

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2015-16 and thereafter)**  
**COURSE CODE: 15CM/MC/IT55**

**B.Com. (A&F) DEGREE EXAMINATION DECEMBER 2020**  
**ACCOUNTING AND FINANCE**  
**FIFTH SEMESTER**

**COURSE : MAJOR – CORE**

**PAPER : INCOME TAX LAW AND PRACTICE**

**TIME : 90 MINUTES**

**MAX. MARKS: 50**

**Section A**

**(3 X 2 = 6)**

**Answer all questions:**

1. Who is an assessee as per Income Tax Act, 1961?
2. Determine the total income of Mr. X for AY 2020-21 if he was an ordinary resident and non-resident. His incomes for the previous year were as follows:
  - a. Dividends from British companies, Rs.22,000 out of which Rs. 12,000 was received in India
  - b. Income from profession in Hawaii received there Rs.3,40,000. The profession was set up in India.
3. Compute the deduction under Sec.80G from the following information:
  - a. Contribution to Chief Minister's Earthquake Relief Fund Rs.10,000
  - b. Contribution to National Defence Fund Rs.12,000
  - c. Contribution to Educational Institution in cash Rs.5,000
  - d. Contribution to Rajiv Gandhi Foundation Rs.5,000

**SECTION B**

**Answer Any Three Questions:**

**(3 x 8 = 24)**

4. From the following incomes of Mr. Kalyan for the year ended 31.3.2020, compute his income from other sources:
  - Income from undisclosed sources Rs.3,000.
  - Winnings from lotteries Rs.70,000 (net).
  - Royalty from book written Rs.18,000 (Expenses for typing manuscript of book Rs.800).
  - Family pension received Rs.48,000.
  - Stake money from race horses Rs.3,40,000 (Expenses on maintenance of horses Rs.1,20,000).
  - He has sublet his one-fourth of his rented house for Rs.400 per month. He pays Rs.1,200 p.m. as rent. Repairs Rs.320 and municipal taxes Rs.400 were paid him for the house.
  - He also had the following investments:
    - a. Investment in less-tax listed securities of X Ltd. Rs.1,00,000 @10%
    - b. Investment in tax- free commercial securities Rs.50,000 @5%

c. Investment in 7% Capital Investment bonds Rs.1,00,000

5. Mr. Vishwanath retired from service on 31<sup>st</sup> October 2019. He was entitled to a pension of Rs.4,000 p.m. At the time of retirement, he got 3/4<sup>th</sup> of the pension commuted and received Rs.4,80,000. He was in receipt of basic salary of Rs.10,000 p.m., D.A. Rs.5,000 p.m. Compute the gross salary for the AY 2020-21 if:
- He is a Govt. employee.
  - He is a non-Govt. employee entitled to gratuity.
  - He is a non-Govt. employee not entitled to gratuity.
6. The following is the Receipts and Payments Account of a Medical Practitioner, Dr. Prasad for the year ended 31.3.2020:

Receipts	Rs.	Payments	Rs.
To balance b/d	1,00,000	By clinic rent	25,000
To visiting fees	2,20,000	By staff salaries	80,000
To consultation fees	65,000	By rates and taxes	25,000
To sale of medicine	45,000	By electricity and water charges	14,000
To operation theatre rent	25,000	By purchase of professional books	14,000
To dividend	20,000	By purchase of surgical equipment	40,000
To Gifts from patients	5,000	By motor car expenses	10,000
To Loan from bank	10,000	By medical association fees	5,000
		By other expenses	20,000
		By staff welfare expenses	12,000
		By Diwali expenses of clinic	6,000
		By Depreciation of car	12,000
		By purchase of medicine	30,000
		By purchase of car	1,20,000
		By balance c/d	77,000
	<b>4,90,000</b>		<b>4,90,000</b>

**Additional information:**

- One-fourth of car expenses relate to personal use. Car was purchased in October 2019.
- Closing stock of medicine Rs.14,500 and opening stock Rs.10,300.

- c. Gifts include Rs.800 from relatives.  
Compute his taxable income from profession for the AY 2020-21.

7. During the previous year, Mr. Dev sells the following assets:

	<b>Commercial Property</b>	<b>Gold</b>	<b>Plot</b>
Sale Consideration	Rs. 7,00,000	Rs. 4,00,000	Rs. 15,60,000
Cost of Acquisition	Rs. 2,50,000	Rs. 90,000	Rs. 5,20,000
Date of sale	3 <sup>rd</sup> Jan 2020	17 <sup>th</sup> Dec 2019	13 <sup>th</sup> Sep 2019
Date of Acquisition	1 <sup>st</sup> Sept 2010	2 <sup>nd</sup> Oct 2008	17 <sup>th</sup> July 2007

On 1<sup>st</sup> February, 2020 he purchased a residential house for Rs.10,15,000

Calculate his income chargeable under the head 'Capital Gains' after giving maximum permissible exemption under different sections.

(CII 2007-08 – 129, CII 2008-09 – 137, 2010-11 – 167, 2019-20 – 289)

### SECTION C

**Answer Any One Question:**

**(1 x 20 = 20)**

8. Mr. Chandra is a professor in a University and his income for the PY 2019-20 was as follows:

- Basic Pay Rs.20,000 p.m.
- DA @ 45% of basic pay (50% enters into pay for service benefits).
- City Compensatory Allowance @ Rs.1000 p.m.
- Project Allowance Rs.300 p.m.
- His contribution to RPF is Rs.3,000 p.m.
- He is provided with rent-free accommodation at Delhi (population above 25 lakhs). Cost of furniture provided by employer Rs.20,000. Rent paid by employer Rs.4,500 p.m.
- He has made a long term capital gain of Rs.2,30,000 from the sale of gold.
- Short term capital gain Rs.8,000 from sale of another asset.
- He pays life insurance premium for his wife Rs.500 p.m.
- He pays Rs.5,000 as interest on housing loan and Rs.40,000 as repayment of housing loan taken for construction of his house from HDFC Bank.
- He has paid Mediciclaim premium Rs.7,000 by cheque.
- He has paid medical treatment expenses for his mother (70 years) who has Parkinson's disease Rs.30,000.
- Donation to P.G.I. Chandigarh for promotion of family planning Rs.38,000. Donation to notified temple Rs.50,000.

Calculate his taxable income and tax liability for the AY 2020-21.

9. Mr. Rajkumar had short-term capital gains of Rs.1,78,000, long-term capital loss on land Rs.60,000, long term capital gains on securities Rs.70,000 for the PY 2019-20. Brought forward business loss of previous year was Rs.95,000 and brought forward unabsorbed depreciation was Rs.20,000. Compute his gross total income for the assessment year 2019-20 if the P/L a/c of Mr. Rajkumar for the year ending 31<sup>st</sup> March 2020 is as follows:

	Rs.		Rs.
To opening stock	1,08,000	By Sales	8,00,000
To purchases	3,50,000	By closing stock	1,35,000
To Gross profit	<u>4,77,000</u>		
	<b><u>9,35,000</u></b>		<b><u>9,35,000</u></b>
To Salaries	23,000	By Gross Profit	4,77,000
To office expenses	18,000	By bad debts recovered	10,000
To income tax appeal expenses	1,000	By dividend from shares	3,000
To GST paid	9,000	By Interest on Savings Bank account	10,000
To Legal expenses	8,000	By rent of house property	9,000
To Income Tax	7,000	By Interest on 10% National Relief Bonds	10,000
To Copyrights purchased	12,000	By refund of income tax	8,000
To repairs to house	6,000		
To Contribution to National Laboratory	2,000		
To provision for bad debts	3,000		
To general expenses	12,000		
To net profit	4,26,000		
	<b>5,27,000</b>		<b>5,27,000</b>

**Additional Information:**

- Salary includes Rs.6,000 paid to workers employed at home.
- Legal expenses includes Rs.1,000 paid to the advocate in connection with personal case and penalty paid Rs.500.
- General expenses include Rs.4,000 as contribution to staff welfare fund and interest on loan taken from Mrs. Rajkumar Rs.500. General expenses includes O.Y.T. Deposit Rs.1,000.
- Out of bad debts recovered only Rs.4,000 were allowed as deduction earlier.
- Opening stock was under debited by 10% and closing stock was under credited by 10%.
- Office expenses include Rs.2,350 being cost of small machine used in the office (No depreciation to be charged)
- Depreciation on the assets used for business:  
Office building Rs. 52,000, Plant and Machinery Rs. 58,500

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