

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

COURSE CODE: 19AF/MC/IA54

B.COM A & F DEGREE EXAMINATION – NOVEMBER 2021

COMMERCE – SHIFT II

COURSE : MAJOR – CORE

PAPER : INDIVIDUAL TAX ASSESSMENT

TIME : 3 HOURS

MAX. MARKS: 100

SECTION - A

Answer All the Questions:

(3x4=12)

1. Write a short note on Deduction u/s 80 GG.
2. Compute income from other sources:
Interest on P.O. Bank Deposits Rs.6,500, Winnings from horse races Rs.43,500, rent from subletting Rs.2,250 (rent paid on it Rs.1,750), Gift from friend Rs.34,000, Gift from non-resident friend Rs.18,000, interest on bonds invested in the name of minor son Rs.5,000.
3. How will you treat the following perquisites (Taxability) – Company transferred the following assets to the employees in February 2021:
 - a. A computer used by the Company – Rs. 20,000 (Cost Rs.1,20,000, acquired on 1/7/2018)
 - b. A motor car used by the company for Rs. 75,000 (Cost Rs.3,00,000, acquired on 1/1/2019)
 - c. A microwave cooking range used by the company – Rs. 5,000 (Cost Rs. 25,000, acquired on 1/4/2019)

SECTION – B

Answer any THREE questions:

(3x16=48)

4. (a) The profit and loss account of Mr. Bohra, a retailer of cement for the financial year are as follows:

Particulars	Rs.	Particulars	Rs.
Opening stock	50,000	Sales of cement	10,00,000
Purchase of material	2,38,000	Capital Gain	80,000
Purchase of cement	1,12,000	Dividend on shares of a company	20,000
Preliminary expenses	42,000	Refund of excise duty	12,000
Royalty	25,000		
Manager's salary	35,000		
Excise duty	27,500		
Interest on loan	26,300		
Interest on capital	28,000		
Depreciation on car	30,000		
Income tax	20,000		
General expenses	84,000		
Salary and wages	88,000		
GST paid	37,000		
Patents purchased	35,000		

Entertainment expenses	16,700
Net profit	2,18,000

Additional information:

- Opening stock is valued 20% under cost. Sales include value of goods worth Rs.70,000 drawn for personal use (cost price Rs.60,000, market price Rs.75,000)
 - Wages include Rs. 5,000 paid to son who helps with business. Guest house expenses Rs. 10,000 are included in entertainment expenses
 - Allowed depreciation is Rs. 39,000 for the previous year.
 - General expenses include following: Donation to a public school Rs. 2,000 , Special advertising campaign for a launch of a new product Rs. 40,000, and Rs.2,000 spent on Diwali celebration.
 - Closing stock of Rs. 85,000 is not included in computing the net profit
- Find out the taxable business income for the assessment year and also his total income.

5. Mr. Khanna had the following investments and income for the year 2020-21.

- Rs.2,00,000, 10% Tamilnadu Govt. Loan
- Rs.70,000, 12% Haryana Govt. securities
- Rs.50,000 11% preference shares of a Indian company (declared on 1/7/2020 and received in 1/5/2021)
- Rs.25,920 10% (tax free) debentures of a limited company (unlisted)
- Rs.70,000 14% less tax securities of Xanax Ltd (listed)
- Rs.7,000 interest received on listed less tax securities of Yapee Ltd
- Rs.5,500 interest received on investment in Kerala government securities.
- Rs.2,500 interest received on tax free listed debentures of Darwan Ltd.
- Rs.50,000, 10% Gujarat electricity board bonds

The bank charged 3% of interest and dividend as collection charges. His other incomes are: Family pension of Rs.24,000, Income from agriculture in Ghana Rs.12,500, amount received from horse races Rs.35,000. Director's fees (as part-time director) Rs.30,000.

- Calculate Income from other sources.
- Will it make a difference if interest on capital borrowed for the purpose of investment in shares Rs.1,200 and if he receives Rs.25,000 as M.L.A. salary and Rs.10,000 as M.L.A. allowance.

6. For the year ending 31st March 2021, Mr.Akash sold the following Assets:

Assets	Sale proceeds
a) Shop purchased in 2009-10 (C.I.I.-148) for Rs.3,80,000 Date of sale 12/12/2020	Rs.15,50,000
b) Machinery purchased in 2008-09 (C.I.I.-137) for Rs.1,75,000 (WDV –on 1/4/2020 Rs. 28,000)	Rs.40,000
c) Building purchased in 2005-06 (C.I.I -117) for Rs.3,00,000	Rs.12,00,000
d) Agricultural land (self-cultivated) in Agra purchased in 1995-96 for Rs.1,00,000 (FMV on 1/4/2001 – Rs.2,50,000) Date of sale – 1/6/2020	Rs.15,00,000

On 31.3.2021 he bought another house for his residence for Rs.25,60,000. Expenditure on selling amounted to Rs.30,000 for agricultural land. He purchased another agricultural land for Rs.8,00,000.

In addition, Mr. Akash has received rent Rs.90,000 from a rental property. Family pension received Rs.48,000. Lottery won Rs.15,000. Current year business profits were Rs.80,000. Past year trade loss of Rs.1,50,000 has been brought forward. It included a loss of Rs.20,000 of a business which was wound up. Unabsorbed depreciation Rs.33,000 is brought forward.

Calculate his Gross total income.

7. Mr. Basu, owns two houses in Chennai. From the followings information compute his income from house property for the assessment year :

	House I	House II
	Let out	Self occupied
	Rs.	Rs.
Standard rent	36,000	63,500
Municipal value	34,000	56,500
Rent received	45,000	67,500
Repairs	37,500	-
Municipal taxes- 10% on municipal value	40% due	fully paid
Interest on loan	2,000 p.a	4,000 p.a.
Brokerage for getting loan	500	1,000
Vacancy period	2 months	6 months
Recovery of unrealized rent allowed in the AY 2018-19	5,000	

- a. Compute Income from House Property.
- b. If the loan for House II is taken on 1/1/2015 and the construction is completed in 2019, will there be a change in house property income?

SECTION – C

Answer any ONE question:

(1x40=40)

8. (a) Mr. Suresh is getting a pension of Rs.2,500 p.m. During the previous year, he got his two-third pension commuted and received Rs.2,23,000. Compute exempted amount if he also receives gratuity and if he did not receive gratuity. (7 marks)

- (b) Ms. Robbins was appointed as a Management Trainee in the scale of Rs. 14,000-Rs. 360-Rs. 15,800-Rs. 1,200 – Rs. 21,800. She joined on 1.1.2014 at Rs. 14,720. Compute the salary income for the previous year 2020-21, if (i) Salary is due on the last day of the month (ii) Salary is due on first of every month. (8 marks)

- (c) Mrs. Arora is employed with Sagar Ltd. on a monthly salary of Rs. 40,000. She also gets dearness allowance (25% enters into pay for retirement benefits) @ 50% of basic salary. Bonus of two months' pay (Half of which is gratuitous). EA @ Rs.7,000 p.m. Commission Rs. 8,000. Project allowance Rs. 1,500 p.m. Arrears of salary received Rs.10,000.

The following facilities were also provided by her employer:

- a. She has been provided with rent free furnished accommodation at a town in Gujarat (Population – 12.5 lakhs). Fair rental value of accommodation is Rs.7,000 p.m. The cost of furnishing of the house is Rs.65,000. The employee has been provided with hired air conditioner for 5 months at a charge of Rs.1,500 per month paid by the employer. She pays Rs.1,000 p.m. as rent to her employer.
- b. She went to Mumbai on official work and was given a travelling allowance of Rs.15,000 and daily allowance of Rs.2,000.
- c. She received Rs.300 p.m. per child (for two children and one grandchild) as education allowance.
- d. She received Rs.1,000 p.m. per child for two children as hostel allowance.
- e. Her employer paid electricity bill of Rs.5,000 p.m. on behalf of Mrs. Arora.
- f. She had engaged a sweeper, gardener and watchman at a salary of Rs.1000 p.m. per person which was paid by the employer.
- g. The employer reimbursed medical expenses to the tune of Rs. 16,000 for treatment taken at a private hospital.
- h. She is provided with a big car with a driver by the employer for which the running and maintenance charges were Rs.3,000 p.m. paid by employer

Calculate taxable salary.

(25 marks)

9. (a) Loss from business before depreciation Rs.20,000
 Depreciation Rs.6,000
 Interest on securities Rs.1,00,000
 Income from other sources Rs.20,000
 Brought forward business loss from AY 2016-17 Rs.50,000
 Unabsorbed depreciation from AY 2019-2020 Rs.80,000
 Profit from speculation business A Rs.10,000
 Loss from speculation business B Rs.8,000
 Short term capital loss Rs.5,000.
 Long term capital gain Rs.16,000. Long term capital loss Rs.10,000
 Compute Gross total income.

(7 marks)

- (b) Mr. Ashutosh has the following gross total income:

	Rs.
Income from business	1.52.000
Income from other sources:	
Interest on Government securities	2,000

Dividend from Cooperative society	2,600	
Bank Interest	3,000	
Interest from business firm	400	<u>8,000</u>
Gross total income		<u>1,60,000</u>

Mr. Ashutosh donated to approved temple Rs.18,000, Prime Minister National Relief Fund Rs.3,000, Maharashtra Government for promoting family welfare Rs.2,000.
Calculate the amount of deduction from gross total income under 80 G. **(8 marks)**

(c) Compute the taxable income and the tax liability of Mr. Raj from the following information :

- Fair rental value of house property – Rs.1,56,000, Municipal value –Rs.1,45,000, Standard rent –Rs.1,50,000, Rental value – Rs.40,000 p.m., municipal taxes – Rs.13500, 50% paid by the tenant. Insurance premium paid –Rs.2,400, repairs and collection charges incurred –Rs.5,000, Ground rent – Rs.10,000.
- Mr. Raj sold the following assets during the previous year, the profit or loss of which are as follows :
Long term capital gain on sale of building Rs.3,50,000.
Short term capital gain on Shares (subject to STT) Rs.80,000
- Net profit as disclosed by the Profit and loss account is Rs.35,70,000, after debiting the following expenses :
Legal expenses paid for land acquisition Rs.15,000
Medical expenses of the grandson of the managing director - Rs.1,00,000
Allowable depreciation – Rs.54,000, depreciation debited Rs.40,000
Advertisement expenses for advertising in the daily of a political party –Rs.10,000
Penalty paid for non-payment of excise duty –Rs.10,000
- Gross income from lottery Rs.2,50,000
- He deposited in ELSS Rs.15,000. He deposited Rs.8,000 in Sukanya Samridhi Account.
- He spent Rs.45,000 on medical treatment of specified disease of his father (aged 70 years).
- He donated Rs.6,000 to National Drought Relief Fund and Rs.4,000 to National Sports Fund.

(25 marks)
