

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2019-2020 and thereafter)**

**B.Com. DEGREE EXAMINATION NOVEMBER 2023**  
**COMMERCE**  
**FIFTH SEMESTER**

**COURSE : MAJOR CORE**  
**PAPER : INCOME TAX LAW AND PRACTICE**  
**SUBJECT CODE : 19CM/MC/IT54**  
**TIME : 3 HOURS** **MAX. MARKS: 100**

**SECTION A**

**Answer ALL questions.**

**(10 x 2 = 20 marks)**

1. State the objectives of Taxation.
2. What are “Tax-free perquisites”?
3. How to ‘Gross up’ the net winnings?
4. Define ‘Capital Asset’.
5. How are speculation losses set off?
6. Mr. A comes to India for the first time on 1.8.2022. During his stay in India, he stayed upto 25.10.2022 in Chennai and thereafter in Mumbai. Determine his residential status for the PY: 2022-23.
7. Salary received (after making the following deductions) by Mr. G is Rs. 25,000; Contribution to RPF Rs. 2,000; Income tax Rs. 400; Professional tax Rs 300; Life insurance premium Rs. 700; for damages caused by him Rs. 100. Assume Mr. G did not receive any allowances. Find out Mr. G’s Basic salary.
8. From the following compute the income from other sources for the AY 2023-24.
  - (i) Dividend (Gross) Rs.16,000
  - (ii) Winnings from horse races Rs. 40,000
  - (iii) Winnings from lottery tickets Rs. 1,00,000
9. Mr. A informs you that his total income computed under the income tax Act is Rs. 80,000. You are required to calculate his tax liability for the Assessment year 2023-24.
10. Compute the taxable income and loss to be c/f.  
Business profit for the previous year 2022-23 Rs 20,000  
B/f business loss of 2020-21 Rs 10,000  
Capital loss on shares Rs 60,000  
Loss from self-occupied house (u/s 24) Rs 5,000

**SECTION B**

**Answer any FIVE questions.**

**(5 x 8 =40 marks)**

11. Explain the characteristics of Salary.
12. From the details given below, Compute net salary for the assessment year 2023-24.
  - (i) Salary Rs. 3,500 p.m. (ii) DA Rs.1,000 p.m. (iii) CCA Rs.200 p.m.
  - (iv) HRA (Rent paid in Delhi Rs. 1,500 p.m.) Rs. 1,000 p.m
  - (v) Commission on sales received Rs. 6,000.

13. Mr. 'E' owns a house at Bharathi nagar and submits the following particulars:

Rent received	Rs. 1,75,000
Standard rent	Rs. 1,60,000
Municipal valuation	Rs. 1,70,000
Fair rental value	Rs. 1,72,000

Municipal taxes is 12% of MV + 2% of municipal taxes as surcharge.

14. Mrs. Rajamani furnishes the following particulars:

	Shares in 'A' Ltd. (unlisted)
Date of purchase	1.2.22
Date of Sale	5.10.22
Cost of purchase	Rs. 1,00,000
Expenses on purchase	Rs. 2,000
Sale value	Rs. 2,00,000
Expenses on sales	Rs. 4,000

Compute Capital Gain.

15. Calculate the income from other sources from the following:

- Rs.4,00,000 invested in 12% less tax Government securities.
- Rs.4,00,000 invested in 12% tax-free commercial securities.
- Rs.4,00,000 invested in 12% less tax commercial securities.
- Rs.10,000 received as interest from less tax commercial securities.
- Income from betting (net) Rs.20,000.
- Received royalty income of Rs.40,000 (expenses Rs.2,000).
- Dividend from a foreign company Rs.30,000.

16. From the following particulars of Income of Assesses P and Q, show capital losses to be set-off and carried forwards for the current previous year:

	Assessee P	Assessee Q
Business income	2,30,000	3,20,000
Short term capital loss	2,400	-
Short term capital gain	-	40,000
Long term capital gain	14,400	34,000
Brought forwards loss (Short term capital asset)	-	1,00,000

17. Mr. Dinesh earns the following income during the previous year.

- Dividend paid by an Indian company but received in London Rs. 10,000
- Income from property in Sri Lanka received there Rs. 40,000
- Profit earned from business in Trichy Rs. 1,00,000
- Rs. 1,00,000 earned & received in Sri Lanka from a business controlled from India.
- Rs 40,000 was past untaxed foreign income which was brought to India during previous year.

Compute the total income of Mr. Dinesh when his residential status is:

- Resident
- Not Ordinarily resident
- Non-Resident

Answer any TWO questions.

(2 x 20 =40 marks)

18. From the following particulars, compute salary income.

- (a) Basic salary Rs. 13,000 p.m.
- (b) Dearness allowance Rs.900 p.m. of which Rs. 500 p.m. enters into pay for service benefits.
- (c) Bonus Rs. 8,400
- (d) Salary in lieu of leave Rs. 3,000
- (e) Entertainment allowance Rs. 1,500 p.m.
- (f) Reimbursement of conveyance expenditure incurred for performing duties Rs. 200 p.m.
- (g) Furnished house at concessional rent of Rs. 800 p.m. in Chennai. Fair rental value Rs 2,500 p.m. cost of furniture Rs 35,000. Salary of Gardener Rs. 1,000 p.a.
- (h) Club bills paid by employer Rs. 2,200 p.a.
- (i) Contribution by employer and employee to R.P.F – 13%(each) of salary.
- (j) Reimbursement of medical expenses Rs. 2,000. (Government hospital)
- (k) Life insurance premium paid by employee: own life Rs. 3,000 p.a., Wife's life Rs. 4,000 p.a., Major son Rs 2,000 p.a.
- (l) Amount deposited in ELSS 2006 Rs. 2,400
- (m) Contribution to public provident fund Rs. 2,000 p.a.

19. Compute business income for the assessment year 2023-24 from the P/L a/c of Mr. Rajkumar for the year ending 31<sup>st</sup> March 2023.

	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 other 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 Bonds	10,000
To Copyrights purchased	12,000	By refund of income tax	8,000
To repairs to house	6,000		
To donation	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 include Rs.1,000 paid to the advocate in connection with personal case and penalty paid Rs.500.
- 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%.
- GST of Rs.5,000 was paid before date of filing returns.
- He earned Rs.60,000 from illegal activities not shown in books.
- Depreciation allowed Rs.13,000.

20. Mr. Murugan furnishes the following particulars of his income for the previous year 2022- 23. Compute his total income:

Salary Rs.8,50,000 (gross)

Mr. Murugan sold jewellery for Rs 8 Lakh (Fair market value on 01/04/2001: Rs. 2 lakh). He acquired the jewellery for Rs. 30,000 in 1993. (CII of 2022-23 – 331, 2001-02 – 100)

His other incomes were:

- (i) Dividend on Equity shares (Gross) Rs 600
- (ii) Dividend on preference shares (net) Rs 3,580
- (iii) Income from letting on hire of building and machinery – composite lease  
Rs 17,000
- (iv) Interest on bank deposits Rs 2,500
- (v) Directors sitting fees Rs 1,200
- (vi) Ground rent Rs 600
- (vii) Income from undisclosed sources Rs 10,000
- (viii) Income from lotteries Rs 10,000

The following deductions are claimed by him:

- (a) Collection charges of dividend Rs 20
- (b) Allowable depreciation on building and machinery Rs 4000
- (c) Insurance on building and machinery Rs 100.

21. Compute Income under the Head House Property from the following particulars.

Municipal rental Value - Rs.96,000 p.a.

Fair rental Value - Rs.84,000 p.a.

Municipal taxes – Rs. 10,000 p.a

Fire insurance premium- Rs. 2,200 p.a

Standard Rent - Rs.90,000 p.a.

Actual rent - Rs.8,000 p.m.

Unrealized rent - Rs.4,000

He borrowed loan for completion of construction – Rs.50,000 at 10%

The house was let-out for residential purposes for Rs. 10,000 p.m from 1/4/2022 to 31/1/2023 and self occupied from 1/2/23.

He owns another house which is let out to his relative at a monthly rent of Rs.25,000 p.m. for which the FRV is Rs.3,20,000 and Standard Rent is Rs.3,00,000.

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