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BBABMC 211/BBMBMC 211

III Semester B.B.A./B.B.M. Degree Examination,
October/November 2019

(Credit Based Semester Scheme)

(2012 Scheme)

Income Tax

Time : 3 Hours]

[Max. Marks : 120

Instructions :

1. Show the working notes wherever necessary.
2. Follow the instructions strictly.
3. A single answer booklet containing 40 pages will be issued.
4. No additional sheet will be issued.

SECTION - A

(2 marks each)

Shri Dharmasthala Manjunatheshwara
College of Business Management Library
MANGALORE - 575 003

1. Answer **any ten** of the following questions in one or two sentences each :

(10 × 2 = 20)

- (a) What is tax free income?
- (b) Give the meaning of gratuity.
- (c) What is short term capital asset?
- (d) State two characteristics of income.
- (e) What is assessment year?
- (f) Give examples for partly agriculture income.
- (g) What is vocation?



- (h) State the objectives of levying income tax.
- (i) What is grossing up of interest?
- (j) Who is specified employee?
- (k) What is fair rent of the house property?
- (l) How do you treat interest on tax free central government securities?

SECTION B**(8 marks each)**Answer **any five** :**(5 × 8 = 40)**

- 2. How do you determine the residential status of an individual?
- 3. Explain the different kinds of securities.
- 4. Mr. Ranjith earns the following incomes during the P.Y. 2018-19 :
 - (a) Income from house property in Mysore Rs. 2,00,000.
 - (b) Profit from business in Mumbai, controlled from Dubai Rs.1,50,000.
 - (c) Income from agriculture in Mangalore Rs. 50,000.
 - (d) Income from house property in London Rs. 1,50,000
 - (e) Income from business in Dubai Rs. 2,00,000 (1/2 received in India).
 - (f) Profit on sale of building in Delhi received in London Rs. 3,00,000.
 - (g) Dividend from Indian company Rs. 8,000.
 - (h) Past untaxed profit brought to India Rs. 5,000.

Determine his gross total income if he is

- (i) OR
- (ii) NOR
- (iii) NR



5. Ms. Arathi retired on 31st October 2018 after serving for 21 years and 4 months. Her salary at the time of retirement was Rs. 25,000 per month. Annual increment of Rs. 1,000 falls due on 1st July every year. She received a gratuity of Rs. 3,00,000.

She also commuted $\frac{1}{2}$ of pension and received Rs. 1,00,000. Compute taxable gratuity and commuted pension for the A.Y 2019-20 (not covered under the Act)

6. Navya sold the following properties during the P.Y. 2018-19 :
- (a) Jewellery costing Rs. 2,00,000 in January 2017, sold for Rs. 2,80,000 in July 2018.
 - (b) Residential house property, sold on 15th September 2018 for Rs.34,00,000. She had purchased this house at a cost of Rs.4,50,000 in 2003-04. She had purchased another house in November 2018 for Rs. 13,00,000 and deposited Rs. 4,00,000 in CGAS.
 - (c) Motor truck was sold for Rs. 12,00,000 on 10th July 2018, the written down value of which was Rs. 12,50,000 as on 1.4.2018. Compute taxable capital gains. The CII for 2003-04 : 109, 2018-19 : 280.

7. Mr. Kishan furnishes the following particulars of his income for the P.Y. 2018-19.

- (a) 10% Rs. 70,000 debentures of a company.
- (b) 8% Rs. 20,000 Karnataka Govt. loan.
- (c) Winning from lottery Rs. 70,000 (net)
- (d) Income from letting machinery and plant Rs. 20,000
- (e) Rs. 1,000 as interest on POSB a/c.
- (f) Income from royalty Rs. 10,000.
- (g) Income from subletting the house Rs. 10,000
- (h) 10%, 36,000 tax free debentures of Reema Ltd.

Compute income from other sources.



8. Calculate the qualifying amount under Section 80 C for the A.Y 2019-2020.
- (a) Life insurance policy premium on own life policy Rs. 40,000.
 - (b) LIC premium on son's life Rs. 10,000.
 - (c) Contribution to RPF Rs. 25,000.
 - (d) Contribution of ULIP of UTI Rs. 10,000.
 - (e) Tuition fees for 2 sons Rs. 40,000.
 - (f) Repayment of home loan Rs. 50,000.
 - (g) Deposit in bank for 2 years Rs. 10,000.

SECTION C**(20 marks each)**Answer **any three** questions :**(3 × 20 = 60)**

9. Mr. David is working as Marketing Manager in Ram Ltd. Bangalore (population above 25 lakhs). He provides the following particulars of his income
- (a) Basic Rs. 25,000 p.m.
 - (b) Bonus Rs. 10,000
 - (c) DA Rs. 2,000 p.m.
 - (d) CCA Rs. 800 p.m.
 - (e) Hostel allowance Rs. 400 p.m. per child.
 - (f) Medical allowance Rs. 200 p.m.
 - (g) He contributes 14% of his salary to RPF to which the employer contributes equally. Interest on RPF at 11% amounted to Rs. 11,000.
 - (h) He is provided with rent free furnished house owned by the company. The company furnished the house with furniture worth Rs. 1,50,000.



- (i) The company has provided large car for official as well as personal purposes. All the expenses on running and maintenance is met by the company including drivers salary.
- (j) He is provided with the services of watchman and gardener who are paid Rs. 700 p.m. and Rs. 800 p.m. respectively.
- (k) During the year he made the following payment :

Professional tax	Rs. 2,400
LIC premium	Rs. 10,000
NSC	Rs. 10,000

Compute his taxable salary and deduction u/s 80 C.

10. Compute income from house property of Mr. Rekha from the following particulars :

Particulars	I	II	III	IV
Purpose	LOHP	LOHP	LOHP	SOHP
Municipal value	45,000	42,000	50,000	48,000
FRV	48,000	38,000	48,000	58,000
Rent received	50,000	40,000	48,000	
Standard rent	46,000	40,000	45,000	60,000
Collection charges	1,000	2,000	-	-
Municipal tax paid	5,000	4,000	2,500	3,000
Vacancy	-	-	1 month	-

For the construction of the III house he had borrowed Rs. 8,00,000 at 11% p.a. on 1.10.2014. The house was completed on 1.7.2016.



11. Given below is the summary of cash transactions of Mr. Varun Patel, a practising chartered accountant :

	Rs.		Rs.
To Audit fees		By Office expenses	
2017-18	2,000	2017-18	1,000
2018-19	5,56,000	2018-19	9,000
2019-20	1,210	By Office rent	4,500
To consultation fees	10,000	By Salaries	1,12,550
To App. Tribunal appearance	15,000	By Stationery	1,000
To Miscellaneous income	20,000	By journals	3,000
To Interest on govt. securities	10,000	By books	6,300
To Rent received	10,000	By Travelling expenses	5,800
To Gift from clients	9,050	By Interest on bank loan	3,000
To bad debts recovered	1,000	By Donation	5,000
		By Balance	4,83,110
	6,34,260		6,34,260

(a) Loan from the bank was for personal purpose.

(b) 1/4 of the travelling expenses relate to private purposes.

Compute Mr. Varun's gross total income for the AY 2019-20.

12. Define perquisites. Explain the different types of perquisites.