

ST. JOSEPH'S EVENING COLLEGE (AUTONOMOUS)**VI SEMESTER B.COM EXAMINATIONS - APRIL 2018****INCOME TAX - II****Duration: 2.5 Hours****Max. Marks: 70****SECTION - A****I) Answer any EIGHT of the following questions (8x2=16)**

1. Define the term 'Business'.
2. What is Indexed Cost of Acquisition?
3. State whether the following are admissible in computing income from business
 - a) Interest on capital
 - b) Fines and penalties
4. Mention two transactions which are not regarded as transfer.
5. Mention the tax treatment for Family Pension.
6. What is depreciation U/S 32 (1) of the IT act?
7. What is Section 80 TTA?
8. Define the term Capital Asset.
9. What is Casual Income? State two examples.
10. What is Gross Total Income?
11. What is Mercantile System of Accounting?
12. Give the meaning of inter head set off.

SECTION - B**II) Answer any THREE of the following questions (3x8=24)**

13. State the provisions of section 54EC and 54F.
14. **State whether the following transactions are admissible while computing income from business**
 - a) Provision for income tax
 - b) Income tax appeal expenses
 - c) Daily allowance given to an employee
 - d) Pension paid to widow of a deceased employee
 - e) Expenses incurred in connection with installation of a new telephone
 - f) He installed a neon sign board for advertisement in shop entrance
 - g) Payment made to a exporter for buying foreign goods, payment was made without deducting TDS
 - h) One of the competitors copied his trademark and therefore the assessee

spent money on filing a case for infringement.

15. **Dr. Sowmya is a medical practitioner. The following is the receipts and payment account for the year ending 31-3-2017. Compute her professional income.**

To opening balance b/d	25,000	By Salary to staff	36,000
Consultation fee	75,000	Purchase of medicine	18,000
Visiting fee	62,500	Professional books	10,000
Interest on bank deposit	10,000	Purchase of car	2,40,000
Agriculture income	40,000	Car expenses	20,000
Gift from patients	15,000	Computes purchased	50,000
Rent from H.P	48,000	Personal expenses	45,000
Loan from bank for profession	1,50,000	Income tax	1,500
Operation charges	90,000	Life insurance Premium	10,000
Sale of medicine	32,500	Loan repayment	35,000
		Municipal tax of house property	5,000
		Interest on loan	7,500
		By balance c/d	70,000
	5,48,000		5,48,000

Additional information:

1. 25% of car is used for personal use
 2. Charge depreciation on car at 15%, Books 100% and computer at 60%
 3. A cash gift of Rs. 2500 received from a patient is not recorded in the books.
16. Mr. Ramesh received a vacant site as gift from his friend Mr. Suresh on 14-10-2003. The site was acquired by Mr. Suresh for Rs. 2, 00,000 in May 1991. Mr. Ramesh constructed a residential building during the year 2005-06 on the gifted site for Rs. 15, 00,000. He carried out further extension of the construction in the year 2008-09 for Rs. 5, 00,000. Mr. Ramesh sold the residential building for Rs. 55, 00,000 in February 2017, but the state stamp valuation authority adopted Rs. 65, 00,000 as value for the purpose of stamp duty. Compute his taxable capital gain for the AY 2017-18.
CII 1991-92 = 199; 2003-04 = 463; 2005-06 = 497; 2008-09 = 582; 2016-17 = 1125.
17. Mr. Raghu gives you the following information:
1. Composite rent of building along with machinery Rs.2, 50,000. The following are the expenses on machinery
 - a. Depreciation Rs. 8,000
 - b. Repairs Rs. 4,000
 2. He earned royalty of Rs. 40,000 from stone quarry and the expense to earn this income was Rs. 3,000.
 3. Salary as MP Rs. 35,000.
 4. Income from bank fixed deposits Rs. 45,000.
 5. He earned a dividend from foreign company grossing Rs. 65,000 of which Rs. 15,000 was deducted as TDS in that country and the balance was

received in India.

6. Winnings from horse race Rs. 2, 10,000 (net).
 7. Remuneration as examiner from a university Rs. 48,000 and incidental expenses Rs. 6000 of which 50% expenses were reimbursed by university.
 8. He has taken a house on rent for Rs. 21,000 PM. He has sub-let 13rd of the house at Rs. 15,000 PM and the expenses relating to the entire house incurred by him include repairs Rs. 6,000 and municipal tax Rs. 15,000.
 9. He also reports unexplained expenditure Rs. 10,000.
- Compute income from other sources for AY 2017-18.

SECTION - C

III) Answer any TWO of the following questions

(2x15=30)

18. **Ms. Natasha (age 35) submits you the following particulars.**

Incomes:

1. Computed salary income Rs. 1,80,000
2. Computed income from let out house Rs. 63,000
3. Rent from letting of plant & machinery Rs. 80,000
4. Dividend from Indian company land Rs. 60,000
5. Agricultural income from Srilankan land Rs. 80,000
6. Computed business income Rs. 1,70,000
7. Share of income from HUF Rs. 70,000
8. Computed income from STCG from machinery Rs. 70,000

Expenses:

1. Life insurance premium paid Rs. 28,000 (Sum assured Rs. 25,00,000)
 2. Medical insurance premium paid Rs. 16,000
 3. Donation of PM National Relief Fund Rs. 1,20,000
- Compute total income & tax liability for the Assessment Year 2017-18.

19. **Dr. Ashok is a Professor of Economics. He submits the following details and wants you to compute his taxable Income from other sources.**

1. He is an author of a book and received a royalty of Rs. 45,000. He claims the following deduction from this amount:
 - a. Salary to clerk for gathering information for him to write the book Rs. 5,000.
 - b. Cost of books purchased Rs. 1,000 for reference work in order to write his book.
 - c. Telephone expenses of Rs. 8,000 in connection with printing and publication of the book.
2. Income from articles published in "Economic Times" Rs. 7,000.
3. He lives in rented house paying a rent of Rs. 4,000 p.m. He has sub-let half portion of the house for a rent of Rs. 3,000 p.m. Dr. Ashok pays the municipal tax for the whole house Rs. 4,000.
4. He received Rs.200 per lecture delivered at the Economics Institute during the year, he delivered 22 guest lectures.

5. As an examiner of various Universities he received remuneration of Rs. 5,000.
6. Winnings from Lottery Rs. 21,000 (Net).
7. Interest on Govt. of England bonds Rs. 3,000.
8. Interest on POSB A/c Rs. 1,000.
9. Interest received on the deposit for a firm Rs. 5,400 (Net).
20. Mr. Prakash sold the following assets during the PY 2016-17. Compute his taxable capital gains for AY 2017-18.
 - a. Shares purchased in April 1991 for Rs. 54,000 were sold on 31-12-2016 for Rs. 3,95,000.
 - b. Debentures purchased in September 2012 for Rs. 50,000 were sold on 31-8-2016 for Rs. 45,000
 - c. Sold his personal motor car purchased in August 2007 for Rs. 1,50,000 on 15-3-2017 for Rs. 1,60,000.
 - d. On 1-4-1982 he agreed to sell jewellery to Mr. Ramu for Rs. 2,70,000 which was purchased in 1977 for Rs. 1,50,000 and the FMV as on 1-4-1981 was Rs. 2,00,000. However the sale could not be executed as Mr. Ramu backed out. He forfeited the advance of Rs. 20,000 which he had received from Mr. Ramu. He now sold the jewellery on 15-7-2016 for Rs. 33,10,000 and incurred Rs. 10,000 as selling expense. On 15-8-2016 from the sale proceeds of jewellery he purchased small residential house for Rs. 2,50,000.
CII for 81-82: 100; 1991-92:199; 2007-08:551; 2012-13:852; 2016-17: 1125.
21. **Following is the profit and loss account Mr. Akbar for the year ending 31-03-2017. Compute his income from business for the AY 2017-18.**

Debits	Amount	Credits	Amount
Office expenses	40,000	Gross profit	6,40,000
General expense	16,000	Interest of Govt. Securities	11,200
Interest on Bank loan	4,000	Discount received	16,000
Interest on capital	12,000	Bad debts recovered (Earlier not written off)	800
Rent	20,000	Sundry Receipts	16,000
Income tax	16,000	Dividend	16,000
Charity	8,000		
Legal expenses	4,000		
Compensation to retrenched employees	20,000		
Extension of building	36,000		
Sales tax	8,000		
Audit fee	4,000		
Net Profit	5,12,000		
	7,00,000		7,00,000

Other Information

1. General expenses include Rs. 8,000 towards purchase of computer
2. Legal expenses include Rs. 1,600 penalty paid to custom authority
3. Rent includes Rs. 8,000 paid for the house in which assessee resides
4. Depreciation as per IT rules is Rs. 12,000 (excluding computer). Charge 60% depreciation on computer.