

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2008-09 & thereafter)**

**SUBJECT CODE : CM/MC/TX54**

**B.Com. DEGREE EXAMINATION, NOVEMBER 2011**  
**COMMERCE**  
**FIFTH SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : BUSINESS TAXATION**  
**TIME : 3 HOURS**

**MAX. MARKS : 100**

**Section A**

**Answer ALL questions:**

**10 X 3 = 30 Marks**

1. What is Profession?
2. What are the rates at which Service Tax is levied?
3. What is Central Sales Tax?
4. What is Customs Duty?
5. State the provision relating to deduction under Sec.80D.
6. Ascertain the admissibility of the following expenses :
  - a. Payment by bearer cheque for purchases made Rs.40,000
  - b. Expenditure on neon sign board Rs.32,000
  - c. Expenditure on pilgrimage to Hardwar Rs.5,000.
7. Compute the value of stock in the following cases :
  - a. The stock value is Rs.22000 after valuing @110%.
  - b. Stock costing Rs.10, 000, withdrawn for personal use credited to sales account by Rs.5, 000. The market value of the stock on the date of withdrawal was Rs.15,000.
8. Calculate depreciation for expenditure
  - a. On purchase of copy right on 12th Feb.2010 Rs.10, 000
  - b. New machinery installed on 15.6.2010 Rs.1,20,000 , depreciation at 15%
9. Calculate the total taxable income from the following:  
Long-term capital loss [-] 4, 50,000  
Short-term capital gain [+] 1, 35,000  
Business loss [-] 1, 00,000
10. Explain the tax rate applicable to a senior citizen above 65 years of age.

**Section B****Answer ANY FIVE questions:****5 X 8 = 40 Marks**

11. Discuss the provisions of Service tax valuation rules U/s. 67.
12. Explain the various methods of calculating VAT.
13. Discuss the powers of Custom authorities.
14. From the following income and expenditure account of R & Co, chartered accountants. Calculate income from profession from the details given

<b>Expenditure</b>	<b>Rs.</b>	<b>Incomes</b>	<b>Rs.</b>
Charity and donation	1,00,000	Audit fee	3,00,000
Subscription to journals	2,000	Examiner fee	25,000
Institute fee	4,000	Fee for other accounts work	40,000
Office rent	5,000	Dividend from UTI	35,000
Drawings	50,000		
Electricity bill	9,000		
Salary to trainee	20,000		
Net income	<u>2,10,000</u>		
	<u>4,00,000</u>		<u>4,00,000</u>

Rs 5,000 can be claimed as depreciation for office assets as per income tax provision.

15. Calculate the tax liability of Mr. A for the assessment year from the particulars given below:
- Income from salary Rs 8, 00,000 [Computed]
- Income from house property Rs 74,000
- Income from the other sources Rs 1, 50,000, including casual income Rs.50,000.
- Long term capital gain Rs.30,000.
- Donation to National Defence Fund Rs 8,000
- L.I.C. Premium paid Rs.10,000
- Medical insurance premium paid Rs.4,000.

16. Mr. A submits the following information for the previous year. How will you adjust losses shown by him?

	Rs.
Income from salary	50,000
Income from house property	
House A	10,000
House B (loss)	40,000
House C ( self occupied loss)	28,000
Income from business	
Cloth business (profit)	10,000
Hardware business (loss)	12,000
Speculation business (profit)	12,000

Speculation (loss)	17,000
Capital gains	
Short term (gain)	8,000
Short term (loss)	20,000
Long term (gain)	8,000
Income from betting	12,000
Loss from card games	6,000
Bank interest	4,000

17. Mr. N's previous year's Gross Total Income is Rs. 5, 00,000. He has made the following donations. Calculate the net income.

National Foundation for Communal Harmony Rs. 10,000

National Children's Fund Rs. 20,000

National Defense Fund Rs. 25,000

Clothes distributed to poor Rs.5,000

Approved educational institutions Rs.15,000

Municipal corporation for promotion of family planning Rs.10,000

Gujarat earthquake relief fund Rs.25,000

### Section C

Answer ANY TWO questions:

2 X 15 = 30 Marks

18. From the particulars given below , compute the business income for the previous year 2009 – 10 :

	Rs.		Rs.
Salary to staff	2,65,000	Gross profit	6,50,800
Bad debts	8,000	Rent of quarters from employees	24,000
Bonus	24,000	Customs duty recovered ( not allowed earlier)	30,000
Reserve for bad debts	12,000	Bad debts recovered (allowed earlier)	6,000
Provision for sales tax	10,000	Sundry receipts	8,000
Expenditure on acquisition of copy right	8,400		
Legal expenses	24,000		
Expenses on diwali	10,000		
General expenses	6,600		
Provision for sales tax	12,800		
Net profit	3,37,200		
	<u>7,18,000</u>		<u>7,18,000</u>

Other relevant information :

- Actual sales tax is deposited as under – Rs.6,800 on 20.6.2010
- Salary of staff include a payment of Rs.60,000 paid to a relative which is considered to be unreasonable up to Rs.20,000
- Payment of bonus of Rs.10,000 payable during the previous year 2007-08, Rs.6,000 for the previous year 2008-09.

- d. The particulars about the assets of the business are as under :
- |                           |                    |             |
|---------------------------|--------------------|-------------|
| Building (office) (10%)   | W.D.V. on 1.4.2009 | Rs.4,20,000 |
| Godown (15%)              | W.D.V. on 1.4.2009 | Rs.2,00,000 |
| Plant and machinery (15%) | W.D.V. on 1.4.2009 | Rs.2,40,000 |
- e. The assessee had undervalued both opening and closing stock at 5%, book values of the stocks are Rs.57,000 and Rs.76,000.
- f. Legal expenses include pleader's fees for a criminal appeal case Rs.600.
- g. Sales include goods worth Rs.50,000 which were drawn by the proprietor for his personal use. The cost price of such goods on the date of transfer was Rs.45,000 and its market price Rs.56,000.

19. The details of income of Mr. A for the years 2009-10 and 2010-11, are as follows :

	2009-10 (Rs.)	2010-11 (Rs.)
Interest on securities	(-)2,000	2,000
Income from house property	8,000	8,000
Profits and gains of business or profession		
a. Dealing in fruits	(-)30,000	(-)12,000
b. Manufacturing glass		
Profit before depreciation	50,000	1,40,000
Depreciation	80,000	75,000
c. Speculative transactions	6,000	(-) 9,000
Lottery income	30,000	(-) 5,000
Bank interest	2,000	5,000
Short- term capital gains	Nil	(-)25,000

Compute the net assessable income of the two years.

20. Calculate the taxable income of Mr. Kiran from the following information :

Salary Income computed Rs.4,50,000

House property income computed Rs.30,000

Business loss Rs.80,000

Capital gain : Short term Rs.20,000

Long term Rs.12,000

Income from other sources :

Winnings from lottery Rs.50,000

Interest on tax free commercial securities listed Rs.20,000

Interest on less tax commercial securities (unlisted) Rs.10,000

Interest on Government securities Rs.15,000.

His savings/ payments are :

Contribution to recognized provident fund Rs.1,000 p.m.

Life insurance premium paid Rs.20,000

Contribution towards pension fund Rs.12,000

Repayment of housing loan Rs.10,000

Own medical insurance premium paid by cheque Rs.16,000

Medi-claim insurance premium of his father paid by cheque Rs.8,000

Medi-claim insurance premium of his mother paid in cash Rs.5,000.

His father is handicapped and he spent Rs.30,000 on his treatment .

He is suffering from a specified disease and during the year he spent Rs.60,000 on the treatment.

21. Calculate the tax liability from the following information given by Mr. Arvind
- Salary- Rs 50,000 p.m.
  - Dearness allowance Rs.10,000 p.m.
  - Rent from house property Rs.10,000 p.m.
  - Municipal tax paid Rs.2,000
  - Interest on loan Rs.5,000
  - Profits from retail cloth business Rs.1,47,500
  - Dividends from co-operative stores Rs.4,000
  - Dividend from Indian company Rs.10,000
  - Interest on government securities Rs.10,000
  - His donations / contributions during the year are as follows :
  - Contribution to recognized provident fund Rs.26,000
  - Contribution to Public Provident fund Rs.15,000
  - Contribution to National defence fund Rs.10,000
  - Prime minister's National relief fund Rs.1,00,000
  - To family planning Association of India Rs.10,000
  - All India Congress party ( Recognised political party)
  - Notified charitable hospital Rs.10,000.
  - Tax deducted at source from salary Rs.12,000.

