

Reg. No. :

Name :

Fifth Semester B.Com. Degree Examination, February 2021

First Degree Programme Under CBCSS

Core Course : CO 1541/CC 1541

FUNDAMENTALS OF INCOME TAX

(2018 Admission – Regular)

Time : 3 Hours

Max. Marks : 80

SECTION – A

Answer all questions. Each question carries one mark.

1. What is meant by direct tax?
2. What is the rate of depreciation for plant and machinery?
3. Write any two disallowed expenses while computing Income from Business.
4. What is capital gain?
5. Define annual value.
6. What is CCA?
7. Who is an assessee?
8. What is section 80C?
9. What do you mean by intra-head set-off?
10. What is STT?

(10 × 1 = 10 Marks)

P.T.O.

SECTION – B

Answer any eight questions. Each question carries 2 marks.

11. What do you mean by sub-letting?
12. Define LTCG.
13. Define MRV.
14. What do you mean by annual accretion?
15. What do you mean by commutation of pension?
16. Why income from other source is called residuary heads of income?
17. What is meant by clubbing of income?
18. What do you mean by profit in lieu of salary?
19. What is unabsorbed depreciation?
20. Explain deduction u/s 80 DD.
21. What do you mean by fringe benefits?
22. What is total income?
23. What is LTC?
24. What is meant by transferred balance?
25. Distinguish between AOP and BOI.
26. Sivakumar an Indian citizen leaves India to the USA for a job on 21.9.2019. What will be his residential status for the assessment year 2020-21 if he has never left India earlier?

(8 × 2 = 16 Marks)

SECTION – C

Answer any six questions. Each question carries 4 marks.

27. What do you mean by accelerated assessment? State the situations where accelerated assessment is done?
28. Explain the tax treatment of Gifts.
29. Write a note on Bond washing transactions.
30. What are the situations where clubbing is done?
31. Compute Income from House property of Mr. Felix for the financial year 2019-2020.

| | |
|------------------------|----------------|
| Municipal valuation | Rs. 1,50,000 |
| Fair rental Value | Rs. 1,80,000 |
| Standard rent | Rs. 1,60,000 |
| Actual rent receivable | Rs. 20,000 p.m |

Municipal taxes 4%, half of which is paid by Mr. Felix and the other half paid by the tenant. Unrealized rent admissible Rs. 25,000.

Interest on loan taken for the repairing of the property Rs. 40,000

32. Compute Income from other sources of Mr. Lalit for the year 2019-2020.

| | |
|---|--------|
| | Rs. |
| Director's fees | 2,000 |
| Income from agricultural land in Pakistan | 5,000 |
| Ground rent received | 10,000 |

| | Rs. |
|---|--------|
| Interest on Post office Savings Bank account | 2,000 |
| Interest on deposit with IFCI | 500 |
| Dividend from a foreign company | 700 |
| Rent from sub-letting a house | 26,250 |
| Rent payable by Mr. Lalit for the sub-let house | 12,000 |
| Other expenses incurred on this sub-let house | 1,000 |
| Winning from horse race | 12,300 |
| Interest on securities | 4,000 |

33. Mr. X is a person with severe disability. He had the following particulars of his income for the previous year 2019-20.

| | |
|--------------------------------------|-----------|
| Income from salary | 5, 80,000 |
| Interest on savings bank account | 4,000 |
| Dividend from a co-operative society | 3,000 |
| Dividend from Indian company | 2,000 |

Compute his total income.

34. Mr. Divakar purchased a plot of urban land in 1990 at a cost of Rs. 1,00,000. He constructed a house therein spending Rs. 12,00,000. Immediately, he spent Rs. 3,00,000 to modify the house. In March 2001, he constructed two additional rooms to the building at a cost of Rs. 4,00,000. In April 2009, he again spent Rs. 8,00,000 to remodel the house. Finally, he sold the house in April 2019 for Rs. 90,00,000. Fair market value of the house on 1.4.2001 was Rs. 30,00,000. (CII 2001-02=100, 2009-10 = 148, 2019-20=289).

Find out taxable capital gains for the year 2019-2020.

35. Compute taxable House Rent Allowance of Mr. Nagaraj for the year 2019-2020.
- Basic salary Rs. 60,000 p.m
 Dearness Allowance Rs. 10,000 p.m
 House Rent Allowance received Rs. 8,000 p.m
 Actual rent paid for the accommodation Rs. 12,000 p.m.
36. Explain income from House property exempt from tax.
37. Mr. Suresh retired on 1st August 2019 and received Rs. 1,76,000 as leave encashment. He had a total service of 23 years. The company provides 50 days leave for every year of completed service. During service he had utilized 8 months leave salary. He was receiving Rs. 10,000 as basic salary and Rs. 5,000 as DA (50% forming part of salary) before the date of retirement. Calculate taxable leave salary.
38. What are the deductions from Gross salary u/s 16.

(6 × 4 = 24 Marks)

SECTION – D

Answer any **two** questions. Each question carries **15** marks.

39. Mr. Ram Varma prepared the following P & L a/c of his business. Compute his income from Business.

| | | | |
|---------------------------|---------------|-------------------------------|---------------|
| To salaries | 63,000 | By Gross profit | 86,200 |
| To Rent | 1,000 | By Gift received from friends | 2,000 |
| To household expenses | 10,000 | Income tax refund | 1,000 |
| To income tax | 1,000 | | |
| To audit fees | 800 | | |
| To life insurance premium | 6,000 | | |
| To Bad-debts reserve | 1,000 | | |
| To Net profit | 6,400 | | |
| | <u>89,200</u> | | <u>89,200</u> |

- (a) Depreciation allowable Rs. 3,200
- (b) Half of the rent is for his residential house.

40. Mr. Mathews, an employee of Sony Ltd. is working in Theni branch of the company. During the year 2019-20, he received Rs. 6,92,000 as basic salary. Rs. 9,000 as Entertainment Allowance, Rs. 4,000 as bonus, Rs. 5,000 as commission, Rs. 8,000 as City Compensatory Allowance, and Rs. 6,000 as arrears of bonus and commission for the financial year 2018-19. The company paid electricity bill of Rs. 4,000 on behalf of Mr. Mathews.

In addition to the above, the employer has provided a rent-free unfurnished flat (lease rent paid by the employer Rs. 69,000) and free use of a small car for private and official purposes (expenditure of the employer Rs. 7,000)

Compute Income from Salary for the year 2019-2020.

41. Explain the Residential status of an Individual.
42. Briefly explain Capital Gains exempt from tax.
43. Mr. Ghosh owns two houses. The following are the details :

| | House I (self-occupied) | House II (let-out) |
|---|-------------------------|--------------------|
| Municipal Value | 37,500 | 70,000 |
| Monthly rent | — | 6,000 |
| Municipal tax | 6,000 | 10,000 |
| Interest on loan taken for construction | 30,000 | 4,000 |
| Fire Insurance premium | 6,000 | — |

Compute Income from House Property.

44. Explain the tax treatment of Rent-Free Accommodation.

(2 × 15 = 30 Marks)