

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 2009
COMMERCE
FIFTH SEMESTER

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

SECTION – A

ANSWER ALL QUESTIONS:

(10 x 3 = 30)

1. Mr. Ajay left India for the first time on May 20, 2006. During the financial year 2008-09, he came to India once on May 27 for a period of 53 days. Determine his residential status for the assessment year 2009-10.
2. Compute the taxable receipt under the head salaries for each of the following:
 - a. Transport allowance received Rs 1,000 p.m
 - b. Free use of a T.V., the cost of which was Rs 50,000, given to the employee from 1.6.2008.
 - c. A car was purchased on 1.7.2008 by the employee for Rs 1,20,000 from the employer, the car was purchased by the employer on 30.6.2005 for Rs 2,60,000.
3. Mrs.Jannet an employee of Tansi Pvt Ltd, retires on January 3, 2009 and receives Rs.60,000 as cash equivalent of earned leave to her credit. Her average monthly salary during the last ten months is Rs.3,000. Leave entitlement while in service is one month for every year of service. She did not avail any leave while in service. She worked in the same organisation for a period of 20 years. Find out her taxable leave salary for the assessment year 2009-10.
4. From the following information compute the annual exempted amount of House Rent Allowance of Mr.James for the assessment year 2009-10. He was residing in Bangalore during the previous year 2008-09.

Salary per month is Rs. 4,500
Actual HRA per month is Rs. 525
Rent paid per month is Rs. 300
5. From the following information related to the previous year 2008-09, calculate the Gross Annual Value of the house which was let out in the previous year 2008-09.

Municipal valuation : Rs. 30,000
Fair rent : Rs. 25,000
Annual Rent : Rs. 30,000
Standard rent : Rs. 26,000
Unrealised rent : Rs 2,500
House remained vacant for a month

6. Compute the taxable Business income from the following information:
 NP (after adjusting the following) 60,000
 a. Opening stock of Rs. 90,000 was under valued by 10% & closing stock of the Rs. 1,80,000 was under credited by 10%
 b. Advertisement expenditure paid in cash amounted to Rs 30,000
 c. Sales tax debited Rs 30,000
 Paid Rs 15000 1.7.2009 – (Due date of filing returns 30.7.2009)
 Balance paid on 1.8.2009
 d. General expenses include contribution to Scientific Research Institution Rs 20,000
7. From the following calculate the amount of capital gain chargeable to tax for the assessment year 2009-10.
 Cost of urban agricultural land purchased on 1.4.1981 : Rs. 1,00,000
 Sale value of the land which was sold on 5.5.2008 : Rs. 11,83,000
 Expenditure on transfer : Rs. 1,000
 Cost Inflation Index for the year 1981-82=100, 2008-09=582
8. From the following information relating to the year 2008-09, Compute the Income from other sources of Mr.Abi for the assessment year 2009-10.
 Income from agricultural land in Srilanka : Rs. 5,00,000
 Management Consultancy remuneration : Rs. 1,00,000
 Expenditure related to the income of consultancy remuneration : Rs. 1,000
 Examiner ship remuneration from an university : Rs. 8,000
 Interest on tax free commercial securities listed : Rs 11,000
9. From the following information compute the gross total income of Mr.Arul for the assessment year 2009-10.
 Business Income : Rs. 20,000
 Loss from personal business : Rs. 15,000
 Income from house property (computed) : Rs. 5,000
 Interest from bank : Rs. 4,000
10. From the following information compute the amount entitled to deduction under section 80 C of Mr.Xavier for the A.Y. 2009-10
 Life insurance policy of Rs. 40,000 on own life, premium paid Rs. 10,000
 Contribution to RPF 15% of salary- Basic salary Rs 20,000 per month
 Repayment of housing loan – Rs50,000, Interest paid – Rs20,000
 Contribution to PPF – Rs 10,000
 Medical insurance premium paid – Rs10,000

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. For the assessment year 2009-10, Mr.X is employed in India and receives Rs. 24,000 p.a as salary. His income from other sources includes:
- Dividend received in London on June 3, 2008: Rs. 31,000 from a foreign company;
 - Share of profit received in London on December 15, 2008 from a business situated in Srilanka but controlled from India: Rs. 60,000;
 - Remittance from London on January 15, 2009 out of past untaxed profit of 2005-06 earned and received there: Rs. 30,000
 - interest earned and received in India on May 11 2009: Rs. 76,000
 - Salary from Indian an Indian Company received in London
50% for services rendered in India.
50 % for services rendered in London
 - Rental Income from Nepal Rs12,000
 - Gift from a relative Rs60,000 (1/3 received in India and the balance in London)
- Find out his gross total income for the assessment year 2009-10, if he is
- Resident and ordinarily resident
 - Resident but not ordinarily resident and
 - Non resident
12. Mr.X aged 26 years receives the following emoluments during the previous year 2008-09
Basic pay: Rs. 2,86,000, Commission (50% of basic pay): Rs. 1,43,000
Entertainment allowance: Rs. 60,000,
X contributes Rs. 38,320 towards statutory provident fund (employer makes matching contribution) and Rs.50,000 towards National Savings Certificate VIII issue. His income from other sources is Rs. 66,000. On December 2, 2008, he takes an interest free loan of Rs.45,000 from the employer payable after 3 years to meet cost of medical treatment (surgical operation) of Mrs.X (disease is specified in rule 3A - a notified disease)
Determine the taxable income and tax liability for the assessment year 2009-2010.
13. Mr.X owns a house property. It is let out by him in the previous year 2008-09 for Rs 20,000 p.m.. Municipal value of the property is Rs. 1,66,000, whereas fair rent is Rs. 1,76,000 and standard rent is Rs. 1,50,000. the following expenses are incurred by X: Repairs Rs.20,000; municipal tax paid Rs. 16,000; insurance Rs. 2,000; capital borrowed to construct the property is Rs. 10,00,000 in 2004-05, at 11.5% interest. The house property was completed in 2007-2008. Find out the income from House property.

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14. Dr Nagendra is a renowned medical practitioner, who maintains books of account on cash basis, furnishes receipt and payment account for the year 2008-09.

Receipts		Payments	
To balance b/d	Rs. 14,000	By rent of clinic	Rs. 600
To consultation fees	Rs. 3,000	2007-2008	600
2007-2008	3,000	2008-2009	4,800
2008-2009	15,000	2009-2010	600
2009-2010	2,000		
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	20,000		6,000
To visiting fees	30,000	By Electricity and water bills	2,000
To loan from bank	25,000	By purchase of professional books	4,000
To sale of medicines	60,000	By Household expenses	7,800
To gifts & presents	5,000	By Collection charges on dividend	100
To remuneration from journals	6,000	By Motor car purchased	30,000
To Dividends(gross)	10,000	By Surgical equipment purchased	4,800
To interest on Post Office Saving Bank A/c	7,000	By Income-tax	10,000
		By salary to staff	15,000
		By Life Insurance Premium	15,000
		By Gift to wife	5,000
		By Interest on loan(for profession)	2,000
		By Car expenses	15,000
		By Purchase of medicine	40,000
		By balance c/d	20,300
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Total	1,77,000	Total	1,77,000
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Compute his taxable professional income for the assessment year 2009-2010 after considering the followings:-

- 1/3 of the use of car relates to his personal use.
- Depreciation on car is to be allowed @15% and on books @60%
- Gifts include Rs3,000 from patients and Rs2,000 from relatives.
- Closing stock of medicine is Rs 5,500

15. Following are the details of the assets sold by Mr X.

a. Land

Date of transfer	July 10, 2008
Date of purchase (C11-125)	October 6, 1984
Sale consideration	Rs. 20,00,000
Cost of acquisition	50,000
Expenses on transfer	50,000
Expenses on transfer	10,000

- W.D.V of office furniture as on 1.4.2007 Rs 18,000, furniture was purchased on 15.9.98 for Rs 20,000 and sold on 1.9.2008 for Rs 26,000.
- Bonds purchased on 1.11.96 (C11-305) for Rs2,60,000 were sold on 1.1.2009 for Rs 4,00,000.

- d. A house property was inherited from his father on 1.1.86 (C11-133). The house was acquired by his father in 69-70 for Rs 60,000 and its FMV as on 1.4.'81 was Rs 2,23,000 and it was sold in 2008-'09 for Rs 10,00,000.

Find out the capital gain chargeable to tax in the hands of X for the assessment year 2009-10.

16. Mr.X holds the following securities on April 2008

- a. Rs. 10,00,000, 5% UP government loan
- b. Rs. 40,000, 6% Non listed debentures of ABC Ltd.
- c. Rs. 25,000, 8% debentures of PQR Ltd
- d. Rs 6,279 interest received on tax free public Ltd Co securities (listed)
- e. Rs 31,760, 10% tax free commercial securities
- f. 12% Rs40,000 Debentures (listed) of Tea Company.

Calculate the taxable income of X for the assessment year 2009-10 on the assumption that his business income is Rs. 5,64,000 and he has received a gift of Rs. 1,00,000 in foreign currency from a friend on December 1, 2008 on his marriage anniversary.

17. Mr.Siva, 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.19,600
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 2004-05	Rs. 4,100
e) Long term capital loss for the year 2005-06	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

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 X 15 =30)

18. Mr B Sen employed at Kolkata with a mercantile firm as Sales Manager. From the under noted particulars, compute his taxable income for the Assessment Year 2009-2010.

- a. Basic salary Rs 7,500 X 12 = Rs90,000
- b. Dearness Allowance at 20% of the basic salary but only 10 % of salary is eligible for service benefits.
- c. Incentive Commission at 1% of the turnover achieved by him not exceeding 50% of monthly salary of Rs 7,500. The turnover achieved by him for the relevant previous year was 2,72,800.

- d. Mr Sen's contribution to the Recognized Provident Fund is Rs 15,000 for the year and his employer also contributes an equal amount.
 - e. Interest credited to Provident Fund @ 11% per annum amounted to Rs 4,400
 - f. The employer pays Mr Sen a house rent allowance of Rs 1,700 per month and Mr Sen lives in a rented house for which he pays a rent of Rs 2,000 per month.
 - g. He is provided with a motor car of more than 1.6 lt. capacity which he uses both for private and office purposes. The employer pays all expenses of the said car including driver's salary of Rs 1,250 per month.
 - h. During the relevant previous year he took a loan of Rs 1,50,000 from his employer to purchase a car. Rate of interest being 10% p.a. Assume that SBI rate on 1.4.08 is 12%
 - i. He has been getting entertainment allowance of Rs 8,000 per year.
 - j. Mr Sen's son is a medical student of Kolkata Medical College and his employer paid Rs 24,000 as his education fee.
 - k. According to the terms of appointment his employer contributes a sum of Rs 6,000 per year to an approved Superannuation Fund on his account.
 - l. During the relevant previous year Mr. Sen paid the following Life Insurance Premium.
 - i. On a policy of Rs 60,000 on his own life – Rs 7,600
 - ii. On a policy of Rs 50,000 on his son's life – Rs 4,000
19. Mr. X a lecturer in Delhi University, 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.
 Examinership remuneration Rs. 4,000
 Royalty on books for university students Rs. 73,921
 Rent from house property: Rs. 16,000 p.m. (expenses being house tax Rs. 13,000; during 2008-09, 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.)
 Rs 4485 received as interest on securities of Textile company Ltd. (listed)
 Interest on Government securities Rs. 12,000
 Interest on company deposits (received on May 1 2008) 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 dependent 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 & the tax liability. The tax deducted at source from salary is Rs 10,000.

20. From the particulars given below compute the business income for the assessment year 2009-2010:

PROFIT AND LOSS ACCOUNT

	Rs		Rs
To salary to staff	2,65,000	By Gross Profit	6,50,800
To Bad debts	8,000	By rent of quarters given to employee	24,000
To Bonus	24,000	By custom duty recovered from Govt. (Not allowed earlier)	30,000
To reserve for bad & doubtful debts	12,000	By Bad debts recovered (out of which 3,000 were not allowed earlier)	
To Provision for Income Tax	10,000	By sundry receipts	8,000
To Expenditure on acquisition of 6,000 of copy right	8,400		
To Cost of extension of office building	16,000		
To Legal expenses	24,000		
To expenses on Diwali	10,000		
To general expenses	6,600		
To provision for Sales tax	12,800		
To provision for excise duty	40,500		
To Lumpsum amount paid to acquire technical know- how	24,000		
To Lumpsum amount paid to acquire a patent right	28,000		
Income tax	22,000		
Net Profit	2,07,500		
	7,18,800		7,18,800

Other relevant information is:

1. General expenses include expenditure of Rs 3,000 incurred on the training of an employee.
2. Actual sales tax is deposited as under:
 - Rs 6,800 on 20-06-2009
 - Rs 6,000 on 20-11-2009
3. Actual excise duty is deposited as under:
 - Rs 20,000 on 20-6-2009
 - Rs 20,500 on 20-7-2009
 - Date of filing of return is 31-7-2009
4. Salary of staff includes a payment of Rs 60,000 paid to a relative employee which is considered to be unreasonable upto Rs 20,000
5. Provision for income-tax is excessive to the tune of Rs 4,000
6. Payment of bonus of Rs 10,000 payable during previous year 2006-2007, Rs 6,000 for the previous year 2007-2008 and remaining Rs 8,000 for the previous year 2008-09.
7. The particulars about the assts of the business are as under:
 - i. Building (Office) Depn 10% W.D.V on 1.4.2008 Rs 4,20,000
 - ii Godown Depn 20% W.D.V on 1.4.2008 Rs 2,00,000
 - iii. Plant & Machinery Depn 15% W.D.V on 1.4.2008 Rs 2,40,000

21. From the particulars of income of Sri Madan Mohan, compute his Gross total income for the Assessment year 2009-2010
- i. He owns an agricultural land in Bangladesh from which he earned an income of Rs 6,500
 - ii. He owns a plot of land in Dharwad which is let out for Rs 1,200 p.m. for trading purposes
 - iii. He has a building near agricultural land in a village in India. It is let out for Rs 900 p.m. and used for storing agricultural equipments and for supervision of agricultural work.
 - iv. He received Rs 12,500 during the year as management consultation fee.
 - v. He has a quarry in Ankola. He has let it on a royalty of 50 paise per ton of stone raised. During the 14,600 tons of stone was raised. He spent Rs 450 to earn royalty.
 - vi. He has let machinery and furniture at Rs 3,000 per month. He spent Rs 1,000 on the repair of these assets, Depreciation allowed on these assets is Rs 6,000
 - vii. He lives in a rented house paying a rent of Rs 2,000 p.m. He has sublet 40% of this house at a rent of Rs 1,500 p.m. He has paid Rs 1,000 as municipal tax on the house and spent Rs 500 on the repairs of the whole house.
 - viii. He has received an amount of Rs69,100 as lottery prize on 1st November, 2008.
 - ix. He borrowed Rs 30,000 on 1-6-2008 from a bank 15% p.a. interest. He invested the money in the purchase of equity shares of Public Limited Company. During the year he has not received any dividend from the company.
 - x. Interest on post office savings bank account Rs. 500.
 - xi. As a member of Parliament he received a salary of Rs. 5000 p.m.
 - xii. He held the following investments –
 - a. 10% Rs. 50,000 preference shares of X Ltd.
 - b. Rs. 20,000, 14% Municipal Debentures
 - c. Rs. 10,000, 10% securities issued by Govt. of England.
 - d. Rs. 10000, 9% National Relief Bonds.

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