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**D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**

**SEMESTER EXAMINATIONS**

**NOVEMBER - 2016 14CCO5E**

**ELECTIVE I: INCOME TAX LAW AND PRACTICE - I**

Time : 3 Hrs Max.Marks : 75

SECTION-A (10 x 2 =20)

**Answer ALL the questions.**

1. Define Assessment year.
2. What is capital Receipt?
3. Mr. Prasang is employed in a private company at Rs.70,000 per month, Rs.6,000 per month as dearness pay and Rs.10,000 per annum as commission during the previous year. He received Rs.2,000 per month as House Rent Allowance. He paid Rs.2,500 per month rent. Compute House Rent Allowance exempted from tax.
4. A company took a house on rent and allotted it to its employee. From the following information find out the value of perquisite of accommodation:

|  |  |
| --- | --- |
|  | Rs. |
| 1. Rent paid for the year | 60,000 |
| 1. Salary | 5,00,000 |
| 1. Cost of furniture provided in the house | 60,000 |
| 1. Rent charged from employee per month | 1,000 |

1. What will be the annual value of the house if:

|  |  |
| --- | --- |
| 1. Fair rental value - | Rs. 1,20,000 |
| 1. Actual rent received - | Rs. 1,50,000 |
| 1. Municipal tax paid - | Rs. 30,000 |

1. Calculate annual value from the following information.

|  |  |
| --- | --- |
| Actual Rent | * Rs. 24,000 p.a. |
| Fair Rent | * Rs. 28,000 p.a. |
| Standard Rent | * Rs. 20,000 p.a. |

1. Profit and loss account of M/s. Balaji Traders shows a net profit of Rs.1,00,000 after debiting the amount withdrawn for personal expenses Rs. 10,000, Life Insurance premium Rs. 15,000, Income tax Rs.22,000, expenses relating to income tax proceeding Rs. 15,000 and municipal tax relating to the self occupied property Rs. 1,400. Compute his Taxable income under the head ‘Profit from Business’.
2. What do you mean by Depreciation?
3. Who is an Assessing officer?
4. Who are inspectors of Income Tax?

SECTION-B (5 x 5 =25)

**Answer any FIVE of the following questions.**

1. How is residence of individual determined for income tax purposes?
2. Explain the functions of on Assessing officer.
3. A, a bank manager, gets Rs.18,000 per month as salary and dearness allowance at 10 per cent of the salary. He is getting entertainment allowance of Rs.8,000 p.a. During the previous year ended 31st March, 2016, he received a bonus of three months’ salary. He is also provided with a rent – free house (unfurnished) in a town (whose population is less than four laksh) whose fair rent is Rs.5,000 per month. Find out his income under the head ‘salaries’ for the A.Y. relevant to the P.Y. 2015-16.
4. Compute gross salary from information given below:
   1. Salary @ Rs.5,000 p.m.
   2. D.A. @ Rs.1,000 p.m. (Rs.500 p.m. enters into pay for service benefits).
   3. Advance salary for two months Rs.11,000.
   4. Employer’s contribution to R.P.F. Rs.800 p.m.
5. Mr. X has two houses. First house with municipal value of Rs.75,000 is kept by him for his own residence, and second whose municipal valuation of Rs.1,20,000 has been let out, following are the expenses relating to these houses:

|  |  |  |
| --- | --- | --- |
|  | I house | II house |
|  | Rs. | Rs. |
| Municipal tax paid | 12,000 | 20,000 |
| Revenue | 200 | 250 |
| Interest on Loan taken for reconstruction | 64,000 | 4,200 |
| Fire insurance premium | 900 | 2,400 |

Compute Mr.X’s income from House property for the Assessment Year 2016-17.

1. Compute the income for house property from the following informations:

|  |  |
| --- | --- |
|  | Rs. |
| Fair rent | 72,000 |
| Let out | 7,000 p.m. |
| Standard rent | 60,000 |
| Municipal tax paid @ 20% of M.V: |  |
| P.Y. 2014-15 | 10,000 |
| P.Y. 2015-16 | 10,000 |

Other informations:

1. House remained vacant for two months during the Previous Year.
2. Unrealised rent allowed as deduction in the Assessment Year. 2014-15 but received during the Previous Year 2015-16 Rs.20,000.
3. Expenditure incurred on collecting unrealised rent Rs.5,000.
4. Arrears of rent received during the P.Y. Rs.12,000.
5. The following are the written – down values of the assets of Mr. A as on 1st April, 2015 (Rate of Depreciation 15%). Machinery Rs. 3,00,000.

He purchased a car for Rs. 2,00,000 on 1st August, 2015 and used it in his business. The

rate of depreciation on car is 15%. Calculate depreciation for the assessment year 2016 – 17.

1. Shri. N.C. Shrma is a chartered Accountant. He has prepared following Income and Expenditure Account for the year ending 31st March, 2016:

|  |  |  |  |
| --- | --- | --- | --- |
| Expenditure | Rs. | Income | Rs. |
| Office expenses | 10,000 | Audit fees | 1,70,500 |
| Employee’s Salary | 5,000 | Gift from father – in – law | 5,050 |
| Books other than annual publication | 5,500 | Dividend | 8,000 |
| Personal expenses | 1,02,000 | Profit on sale of Investments | 6,450 |
| Donation to N.D.F | 500 |  |  |
| Interest on loan | 700 |  |  |
| Income – tax | 13,300 |  |  |
| Car expenses | 2,000 |  |  |
| Net surplus | 51,000 |  |  |
|  | 1,90,000 |  | 1,90,000 |

You are required to compute his professional Income for the assessment year 2016-17 considering following points:

1. The car is used equally in official and personal purpose and allowed depreciation for official work is Rs.500.
2. Rs.1,000 domestic servant salary is included in employee’s salary.
3. Loan has been taken for personal purposes.

SECTION-C (3 x 10 =30)

**Answer ALL the questions.**

1. (a) Enumerate any ten items of income which are Totally exempt.

(Or)

(b) Mr. Nair is working in Edward Jute Mills, Kolkata. He gets basic pay @ Rs.7,000 p.m., dearness

allowance @ Rs. 2,500 p.m. entertainment allowance @ Rs.1,500 p.m. and education allowance

Rs. 350 p.m. for a child. He has been provided with a rent – free house by the Mill, the fair rent of

which is Rs.60,000 p.a. He has also been provided by the Mill with the facility of free use of

furniture costing Rs.40,000 and refrigerator costing Rs.8,000.

The Mill has provided him two small cars, the expenses relating to the cars are borne by the

Mill. The cars are used partly for private purposes also.

The salary of the drivers is paid by the Mill. Other informations relating to cars are:

Cost of each car RS.3,00,000.

Salary to each driver Rs.5,000 p.m.

Expenses – I car Rs.70,000 and II car Rs. 50,000. Rs. 15,000 for medical expenses of

family members for treatment in a private hospital were reimbursed by the Mill. The company has

provided the amenity of free lunch and free refreshment in office. The cost of which is Rs.60 and

Rs.20 per day respectively for 250 days.

He as well as the company contributes 14% of full basic pay and half of the dearness

allowance towards Recognized Provident Fund.

Compute Mr. Nair’s salary income for the Assessment Year 2016-17.

1. (a) Compute Income from House property from the particulars given below for the Assessment Year

2016-17.

|  |  |
| --- | --- |
|  | Rs. |
| Municipal value | 24,000 p.a. |
| Actual rent received | 30,000 p.a. |
| Municipal tax | 2400 p.a. |
| Date of completion | 31.03.2010 |
| Date of letting | 01.04.2010 |
| Fire Insurance premium (due) | 400 p.a. |
| Ground rent (due) | 600 p.a. |

Interest on loan taken to construct the house : 2008-09 to 2014-15 – Rs.15,000 p.a.

Interest during 2015 – 16 – Rs.10,000

Interest on delayed payment of interest – Rs.1000.

(Or)

(b) Discuss the powers of Central Board of Direct Taxes.

1. (a) Shri. Radhey Lal, the proprietor of a flour mill, has prepared the following profit and loss account

for the year ending 31st March 2016. You are required to compute his income from business for

the Assessment Year 2016-17.

|  |  |  |  |
| --- | --- | --- | --- |
| Profit and Loss Account | | | |
|  | Rs. |  | Rs. |
| Trade Expenses | 450 | Gross Profit | 2,35,900 |
| Establishment charges | 2,200 | Dividends from a co-operative society | 2,600 |
| Rent , Rates and Taxes | 1,400 | Rent from property | 500 |
| Discount and Allowance | 200 | Bad debts recovered | 2,000 |
| Income tax | 700 | (Allowed as deduction in an earlier year) |  |
| Advertisement Expenses | 1,450 |  |  |
| Postage and Telegrams | 100 |  |  |
| Gifts and presents for publicity | 125 |  |  |
| Fire Insurance premium | 250 |  |  |
| Charities | 375 |  |  |
| Donations | 400 |  |  |
| Repairs and Renewals | 250 |  |  |
| Audit fees | 250 |  |  |
| Net profit transferred to Capital Account | 2,32,850 |  |  |
|  | 2,41,000 |  | 2,41,000 |

(Or)

(b) Mr. Bhagwandas is a registered Medical Practitioner. He keeps his books on cash basis, and his

summarized cash account for the year ended 31st March, 2016 is as under:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Balance b/d | 1,22,000 | Cost of medicines | 10,000 |
| Loan from Bank for private purposes | 3,000 | Surgical Equipments | 8,000 |
| Sale of medicines | 25,250 | Motor- car | 1,20,000 |
| Consultation fees | 1,55,000 | Car Expenses | 6,000 |
| Visiting fees | 24,000 | Salaries | 4,600 |
| Interest on Govt. Securities | 4,500 | Rent of Dispensary | 1,600 |
| Rent from property(not subject to local taxes) | 3,600 | General Expenses | 300 |
|  |  | Personal Expenses | 1,11,800 |
|  |  | Life Insurance premium | 3,000 |
|  |  | Interest on loan from Bank | 300 |
|  |  | Insurance of property | 200 |
|  |  | Balance c/d | 71,550 |
|  | 3,37,350 |  | 3,37,350 |

Compute his income from profession for the A.Y. 2016-17, taking into account the following

further information:

1. One – third of motor-car expenses are in respect of his personal use.
2. Depreciation allowable on car and surgical equipment is @ 15%.

**\* \* \* \* \* \* \***