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**BBABMC 235**

**III Semester B.B.A. Degree Examination, April 2021
(2020-21 Batch Onwards)
(Choice Based Credit System)
INCOME TAX**

Time : 3 Hours

Max. Marks : 80

Instruction : Provide the working note *wherever* necessary.

SECTION – A (4 Marks each)

Answer **any four** of the following :

(4×4=16)

1. State the characteristics of income.
2. Differentiate between long term capital gain and short term capital gain.
3. State the rules of grossing up of interest.
4. State the tax provision relating to H.R.A.
5. Mr. Vijay, retired from service in a private company on 31-12-2019. In this company he has put in 33 years and 9 months of service. On retirement, the company paid him a gratuity of Rs. 7,00,000. His monthly salary at the time of retirement was Rs. 24,000, DA 6,000 and H.R.A. Rs. 4,000.

Find out his taxable gratuity if he is covered under payment of Gratuity Act, 1972.

6. Find out Gross Annual value for the following house properties.

Particulars	House A	House B
Municipal value	30,000	35,000
Fair rent	36,000	30,000
Standard rent	40,000	36,000
Actual rent	32,000	32,000

7. Mr. Dheeraj purchased a residential house on 17-8-2005 for Rs. 5,00,000. He sold his property on 1st August 2019 for Rs. 18,00,000. Compute his taxable capital gain if he deposits Rs. 2,00,000 in capital gain account scheme in Feb. 2020. CII 2019-20 : 289, 2005-06 : 117.

P.T.O.



SECTION – B (8 Marks each)

Answer **any four** of the following :

(4×8=32)

8. Explain the rules to determine residential status of an individual assessee.
9. Write a note on bondwashing transaction.
10. Explain the deductions permissible while computing the income from house property.
11. Compute the total income of Mr. Ravi from the following particulars if he is
 - a) Ordinary resident
 - b) Not-ordinary resident
 - c) Non resident.
 - a) Income from salary received in India for services rendered in England Rs. 3,00,000.
 - b) Profit from business in Srilanka Rs. 1,00,000.
 - c) Income earned in Japan Rs. 1,00,000 (½ received in India)
 - d) Income from business carried in Mysore Rs. 75,000
 - e) Profit from business in Australia, controlled from India Rs. 1,20,000.
 - f) Past untaxed income brought to India Rs. 50,000.
 - g) Income from Agricultural land at Haryana Rs. 1,50,000.
 - h) Profit from business in Bengaluru, controlled from U.S.A. Rs. 2,50,000.
12. Mr. Kishan is a chartered accountant in Bengaluru. He has submitted the following income and expenditure account for the year 2019-20. Compute the income from profession for the assessment year 2020-21.

Expenses	Rs.	Income	Rs.
To office rent	66,000	By Audit fees	6,00,000
To Salary to staff	1,50,000	By Consultancy fees	1,20,000
To Charities	10,000	By dividend from UTI	56,000
To Gift to relatives	12,000	By Accountancy works	64,000
To Subscription to journals	4,800		
To Drawings	32,000		
To Car expenses	48,000		
To Household expenses	57,200		
To Net Income	4,60,000		
	8,40,000		8,40,000

Additional Information :

- 1) 40% of car expenses relate to personal use.



13. Ms. Sanjana gives the following particulars of her income for the previous year 2019-20. Compute her income from other sources.
- a) Winnings from crossword puzzles Rs. 70,000 (net)
 - b) 10%, Rs. 18,000 tax free debentures (listed) of a steel company.
 - c) Dividend on equity shares Rs. 10,000 from Indian company.
 - d) Winnings from horse race (net) Rs. 7,000.
 - e) Income from subletting house Rs. 12,000.
 - f) 8%, 30,000 tax free central govt. securities.
 - g) 10%, 15,000 Karnataka govt. bond.
 - h) Directors fees Rs. 10,000.
14. From the following information provided by Mr. Thilak, compute his taxable income from capital gains :
- i) House at Madikeri : let out for residential purposes. It was purchased by him in April 2006 for Rs. 1,60,000. Sale price on 31st August 2019, Rs. 20,20,000. Cost of improvement made during 2007-08 Rs. 40,000. Expenses of transfer amounted to Rs. 30,000.
 - ii) Urban land costing Rs. 2,00,000 (which was acquired in December 2009) was sold for Rs. 10,50,000 on 15th March, 2020.
 - iii) Household furniture costing Rs. 25,000 in Feb. 2019 was sold in March 2020 for Rs. 35,000.
- CII : 2006-07 : 122, 2007-08 : 129
 2009-10 : 148, 2019-20 : 289.

SECTION – C (16 Marks each)

Answer **any two** of the following :

(2×16=32)

15. Explain the different types of provident fund and its provisions.
16. Mr. Nilesh is an employee in a company in Bengaluru gives the following information :
- a) Basic salary Rs. 30,000 p.m.
 - b) DA Rs. 2,000 p.m.
 - c) Bonus 2 months basic.
 - d) CCA Rs. 600 p.m.
 - e) Education allowance for two children at Rs. 200 per month per child.
 - f) He is provided with rent free furnished accommodation owned by the company. The value of furniture provided is Rs. 75,000 (city population 30 lakhs)
 - g) He has been provided with the services of watchman and gardener who are paid Rs. 1,200 p.m. and Rs. 800 p.m. respectively by the company.



- h) His company has contributed to his RPF account @ 13% of salary and he also contributed equally.
 i) Interest credited to RPF @ 11.5% p.a. amounted to Rs. 11,500.
 j) He has paid Rs. 2,400 as professional tax, contributed Rs. 6,000 to PPF.
 Compute his taxable salary and deduction u/s 80 C.

17. Mr. Jaikishan owns four houses, the details of which are as follows :

Particulars	House I	House II	House III	House IV
Annual municipal value	20,000	15,000	24,000	30,000
Fair Rent	24,000	30,000	20,000	24,000
Rent received	30,000	14,400	Self occupied	27,000
Standard rent	27,200	36,000	30,000	30,000
Municipal taxes :				
a) Paid	1,600	1,200	Nil	2,400
b) Due	—	—	2,000	—
Repairs	20,000	—	2,000	1,500

For the construction of IV house, he had borrowed Rs. 1,00,000 at 15% p.a. on 1-1-2016. The house was completed on 1-9-2018. The loan amount outstanding as on 1-4-2019 is Rs. 80,000.

Compute the taxable income from house property for the A. Y. 2020-21.

18. Following is the Profit and Loss account of Ms. Saanvi, compute business income for the previous year 2019-20.

	Rs.		Rs.
To Salary	20,000	By Gross profit b/d	3,00,000
To Rent	15,000	By Bad debts recovered	
To Advertisement	8,000	(disallowed earlier)	2,000
To Interest on capital	5,000	By Rent from house property	24,000
To Depreciation	6,000	By Winnings from lottery	14,000
To Bad debts	8,000	By Interest on FD	5,000
To Income tax	29,000		
To GST paid	6,000		
To Motor car expenses	10,000		
To Office furniture	20,000		
To Net profit c/d	2,18,000		
	3,45,000		3,45,000

Additional Information :

- a) Actual bad debts written off during the year is Rs. 7,000.
 b) Depreciation actually allowable is Rs. 4,000.
 c) Salary includes Rs. 500 p.m. drawn by Saanvi as salary.
 d) ½ of car expenses relate to personal use of Ms. Saanvi.