

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004-2005 & thereafter)

SUBJECT CODE : CM/SC/IT54

B.Com. DEGREE EXAMINATION NOVEMBER 2008
COMMERCE
FIFTH SEMESTER

COURSE : **SPECIALISATION – CORE**
PAPER : **INCOME TAX**
TIME : **3 HOURS** **MAX. MARKS : 100**

SECTION – A

ANSWER ALL QUESTIONS: (10 x 3 = 30)

1. Mr.Dhanush was born in India in the year 1986. He grew up in India till 1998 June when he left for Japan. He returned to India in April 2004 and stayed here till December 2005, when he left again for China where he stayed till 4 March 2007. Since 1st April 2007 he is in India till date. During 2007-08 he earned in India Rs.2 lakhs and transferred Rs.1.5 lakhs to India from a foreign account. Determine his residential status for the Assessment Year 2008-09 and find out his taxable income for the relevant previous year.
2. The books of a Political party properly registered disclose the following information:
Rent from property let out to a departmental store at Chennai Rs.6,00,000;
Interest on deposits other than banks Rs.5,00,000;
Contribution for 100 persons who have secreted their names of Rs.22,000;
Contribution of at Rs.11 each from 10,000 members in cash Rs.11,00,000;
Net profit of cafeteria run in the premises at Delhi Rs.3,00,000;
Compute the total income of the political party for the assessment year 2008-09.
3. S a salesman of Z Ltd retires on 30 September 2007 after 28 years 3 months service. His salary structure is given below:

| Particulars | 2006-07 | 2007-08 |
|---|-------------|----------|
| Salary per month | Rs.12,500 | 14,000 |
| D.A per month (not part of retirement benefits) | Rs.5,000 | 5,600 |
| Sales during the period | Rs.6,00,000 | 2,50,000 |
| Commission on sales | 5% | 6% |

His leave encashment card discloses the following information:
Leave encashed during service period 200 days
During the year 2004-05 S retired from Y Ltd. Determine his gross salary for the assessment year 2008-09.
4. State if the following benefits received by an employee is taxable
 - a) Use of mobile phone.
 - b) Interest free loan for purchase of House.
 - c) Transfer of car free of cost, purchased by the company in 2000-01.

5. Ms. Nila is employed with M Ltd at annual gross salary of Rs.3,60,000. She is posted in city A (population 2,75,000, She is allotted rent free unfurnished house owned by M Ltd from 1.10.2007 she is transferred to city B (population 6,20,000). She has been provided rent free unfurnished accommodation in city B owned by M Ltd but she is also allowed to retain the accommodation in city A till 31.3.2008. Compute the taxable gross salary for the assessment year 2008-09.

6. Ms. Geetham submits the following details of her properties let out for the previous year 2007-08.

| Particulars | Property Q (Rs.) | Property R (Rs.) |
|--|------------------|------------------|
| Fair rent | 5,00,000 | 3,00,000 |
| Municipal value | 5,60,000 | 3,50,000 |
| Municipal taxes paid (by the owner) | 60,000 | 42,000 |
| Standard rent under the Rent control Act | 4,60,000 | NA |
| Annual rent | 5,40,000 | 4,20,000 |
| No. of months for which rent remains unrealized (all conditions satisfied) | 1 ½ months | 3 months |

Compute the Net Annual value of the House property.

7. Ms. Key discloses the following incomes for the PY 2007-08:

| House property Rs. | Speculation business Rs. | Non speculation business Rs. | Short term capital gains Rs. | Long term capital gain Rs. | Income from other sources Rs. |
|--------------------|--------------------------|------------------------------|------------------------------|----------------------------|--------------------------------------|
| A 50,000 | P 3,00,000 | X 5,00,000 | C 6,00,000 | F 7,00,000 | Family pension 95,000 |
| B (40,000) | S(2,00,000) | Y(3,00,000) | D(3,00,000) | E(5,00,000) | Loss from letting machinery (50,000) |

Determine the gross total income for the assessment year 2008-09.

8. Ms. Leela purchases land on 15-11-2003 for Rs.4,70,000 and paid Rs.50,000 brokerage and stamp duty. In July 2004 she agreed to sell it to Meena for Rs.9,50,000 and accepted an advance of Rs.80,000. As the balance amount was not paid within the stipulated period the advance money was forfeited. In April 2005 she paid Rs.50,000 betterment charges in respect of the land to the local authority of the town. She sold the land to Tim on 16-11-2006 for Rs.12,00,000 and incurred Rs.20,000 as brokerage. Compute the capital gain. (CII 2003-04 : 463; 2005-06 : 497; 2006-07 : 519).
9. Determine the amount of gross income of Ms. Tahir in the following cases for the assessment year 2007-08:
- a) Ms. Tahir holds 10% tax free debentures of Rs.4,97,500 in Z Ltd. Debentures are listed in the stock exchange in India .

- b) Interest of Rs.8,88,000 was received on the bonds issued by Municipal corporation of Delhi. The bonds have not been listed on a recognized stock exchange in India.
- c) Gets tax free interest Rs.60,000 in Government securities.
10. Mr.Kay discloses the following details in respect of Block of assets No.7 entitled to 40% rate of depreciation.
WDV on 1-4-1007 consisting of four machines Rs.20,70,500
Two machines acquired and put to use during the year Rs.6,25,000
Three machines sold during the year Rs.29,70,800
Kay wants to claim depreciation in respect of machines which have not been sold during the year. Please comment.

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. Ms.Chitra a resident individual declares her gross total income for the year ending 31-3-2008 Rs. 2,90,000. She has paid the following donations during the year:
Donation to PM National relief fund Rs.10,000
Donation to Jamia Milia University Rs.5,000
Donation to Delhi municipal corporation for family planning Rs.12,000
Donation to Birla notified Temple Rs.2,000 and for religious ceremonies/prasads Rs.5,000;
Donation to Pyarelal charitable trust recognized by the commissioner – paid in cash Rs.5,000 and made by cheques Rs.7,000. Also 50 blankets costing Rs.100
Donation to Olympic association paid by cheque - Rs.7,500.
Donation to Rajiv Gandhi foundation Rs.6,000.
Compute her total income for the assessment year 2008-09.
12. Ms.Nirmala provides the following particulars of her salary income for the previous year 2007-08:
Salary Rs.1,08,000
Bonus paid Rs.12,000
Furnished flat provided by the company for which the company paid rent Rs.78,000 per annum.
Accommodation provided in hotel for 2 months for which employer paid rent Rs.30,000.
Furniture provided at cost Rs.50,000.
Rent recovered from the employee Rs.5,000.
Determine her gross salary for the assessment year 2008-09.
13. During the year 2007-08 Ms.Reena gets salary of Rs.6,000 per month. She gets Rs.1,500 per month as dearness allowance and Rs.4,000 as annual Bonus. 25% of dearness allowance forms part of salary for retirement benefits. She contributes 13% of salary to her provident fund and the employer contributes 15% on the same basis. Interest accumulated on the balance of Rs.50,000 is Rs.7,000. She is allowed 1% commission on sales achieved by her, the annual sale being Rs.2,00,000.

Compute her salary for the previous year 2007-08 in case she is a member of Recognized Provident Fund.

14. Mr.Sundar purchased a house property on 1 April 2006. It was let out at Rs.12,000 per month from the same date. Its municipal value was fixed on 31-12-2006 at Rs.1,60,000. Municipal taxes were fixed at Rs.10,000 which were duly paid.

On 31-3-2007 rent has been increased retrospectively from 1-1-2007 from Rs.12,000 to Rs.15,000 per month. However there is no change in municipal valuation. Payment of municipal taxes amounting to Rs.10,000 is made in January 2008. Compute the income from house property for the assessment year 2008-09.

15. Ms.Neha discloses the following particulars of her income for the previous year 2007-08:

Profits from business during the PY 2005-06 Rs.3,50,000; Loss from house property Rs.(40,000)

Interest on Government securities Rs.50,000; Dividends received from foreign companies Rs.4,50,000; The assessing officer wants to set off the loss from house property against business profits and the balance amount against the income of Government securities.

Do you agree? Restate the computation of total income.

16. Dr Satish is a Medical Practitioner. He gives you the following summary of cash book for the year ending 31-3-2008:

| | Rs. | | Rs. |
|----------------------------|-----------------|--------------------------|-----------------|
| To Balance | 10,000 | By Rent of clinic | 18,000 |
| To Consultation fee | 60,000 | By Purchase of medicine | 38,000 |
| To Visiting fee | 45,000 | By Staff salaries | 24,000 |
| To Gifts and presents | 8,000 | By Surgical equipment | 40,000 |
| To Sale of medicine | 42,000 | By Motor car expenses | 8,000 |
| To Dividend from U.T.I. | 6,000 | By Purchase of motor car | 1,40,000 |
| To Life Insurance Maturity | 1,00,000 | By Household expenses | 7,000 |
| To Dividend from N.D.S. | 6,000 | By Closing balance | 2,000 |
| | <u>2,77,000</u> | | <u>2,77,000</u> |

Other informations:

- i) 50% of motor car expenses incurred is in connection with profession. Car was purchased in December 2007.
- ii) Household expenses include Rs.6,800, insurance premium on his life.
- iii) Gift and presents include Rs.3,000 from relatives.
- iv) Closing stock for medicine was Rs.12,000 and opening stock on 1.4.2007 was Rs.4,000.

Compute his professional gain for the Assessment year 2008-09.

17. Ms. Sneha is employed at a gross salary of Rs.6,00,000. She gets Rs.15,000 interest on bank deposits. She has made the following investments / deposits during the year 2007-08:

LIC premium on own life (sum assured Rs.60,000) Rs.15,000. Major son not dependant on him Rs.4,000;

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Contribution to unrecognized provident fund Rs.60,000; Contribution to Public provident fund Rs.20,000; Contribution to ULIP Rs.5,000; Repayment of loan to SBI to purchase a residential house (50% repayment is toward interest) Rs.1,20,000; Infrastructural bonds of an Indian public company under section 80 C Rs.10,000. She has paid education fees for her three children: A Rs.12,000. B Rs.9,000 and C Rs.6,000. Compute her total income for assessment year 2008-09.

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. Miss Ela Joshi resident in India is employed at a salary of Rs.20,000 per month. She has sold shares of a company in July 2006 for Rs.1,29,600. The shares were purchased in 1975 for Rs.20,000. Their fair market value on 1 April 1981 was Rs.40,000. She paid Rs.5,000 as brokerage on the sale of shares. During the year 2006-07 she has received gross interest on Bank deposits Rs.19,000; Interest on government securities Rs.75,000; gross dividends from cooperative society Rs.40,000. Compute her total income and determine her tax liability making necessary assumptions for the assessment year 2007-08. Her outgoings during the period are given below:
 Contribution under Equity linked saving scheme 2005 – Rs.20,000;
 Contribution for new Jeevan Akshay annuity plan of LIC Rs.12,000;
 Her contribution to Recognized provident fund Rs.24,000;
 NSC VIII issue Rs.8,000;
 Medical insurance for her life under GIC scheme by cheque Rs.3,000
 Contribution to approved LIC pension fund Rs.15,000
 Donation to National Blood transfusion council Rs.12,000
 Medical expenditure for the treatment of her disease notified under the rules Rs.50,000.
19. Mr.Nathan owns three houses and gives their particulars for the Previous Year 2007-08 as under:
 House A; he has let out to a friend at Rs.10,000 per month who occupied for 8 months, thereafter it was let out at market rent of Rs.20,000 per month. He has paid Rs.40,000 as Municipal taxes which is 20% of Municipal value. For re roofing of the house he borrowed Rs.3,00,000 at 12% per annum on 1-4-2007.
 House B is situated in London, it has been let out at Rs.22,50,000. Rent is received in London, municipal taxes paid at Rs.2,70,000, fire insurance premium paid Rs.60,000 which is compulsory under government orders.
 House C in Chennai Ground floor is let out at 30,000 per month but the First floor identical to the ground floor is self occupied by him for his residence municipal taxes paid at 12.5% amount to Rs.1,00,000. Loan was taken to purchase the house in 2004-05 interest payable for the year is Rs.50,000. During the year 2006-07 there was unrealized rent for the house. If it is recovered during 2007-08, Compute his total income for the assessment year 2008-09.

20. Mr. Joginder Pal is employed with a transport firm in Delhi. He draws a salary of Rs.6,500 per month with effect from 1-1-2007. DA forming part of the pay for retirement benefit is 30% of his basic pay. He also gets house rent allowance at the rate of Rs.2,000 per month and he pays rent of Rs.2,500 per month. He contributes 20% of his salary to the unrecognized provident fund and the employer also contributes the same. The employer also paid his health club bills amounting Rs.5,000. He is paid Rs.1,000 per month as out of station allowance. He retires from employment on 1-1-2008 after 28 years and 9 months of service and he gets Rs.2,60,000 as accumulated balance from the fund which includes i) employer's contribution Rs.77,500 ii) employee's contribution Rs.77,500 iii) interest on employer's contribution Rs.52,500 and iv) interest on employee's contribution Rs.52,500. He also gets gratuity of Rs.3,00,000. He is entitled to 1.5 months earned leave for one year of service. He has taken 15 months earned leave during the service period. He is paid Rs.1,75,000 for encashment of earned leave. After retirement he gets pension at Rs.3,000 per month. In January 2008 he gets one half of pension commuted for Rs.1,50,000. Compute his salary income, Total income and Tax liability for the assessment year 2008-09, if he has no other income. He has deposited Rs.50,000 in Public Provident Fund. The tax deducted at source is Rs.1,20,000.
21. Prakash is a small businessman. He gives you the following details drawn from his books of accounts, for the year ending 31-3-2008.
- i) Computed net profit after charging the following Rs.55,000.
 - ii) Provisions and reserves debited to profit and loss account.
 - a) Provisions for doubtful debts 30,000
 - b) Depreciation reserve 40,000
 - iii) Household expenses 60,000
 - iv) Donation to Prime Minister's National Relief Fund Rs.20,000; other charitable donations Rs.40,000.
 - v) Cheques issued for purchases Rs.20,000.
 - vi) O.Y.T. Deposit Rs.10,000.
 - vii) Advertisement expenses Rs.5,000 spent on a wooden signboard given to a customer; advertisement gifts to fifty customers at a cost of Rs.100 each.
 - viii) Audit fees Rs.20,000.
 - ix) Patents purchased for Rs.70,000 during the previous year.
 - x) Market survey expenses Rs.8,000, Feasibility Report Expenses Rs.12,000 on a new project of Rs.10,00,000.
 - xi) Incomes credited to profit and loss account were:
 - a) Bank interest on FD Rs.5,000
 - b) Interest on Post Office Savings Bank A/c Rs.3,000
 - c) Interest on UTI units Rs.2,000
 - xii) Opening Stock is valued at cost + 10% basis where as closing stock is valued at cost - 10% basis. Opening stock valued was Rs.1,32,000 and closing stock was valued Rs.1,44,000.
- Compute the net business income for the Assessment year 2008-09.

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