

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2011-12 and thereafter)
SUBJECT CODE: 11CM/MC/TX54

B.Com. DEGREE EXAMINATION NOVEMBER 2016
COMMERCE
FIFTH SEMESTER

COURSE : MAJOR – CORE
PAPER : TAXATION - II
TIME : 3 HOURS

MAX. MARKS: 100

Section A

Answer ALL questions:

10 x 3 = 30 Marks

1. State the difference between Tax free and Less tax securities.
2. What is deemed income?
3. Explain PAN.
4. What are indirect taxes?
5. Explain Customs duty.
6. From the following statements compute business income:
 - a. Commission earned Rs.20,000
 - b. Sales Rs.1,20,000
 - c. Purchases Rs.20,000
 - d. Staff salary Rs.11,000
 - e. Purchase of typewriter Rs.8,000
7. Compute the amount of depreciation to be written off during the previous year 2015-16 on account of Patents Rights, when the Patents are acquired on 1-5-15 at a cost of Rs.1, 47,000.
8. Compute Income from Other Sources for the financial year 2015-16:
Net amount received from Lotteries Rs.63, 000 and betting on Horse races Rs.42, 000.
9. Mr. Rajan owns 10,000 15% debentures of Rs.100 each of X limited (annual interest being Rs.1, 50,000). On May 1, 2015, he transfers interest income to Balu his friend without transferring the ownership of these debentures. Decide about the person in whose hands the income shall be taxable for the assessment year 2016-17 and the total income.
10. Total income of Mrs. Chitra is Rs.3, 62,500. Compute the amount of tax payable for the assessment year 2016-17.

Section B

Answer ANY FIVE questions:

5 x 8 = 40 Marks

11. Briefly explain the types of Assessments.
12. Explain the bases for levy of Excise Duty.
13. What are the services that are exempted from Service Tax?
14. Kumar a lawyer by profession keeps his cash book as per cash system of accounting. The following is the summary of his cash book for the year ended 31-03-2016:

Receipts	Rs.	Payments	Rs.
To Balance	5,000	By Rent of Chamber	2,400
To Fees	35,000	By Car expenses	3,600
To Remuneration as examiner	3,000	By Household expenses	12,000
To Interest on bank deposits	2,500	By Local taxes for house	1,200
To rent from House property	8,000	By Repairs of the house	4,000
To dividends	1,600	By LIC premium for self	4,800
		By Cost of Journals	4,000
		By Medical treatment of self	5,000
		By Balance	18,100
Total	55,100	Total	55,100

Additional Information:

- a. 1/3 of the house is used by Kumar for his own residence.
- b. Kumar is insured for Rs.40,000
- c. Kumar has to get medical treatment for an eye ailment caused by intensive study of law books
- d. 1/2 of the car expenses relate to personal use of the car by Kumar
- e. Depreciation computed at the prescribed rate on the written down value of the car is Rs.2,000

Compute his income from profession for the assessment year 2016-17.

15. Kannan of Salem constructed a factory with building, Plant and Machinery and Furniture. However, he decided to lease out the factory on a hire charge of Rs, 25,000 per month. During the previous year 2015-16, he spent Rs.15,000 for repairs and Rs.10,000 for insurance on the assets. Allowable depreciation is Rs.35,000 p.a. Ascertain his Income from Other Sources from the above details.

16. Mrs. Jacob, an ordinary resident of India, received the following income as interest on Investment in securities during the year ended 31st March 2016:
- a. Rs.1,000 as interest on Central Government Bonds
 - b. Rs.7,200 as interest on Debentures issued by a local authority
 - c. Rs.5,600 as interest on Debentures of 'A' limited (unlisted)
 - d. Rs.2,700 as interest on Debentures of 'B' Limited (listed)
 - e. Rs.4,800 as interest on Tax free Debentures of 'C' limited (unlisted)
- Determine Mrs. Jacob's interest on securities under the head "Income from other sources" for the assessment year 2016-17.

17. Master Ajay (age 16 years) received the following income during 2015-16:

- | | |
|---|-------------|
| a. Interest on bank deposits | Rs.75,000 |
| b. Interest on Government Securities | Rs.80,000 |
| c. Interest on Debentures | Rs.40,000 |
| d. Income by acting in a film | Rs.1,00,000 |
| e. Income by singing in a concert held by him | Rs.50,000 |
| f. His father's total income | Rs.1,09,000 |
| g. His mother's total income | Rs.1,09,100 |

Decide about the person in whose hands the above incomes shall be taxable and the amount of income to be taxed.

18. The following are the particulars of income of Mr. Ravi for the previous year ended 31st March 2016:

Dividend from Indian company	Rs.20,000
Loss from House Property	Rs.32,000
Interest from Bank deposit	Rs.10,000
Business income	Rs.50,000
Loss in speculation business	Rs.3,000
Short term Capital loss	Rs.10,000
Long Term Capital gain	Rs.15,000

Compute the gross total income of Mr. Ravi after settling of the different losses against incomes.

Section C

Answer ANY TWO questions:

2 x 15 = 30 Marks

19. From the following Profit and Loss Account of a manufacturer, calculate income under the head "Profits and Gains of Business or Profession" for the year ending 31st March 2016 :

Particulars	Rs.	Particulars	Rs.
To Salaries to employees	95,000	By Gross profit	3,80,000
To advertisement (Paid in cash)	24,000	By interest on securities	14,000
To General Expenses	16,000	By Income from House property	25,000
To Entertainment Expenses	22,000	By bad debts recovered (allowed earlier)	12,000
To Bad Debts	1,500		
To Drawings by Proprietor	24,000		
To Sales Tax (Due and paid on 1.7.2016)	6,000		
To Interest on Proprietor's capital	7,000		
To Repairs	2,500		
To Rent	21,000		
To Legal expenses	5,000		
To Depreciation	15,000		
To Bonus	6,000		
To Bonus to Proprietor	4,000		
To Car purchases	72,000		
To expenses for car	12,000		
To Donation	2,000		
To provision for bad debts	6,000		
To Net profit	90,000		
	4,31,000		4,31,000

From the examination of books of accounts, the following other information are available:

- Advertisement expenses were incurred on insertion in newspapers
- Rs.3,000 was spent on purchase of land and is included in legal expenses
- Half of the repair charges were on let-out building
- Depreciation allowable on all assets including car Rs.14,400
- Bonus was paid to employees on 30.06.2016 and the due date for filing of returns is 31.07.2016.

20. Mr. Mukund furnishes the following particulars of his income for the previous year 2015-16. Compute his total income.

Mr. Mukund purchased diamonds for Rs.8 lakh (Fair market value Rs.8.5 lakh). He further purchased an art work for Rs.9 lakh (fair market value Rs.9.5 lakh)

a. Dividend on Equity Shares (Gross)	Rs.600
b. Dividend on preference shares (net)	Rs.3,580
c. Income from letting on hire of Building and Machinery	Rs.17,000
d. Interest on bank deposits	Rs.2,500
e. Director's sitting fees	Rs.1,200
f. Ground rent	Rs.600
g. Income from undisclosed sources	Rs.10,000
h. Income from lotteries	Rs.10,000
i. Mukund owned a land at Chennai. It was acquired by the government in 2010-11. Along with compensation Rs.1,40,000 is payable by the Government for late payment of compensation. The interest is received during 2015-16. The 3 following deductions are claimed by him:	
(i) Collection charges of dividend	Rs.20
(ii) Allowable depreciation on Building and Machinery	Rs.4,000
(iii) Insurance on Building and Machinery	Rs.100

21. Mrs. Hema furnishes the following particulars of her income for the assessment year 2016-17:

Salary from Aristocrats Private limited (Computed)	Rs.50,000
Dividends on TISCO shares (Gross)	Rs.1,500
Interest on securities (Gross)	Rs.7,500
Interests on fixed deposits in State Bank of India	Rs.3,200
Profits from agency business	Rs.10,000
Loss from speculation in shares	Rs.20,000
Profits from Speculation in Silver	Rs.9,000
Loss from short term capital assets	Rs.5,000
First prize from Kerala State Lottery	Rs.1,00,000
Gains from playing Bridge in the club	Rs.5,500
Gains from playing Rummy in the office	Rs.1,000
Loss in flash (card game) with friends	Rs.7,000
Maharashtra State Lottery tickets bought	Rs.10,000
Loss in race course on betting	Rs.20,000
Expenditure in maintaining race horse	Rs.40,000
Stake money in respect of the horses	Rs.90,000

You are required to compute the Gross Total Income for the relevant assessment year.

22. Mr. Rajan submits the following details of his income for the assessment year 2016-17:

Income from House Property	Rs.15,400
Long term capital gain	Rs.25,000
Short term capital gain	Rs.10,000
Income from other sources	Rs.11,00,000 (including winnings from lottery Rs.20,000)

He has deposited Rs.40,000 in PPF during the previous year. Compute the tax payable by the assessee, assuming that he is 61 years of age.
