

**D.K.M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE**

**DEPARTMENT OF COMMERCE (AIDED)**

**QUESTION BANK**

**INCOME TAX LAW AND PRACTICE - II**

**CLASS – III B.Com.,– VI SEMESTER**

**UNIT – I            Capital Gains**

**SECTION-A (2 Marks questions)**

1. What is meant by capital gain?
2. What is the meaning for the term cost of acquisition?
3. What is cost of improvement?
4. What is long term capital gain?
5. What is short term capital gain?
6. What is indexed cost of improvement?
7. What do you mean by income from other sources?
8. What is casual income?
9. Define dividend.
10. Write note on bond washing transaction.
11. State the Income tax treatment of pension received by the widow of an employee.
12. What is inter source adjustment.
13. What do you understand by the term inter head adjustments?
14. Write note on speculation business.
15. What is unabsorbed depreciation?
16. Write note on clubbing of income.
17. What is tax liability?
18. What do you understand by the term gross total income?
19. What is net income?
20. What is surcharge?
21. Write note on education cess.
22. What is tax holiday?
23. What is defective filing of return of income?

24. What is meant by assessment procedure?
25. What is tax planning?
26. What is tax evasion?
27. What is tax avoidance?

**SECTION-B (5 Marks questions)**

1. Define transfer under capital gain. Describe the transactions that are excluded from transfer.
2. Describe the provisions relating to exempted capital gains.
3. Write notes on 1) Long term capital assets 2) short term capital assets
4. Write notes on 1) cost inflation index 2) indexed cost of acquisition
5. State the provisions relating to set off and carry forward of losses
6. How to treat speculative losses?
7. Discuss about aggregation of income.
8. Write notes on 1) set off losses 2) carry forward of losses
9. What do you understand by the term tax relief U/S 89.
10. Write a short note on tax rebate U/S 87A.
11. How do you ascertain the tax liability of an individual assessee.
12. Ashok, a lecturer in a collage in Chennai furnished the following particulars on the basis of which compute his total income for the AY 2017-18:

Salary Rs. 3,500p.m	42,000
Warden ship allowance Rs.200p.m	2,400
Examiner ship remuneration	5,400
Royalty from books	18,000
Winning from card games in club	6,400
Winning from state lotteries	20,000
Expenditure on purchase of lottery tickets	10,000
13. Write notes on the following 1) advance payment of tax 2) tax deducted at source
14. What is PAN? Explain its significance.
15. Discuss about e-filing.
16. What is filing of return of income? Explain its procedure.

**SECTION-C (10 Marks questions)**

1. From the details given below , compute taxable capital gains for the A/Y 2017—18

	<b>JEWELLERY</b>	<b>RESIDENTIAL HOUSE</b>
Date sale	4 .7.16	16 .12.16
Date of purchase	1.6.85	12.12.91
Sale proceeds Rs.	59,00,000	18,05,000
Expenses on sale Rs.	-----	5,000
Cost of purchase Rs.	4,00,000	3,00,000

On 1.9.2016 he purchased a house for Rs. 32,00,000. Cost inflation index 1985-1986=133; 1991-1992=199 and 2016-17=1125

2. Suresh furnishes the following particulars for the PY 2016-17 and requests you to compute the taxable capital gain:He had a residential house, inherited from his father in dec.2001, the FMV of which on 1.4.1981 was Rs. 5 lakh. In the year 2003-04, he spent Rs. 6lakh for improvements On 10.5.2016, the house was sold for Rs. 95lakhs.

Expenditure in connection with transfer was Rs. 50,000.On 20.12.2016 he purchased a residential house for Rs. 15lakhs.

3.Mr A owns an industrial under taking which is situated in the urban area of chennai Mr A shifted this industrial undertaking to arural area near chennai. For shifting purchases, he had to sell the following assets of the under taking :

<b>ACQUIRED IN</b>	<b>Plant &amp; machinery</b>	<b>Furniture</b>
	<b>1996</b>	<b>1997</b>
Net sale consideration (Rs)	30,00,000	1,00,000
Date of sale	15.9.2016	22.11.2016
Cost of acquisition u/s 50(2) Rs (WDV)	10,00,000	60,000
Cost of new assets purchased Rs.	16,00,000	30,000
Date of purchase of new asset	31.12.2016	28.2.2016

If the industrial under taking is shifted to the rural area on 15.3.2017, calculate capital gain chargeable to tax for the AY: 2017—18.

4. The following incomes are received by Mr. L., during the financial year 2016-17.

Director's fees	2,000
Income from agriculture land at Sri lanka	5,000
Ground rent for land in mysore	10,000
Interest on post office savings Bank A/C	100
Interest on deposits with IFCI	500
Dividend from foreign company	700
Rent from house (sub-let)	26,250
Rent paid by Mr. L (on the Sub-let house)	13,000
Winning from horse race	12,300
Interest on securities	4,000

Compute the 'income from other sources' of Mr. L, for the Assessment year 2017-18

5. From the following particulars of Mr. E for the previous year ended 31<sup>st</sup> march 2017, compute his income under the head 'other sources ' for the assessment year 2017-18.

- (a) Director's fee from a company Rs. 10,000
- (b) Interest on bank deposits Rs. 3,000
- (c) Income from undisclosed sources Rs. 12,000
- (d) Winning from lotteries (net) Rs. 24,500
- (e) Royalty on a book written by him Rs. 8,000
- (f) By giving lectures in functions Rs. 5,000
- (g) Interest on loan given to a relative Rs. 7,000
- (h) Interest on tax free debentures of a company [listed in recognized stock exchange (net) Rs. 3,600
- (i) Dividend on shares Rs. 6,400
- (j) Interest on post office savings bank a/c Rs. 5,000
- (k) Interest on govt. securities Rs. 2,200

He paid Rs. 100 for collection of dividend and Rs. 1,000 for typing the manuscript of book written by him.

6. Compute income from other sources from the following:

Director's fees	12,000
Income from agriculture land in Pakistan	80,000
Interest from post office savings a/c	1,500
Interest on fixed deposit	1,800
Winning from lotteries	50,000
Royalty on books (expenses Rs. 4,000)	20,000
Crossword puzzle price	2,500

7. Explain any ten deductions allowable from gross total income U/S 80.

8. The following information is given by R, an assessee for the preparation of his income-tax return for assessment year 2017-18

Loss under the head 'business'	1,00,000
Capital gain on sale of house property-long term	2,00,000
Capital loss on sale of shares-short-term	50,000
Loss in respect of property used for the purpose of residence	10,000
Loss in respect of property let out	25,000
Share of loss from a partnership firm registered as PF as brought forward from assessment year 2016-17 is 60,000.	

You are required to:

(a) Compute the net income/loss; and

(b) Determine the loss, if any, to be carried forward giving reasons for the same.

9. Devan has an income from salary of Rs. 3,50,000 and his minor children's income are under:

(i) Minor daughter has earned the following incomes:

From TV show Rs. 50,000

From interest on FD with a bank (deposited by devan from his income) Rs. 50,000

(ii) Minor son has earned the following incomes:

From the sale of an own painting Rs. 10,000

From interest on FD with a bank (deposited by devan from his income) Rs. 1,000

Compute the taxable income in the hands of devans.

10. From the following particulars of Dr. Aakash, find out his total income and tax liability for the previous year 2016-17:

(a) Salary Rs. 4,500 per month from which 10% deducted for statutory provident fund.

(b) Annual value of the rent free house Rs.4,000

(c) Warden ship allowance Rs. 1,200 per annum

(d) 12% interest on government loan Rs. 65,000

(e) Income from house property (computed) Rs. 4,800

(f) Received Rs. 3,500 for writing articles in a journal

(g) Paid Rs. 2,000 by cheque to GIC under mediclaim

(h) Interest on postal savings deposit Rs. 800

(i) Interest (gross) Rs. 2,500

(j) Examiner ship remuneration Rs. 6,000

During the year he paid Rs. 2,400 as life insurance premium on own life policies and spent Rs. 1,000 on books purchased for his own use

11. For the AY 2017-18, an author of literary books furnishes the following particulars and request you to work out his liability:

Royalty from printers Ltd. On publications of books Rs. 3,60,000

LTCG Rs. 6,00,000

Other sources:

Interest on bank deposits Rs. 36,000

Dividend Rs. 9,000

Income from units of UTI Rs. 15,000

**DEDUCTIONS :**

Contribution towards LIC pension scheme Rs. 45,000

Contribution towards LIC premium Rs. 30,000

Contribution to PPF Rs. 30,000

Investment in NSC Rs. 1,50,000

Expenses on medical treatment on handicapped dependent Rs. 60,000

12. Explain in detail the various types of assessment.

13. Under what circumstances an assessee is exempted from filing of return.