	1,600
To Refund from compulsory deposit	2,000	By Interest on loan	870
		By Donation to a school	5,000
		By Income tax paid	8,420
		By Municipal tax	600
		By LIC premium	6,000
		By Wealth tax	1,600
		By Balance c/d	89,950
	<u>1,23,240</u>		<u>1,23,240</u>

- (i) The loan was borrowed for construction his residential house. Its rental value is Rs. 300 per month.
- (ii) School is recognized for I.T. Purposes.
- (iii) Gift from clients includes Rs. 2,000 received from his father.

Compute the professional income.

**PART C — (5 × 8 = 40 marks)**

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

Each answer should not exceed 600 words.

16. (a) Distinction between Direct tax and Indirect tax.

Or

- (b) What are 'Total income' and 'Gross total income'?

17. (a) Explain any eight exempted incomes.

Or

- (b) On 1-6-2016 'B' a Malaysian citizen left India after a continuous stay of 10 years. During the financial year 2017-18, he came back to India and stayed for a period of 46 days and



left. In the previous year 2018-19, he came back to India on 10-10-2018 and stayed here thereafter for one year.

Determine 'B' s residential status for the assessment year 2019-20.

18. (a) Compute gross salary from information given below for each situation separately :
- (i) Salary @ Rs. 30,000 p.m.
  - (ii) D.A. @ Rs. 6,000 p.m.
  - (iii) C.C.A. @ Rs. 1,000 p.m.
  - (iv) House Rent Allowance @ Rs. 8,000 p.m.
  - (v) Commission on turnover achieved by him is Rs. 40,000.

Situation

- (1) Living in own house.
- (2) Living in rented house at Delhi as D.A. enters into pay for retirement benefits and rent paid is Rs. 7,000 p.m.
- (3) Living in rented house in Chandigarh and D.A. does not enter into pay retirement benefits and rent paid is Rs. 10,000 p.m.

Or

- (b) Dr. GS is employed in Anjana Software (P) Ltd., as Chief Secretary at Hyderabad.

She gives the following details for the previous year.

Pay	Rs. 1,80,000 p.a.
DA	Rs. 80,000 p.a.
CCA	Rs. 15,000 p.a.
HRA	Rs. 25,000 p.a. (she pays Rs. 1,250 per month as rent)
Academic research allowance	Rs. 2,000 p.m.
Uniform allowance	Rs. 1,000 p.m.
Conveyance allowance	Rs. 1,500 p.m.
Education allowance	Rs. 7,200 p.a. [Rs. 300 per child per month for her two children]
Hostel allowance	Rs. 4,800 p.a. (Rs. 200 per child per month for her two children)

Calculate Gross Salary.

19. (a) Mr. B owns a house property at Cochin. It consists of 3 independent units and information about the property is given below :

UNIT 1 : Own residence

UNIT 2 : Let out

UNIT 3 : Own business

MRV	1,20,000 p.a.
FRV	1,32,000 p.a.
Standard Rent	1,08,000 p.a.
Rent	3,500 p.m.
Unrealised rent	For three months
Repairs	10,000
Insurance	2,000
Interest on money borrowed for the construction of property	96,000
Municipal Taxes	14,400
Date of completion	01.11.2013

Compute income from house property.

Or

- (b) Compute ARV from particulars given below :

MRV Rs. 60,000 p.a., FRV Rs. 66,000 p.a., SRV Rs. 63,000 p.a., Real Rent Rs. 6,000 p.m., Date of completion 31.05.2018, Date of letting 01.08.2018.

20. (a) Dr. Narayanan is a medical practitioner in Chennai. From the following calculate his income from profession for the A.Y. 2019-20.

	Rs.
Gross receipts from dispensary	2,35,000
Gross receipts from consultancy	1,65,000
Operation fees	2,50,000
Visiting fees	50,000
Gift from patients	30,000
Medicines purchased	1,25,000
Closing stock of medicine	35,000
Opening stock of medicine	10,000
Salary to employees	1,50,000

Dr. Narayanan went to attend a medical seminar in Germany to update knowledge and spent Rs. 65,000 on it

Medical books purchased	20,000
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Rate of depreciation on books in 40%. (Not being Annual Publication)

Or

- (b) Explain the method of computing income from business.