

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

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

**B.Com. DEGREE EXAMINATION, NOVEMBER 2010**

**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. State the provisions relating to clubbing of minor's income.
2. Categorise into different block of assets from following.

<b>Particulars</b>	<b>Rate of depreciation</b>
Residential building A	5%
Office building	10%
Factory building	10%
Air conditioners	15%
Cars	15%
Residential building B	5%

3. Mr. X holds 25% of equity share capital in Y Ltd. Mrs.X was employed by Y Ltd. even before her marriage as general manager with a salary of Rs. 40,000 p.m. But she does not have any professional qualification to justify the remuneration. How much is taxable as salary income and in whose hands the salary is chargeable to tax?
4. What are the provisions regarding set-off of the following losses?
  - i) Speculation loss
  - ii) Loss from lotteries
  - iii) Long term capital loss
5. Explain the admissibility of the following expenses in the computation of business income.
  - a) Contribution to the National Lab for Scientific Research Rs. 60,000.
  - b) Expenditure on Neon sign board Rs. 20,000.
  - c) Preliminary expenses incurred Rs. 50,000.
6. From the following information related to the previous year 2008-09, calculate the Tax liability of Mr. X aged 25.

Salary income (net) Rs. 5,50,000  
House property income (net) Rs. 1,00,000  
Income from other sources (net) Rs. 60,000  
Life insurance premium paid on the life of his spouse Rs. 10,000 (Sum Assured Rs.1 Lakh)
7. What is Duty drawback in Customs duty?
8. Calculate the value of service tax when a bill amount is Rs. 6,000 and service tax is not shown separately in the invoice.

9. What do you mean by 'excisable goods' as per Central Excise Act 1944?
10. From the following calculate the VAT payable.  
Purchase price: Rs. 100, Tax paid on purchase 10%: Rs.10, Sale price: Rs. 180,  
Tax on sale price(i.e. out put tax at 12.5%) Rs. 22.5.

### Section B

Answer ANY FIVE questions:

5 X 8 = 40 Marks

11. What is Excise duty? What are the conditions to be fulfilled to levy excise duty? Explain.
12. What are the objectives of levying customs duty in India? Explain.
13. Explain the benefits of VAT.
14. Mr. Sanjeev Provides you the following details from his business books for the assessment year 2009-10.
- Compound net profit after charging the following Rs. 72,000.
  - Provision for discount on debtors Rs. 42,000.
  - Donation approved Rs. 70,000.
  - Computer purchased for scientific research Rs. 20,000.
  - Bearer cheque issued for purchases Rs. 25,000.
  - O.Y.T. deposit Rs. 16,000.
  - Patents purchased during the year Rs. 75,000.
  - Opening stock is valued at cost plus 10% basis and closing stock is valued at cost less 10% basis. Opening stock was Rs. 66,000 and closing stock was Rs. 72,000.
  - Income credited to profit and loss account are – bad debts recovered Rs. 3,000 disallowed earlier, refund of excise duty Rs. 5,000 and bank interest on fixed deposit Rs. 7,000.
15. Dr. Kavin is a renowned medical practitioner who maintains books of accounts on cash basis, furnishes his receipts and payments account for the financial year 2008-09. Calculate his taxable professional income.

Receipts	Rs.	Payments	Rs.
Balance b/d	20,000	Rent of clinic	
Consultation fees		2008-09	10,000
2008-09	20,000	2009-10	20,000
2009-10	30,000	2010 – 11	10,000
2010-11	20,000	Electricity and water bills	10,000
Visiting fees	30,000	Salary to staff	20,000
Dividend	10,000	Interest on loan	10,000
Interest on bank deposits	10,000	Professional books	20,000
		Balance c/d	40,000
	<u>1,40,000</u>		<u>1,40,000</u>

Additional information:

- Interest on loan paid includes Rs. 5,000 as interest on loan borrowed for the purchase of Jewellery for his wife.
- Depreciation on professional books 100%

16. The following are the particulars of the assets of Mr. Y on 1<sup>st</sup> April, 2008.

Assets	Actual cost Rs.	W.D.V. on 1.4.2008 Rs.	Rate
Building:			
A	8,00,000	5,00,000	10%
B	12,00,000	7,00,000	10%
C	4,00,000	1,60,000	5%
Plant & Machinery:			
X	2,00,000	1,50,000	15%
Y	3,00,000	1,80,000	15%
Z	4,00,000	2,00,000	30%

The assessee acquires and put to use the following assets during the year.

Assets	Cost Rs.	Date of put to use	Rate
Building:			
P	3,00,000	1.7.2009	10%
Q	1,00,000	1.10.2009	5%
Plant & Machinery:			
D	2,00,000	1.11.2009	15%
E	3,00,000	15.12.2009	30%

He sells the following assets.

Building C Rs. 3,00,000

Machinery Y Rs. 2,00,000 & Z Rs. 1,60,000

Calculate the depreciation allowable for the year and the written down value.

17. Mr.X submits the following information for the financial year ending 31<sup>st</sup> March 2009. Compute the gross total income and ascertain the amount of losses that can be carried forward.

i) He has two houses:

House I – After all statutory deduction net annual value Rs. 36,000

House II – current year loss Rs. 10,000

ii) He has two proprietary businesses:

a) Textile business:

Discontinued from 31<sup>st</sup> October, 2008 – current year loss Rs. 25,000

Brought forward business loss of the year 2004-05 Rs. 80,000

b) Leather business: Profit for the current year Rs. 70,000

iii) Short term capital gains Rs. 20,000

iv) Long term capital loss Rs. 15,000

v) Salary income Rs. 1,54,000

vi) Profit from speculation in silver Rs. 15,000

vii) Loss from speculation of shares Rs. 20,000

viii) Unabsorbed depreciation from leather business 20,000 and current year's depreciation 30,000

ix) Income from lottery Rs. 35,000, expenditure incurred on purchase of lottery tickets Rs. 50,000

**Section C****Answer ANY TWO questions:****2 X 15 = 30 Marks**

18. Mr.X (26Years), a resident individual, submits the following particulars of his income for the previous year 2008-09.

<b>Particulars</b>	<b>Rs.</b>
Business income	83,000
Interest on debentures	49,000
Long-term capital gains on transfer of gold	4,10,000
Short term capital gain on sale of shares taxable	20,000
Other short term capital gain	10,000
Contribution towards public provident fund	40,000
Payment of medical insurance premium on own life	3,000
Donation to the national trust for welfare of persons with Autism	4,000
Donation to the fund set up by the Gujarat Govt. for providing relief to victims of earthquake in Gujarat	3,000
Donation to Rajiv Gandhi foundation	1,000
Donation to the Prime Minister's Drought relief Fund	5,000
Donation to approved public charitable institution	11,000
Donation to a poor boy for higher education	5,000
Donation to a charitable institution for construction of a rest house only for a particular religious community	8,000
Donation of clothes to an approved institution	12,000

Determine the net income of Mr.X and his tax liability for the assessment year 2009-10.

19. Mr.X, a resident of India submits the following particulars of his income for the assessment year 2009-10.

i) Income from house let out (computed)	Rs. 9,500
ii) Profit from radio business	Rs.19,6000
iii) Interest from firm	Rs. 1,800
iv) Speculation income	Rs. 1,900
v) Short term capital gain	Rs.3,200
vi) Long term capital gain	Rs. 1,400

The following items have been brought forward from the preceding assessment year 2008-09.

a) Loss from radio business	Rs. 4,600
b) Unabsorbed depreciation	Rs. 1,000
c) Speculation loss	Rs. 3,200
d) Short term capital loss for the year 2005-06	Rs. 4,100
e) Long term capital loss for the year 2006-07	Rs. 3,950
f) B/F loss from House property	Rs. 3,000
Current year's depreciation amounted to	Rs. 500

You are required to compute his gross total income and deal with the carry forward of losses for the assessment year 2009-10.

20. Mr. X an assistant professor in University of Madras, submits the following particulars of income and payments for the assessment year 2009-10.

Basic salary Rs. 22,500 p.m  
 Dearness Allowance Rs. 9,000 p.m.  
 Warden ship allowance Rs. 1,600 p.m.  
 Examiner ship remuneration Rs. 4,000  
 Royalty on books for university students Rs. 73,921 ( i.e., @ 17.5% of Rs. 4,55,500, being sales turnover of books minus Rs. 5,792 expenses)  
 Reimbursement by the Madras University of cost of books purchased by Mr.X for preparing lectures: Rs. 14,250  
 Income from house property: Rs. 16,000 p.m. (expenses being house tax Rs. 13,000; during 2009-10, he has received a sum of Rs. 32,000 being advance rent of April and May 2009; municipal valuation: Rs. 1,60,000, fair rent :Rs. 1,64,000, unrealized rent: Nil; house remained vacant for one month.)  
 Interest on Government securities Rs. 12,000  
 Interest on company deposits (received on May 1 2009) Rs. 12,600  
 Contribution to statutory provident fund Rs. 17,000  
 Contribution to Public provident fund Rs. 42,000  
 Medical insurance premium on the health of dependant mother Rs. 13,000  
 Donation to an approved charitable institution Rs. 50,000  
 Determine the net income of Mr.X for the assessment year 2009-10.

21. From the Profit and Loss Account of Mr.X (age 31 years) for the year ending March 31, 2009, ascertain his total income and tax liability for the assessment year 2009-10.

	Rs.		Rs.
General expenses	13,400	Gross profits	3,15,500
Bad debts	22,000	Commission	8,600
Advance tax	8,000	Brokerage	37,000
Insurance	600	Sundry receipts	2,500
Salary to staff	26,000	Bad debts recovered	
Interest on overdraft	4,000	Earlier allowed as deduction	11,000
Interest on loan to Mrs.X	42,000	Interest on debentures	
Interest on capital of Mr.X	23,000	Rs.22,500+Rs2,500 as TDS	25,000
Depreciation	48,000	Interest on deposit with a company	
		Net 11,700 + TDS Rs. 1,300	13,000
Advertisement expenditure	7,000		
Contributions to employees' fund	13,000		
Recognised provident fund			
Salary to Mr. X	45,0000		
Net profit	1,60,600		
	4,12,600		4,12,600

Other information:

- i) The amount of depreciation allowable is Rs. 37,300 as per the income tax rules. It includes depreciation on permanent sign board.
- ii) Advertisement expenditure includes Rs. 3,000 being cost of permanent sign board fixed on office premises.
- iii) Income of Rs. 4,500, accrued during the previous year, is not recorded in the profit and loss account.
- iv) Mr.X pays Rs. 6,000 as premium on own life insurance policy of Rs. 70,000
- v) General expenses include a) Rs. 500 given to Mrs.X for arranging a party in honour of a friend who has recently come from USA. b) Rs. 1,000 being contributions to a political party.
- vi) Loan was taken from Mrs. X for payment of arrears of income tax.

