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BBMBMC 211

Credit Based Third Semester B.B.M. Degree Examination, Oct./Nov. 2013
(2012-13 Batch Onwards)
(New Syllabus)
INCOME TAX

Time : 3 Hours

Max. Marks : 120

Instruction : Support your answer with working notes **wherever necessary.**

SECTION – A

Answer **any ten** in **one** or **two** sentences **each** :

(2×10=20)

1. a) Define Assessment Year and Previous Year.
- b) Give any two examples for Tax Free Incomes.
- c) What do you mean by "Commuted Pension" ?
- d) What do you mean by Application of Salary ?
- e) Who is a specified employee ?
- f) What is fair rent of a house property ?
- g) When an asset is said to be a long term capital asset ?
- h) What is the standard deduction allowed for family pension ?
 - i) Define Casual Income.
 - j) How do you treat rent from subletting the house ?
- k) What is meant by Benami Transaction ?
- l) What is the TDS rate on lotteries ? Findout the gross amount if the net amount received on winnings from lottery is Rs. 21,000.

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SECTION – B

Answer **any five** :

(8x5=40)

2. How do you determine the residential status of an individual ?
3. Explain the deductions permissible while computing the income from house property.
4. Divijesh has the following incomes for the previous year.

i) Salary from an Indian company received in England	Rs. 90,000
ii) Dividend from an Indian company (half of which is received in U.K.)	Rs. 80,000
iii) Income from business in Mangalore controlled from London	Rs. 75,000
iv) Income from business in Hongkong, controlled from Mangalore	Rs. 50,000
v) Income from house property in U.S.A. (half of which is brought to India)	Rs. 60,000
vi) Interest accrued but not received on F.D. in Canara Bank, Delhi	Rs. 14,000
vii) Gift from relatives	Rs. 25,000
viii) Past untaxed profits brought to India	Rs. 20,000

Compute the Total Income if he is (a) OR, (b) NOR (c) NR.



5. Venkat gives the following particulars.

- i) Basic on 1st January of the previous year, Rs. 8,200 per month.
- ii) Dearness Allowance at 40% basic.
- iii) HRA Rs. 2,500 per month.
- iv) Actual rent paid (house) Rs. 3,000 p.month.

His annual increment of Rs. 200 falls due on 1st August of every year.

Compute taxable HRA.

6. From the following information compute the amount entitled for deduction u/s 80 C of Mr. Sujith for the Assessment year 2013-14.

- i) Premium paid Rs. 5,000 on life policy of his own.
- ii) Premium paid Rs. 16,000 on life policy of his major son's life.
- iii) Premium paid Rs. 1,000 on life policy of his married daughter.
- iv) Contribution : RPF 5,000
PPF 4,000
- v) Investment in NSC 10,000
- vi) Contribution to ULIP Rs. 5,000
- vii) Tution fees (one child) Rs. 10,500
- viii) Interest accrued on NSC Rs. 8,000

7. Sri Mohan sells his only residential house in Mangalore on 24th August 2012 for Rs. 25,20,000 and incurs an expenditure of Rs. 20,000 in connection with the transfer. Cost of acquisition of house to him in 1981-82 was Rs. 1,80,000.

On 16th January 2012, he purchases a residential flat in Mangalore for Rs. 4,50,000 and deposits Rs. 1,50,000 in the Capital Gains Account Scheme.

Compute the taxable capital gains.

CII for 1981-82 = 100

2012-13 = 852



8. From the following particulars compute the income of Mr. Gowrishankar under the head Income From Other Sources.

Gowrishankar's investments on 1st April were as follows :

- i) 7% Rs. 10,000 Haryana Govt. Loan.
- ii) 10% Rs. 18,000 tax free debentures (listed) of a Steel Co.
- iii) 11% Rs. 15,000 preference shares (listed) of a company.
- iv) 9% Rs. 20,000 debentures of a Tea company.

He received during the year

- a) Rs. 1,000 as interest on Post office S.B. A/c
- b) Rs. 2,000 as interest on fixed deposit in Canara Bank.
- c) Rs. 800 as interest given to a friend.

On 1st September he sold his Tea company debentures and purchased Rs. 50,000, 9% Indian Railway Bonds. For this purpose he borrowed a loan of Rs. 30,000 from his friend @ 8%.

The bank commission for collecting interest was Rs. 250.

SECTION – C

Answer any three :

(20×3=60)

9. Sri Ram Prasad is employed with ABC Ltd. at Bangalore. He submits the following particulars of his income.

- a) Salary Rs. 28,350 p.m.
- N b) Dearness allowance Rs. 3,000 p.m. (Enters in to Retirement)
- c) Bonus Rs. 24,800
- d) Education allowance for his one child Rs. 200 p.m.
- e) Entertainment allowance Rs. 300 p.m.



f) He contributes 15% of his salary to RPF to which his employer also contributes an equal amount.

Interest accumulated is Rs. 22,000 at 11%.

g) He encashed one month's earned leave standing to his credit and got Rs. 30,600.

h) He is provided with a rent free furnished house owned by the company. The fair rent of the house is Rs. 1,20,000.

The company also furnished the house with furnitures worth Rs. 1,00,000.

(Population more than 25 lakhs).

i) He gets travelling allowance Rs. 4,000 p.m. (50% of the allowance is spent for official use).

j) He is also provided with the services of a gardener and a cook. The company paid wages of Rs. 550 p.m. and Rs. 400 p.m. respectively.

k) He has paid professional tax Rs. 2,400.

He paid Rs. 30,000 as life insurance premium on the policy of his own life; deposited Rs. 20,000 in Canara Bank 5 years F.D. NSC purchased Rs. 25,000.

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

10. Mr. Manoj owns five houses, the municipal valuation of which are Rs. 12,000, Rs. 15,000, Rs. 20,000, Rs. 25,000 and Rs. 30,000 respectively. Municipal taxes are paid at 10% of AMV.

First House : Its FRV is Rs. 14,000, it is used for own profession. He paid Rs. 13,000 as interest on loan borrowed to purchase this house.

Second House : Its FRV is Rs. 18,000 and Standard Rent Rs. 16,000. It is letout on a monthly rent of Rs. 1,250. This house was vacant for 1 month.

Third House : Its FRV is Rs. 15,000 and Standard Rent is Rs. 22,000. He borrowed Rs. 5,00,000 for the construction of this house on 1-8-2009 at 12% p.a. The house was completed on 1-6-2012. The loan is still outstanding. This house is used for own residence.



Fourth House : Its FRV is Rs. 24,000 and Standard Rent Rs. 30,000. It has been letout on a monthly rent of Rs. 3,000. It was vacant for 2 months. During the year he paid Rs. 20,000 towards principal and Rs. 16,000 towards interest on loan borrowed for construction.

Fifth House : Its FRV is Rs. 27,000 and Standard Rent Rs. 29,000. It has been letout at Rs. 3,000 per month.

The tenant has paid 50% of the Municipal taxes and bears the cost of repairs of Rs. 15,000. During the year he repaid interest of Rs. 10,000 on a loan borrowed to repay the earlier loan taken for the purchase of the house.

Compute the Income From House Property.

11. Following is the Profit and Loss Account of the United Plastics for the previous year.

To Opening Stock	30,000	By Sales	6,10,000
To Purchases	1,59,000	" Dividend	6,000
To Wages and Salaries	50,000	" Rent from Staff Quarters	7,000
To Rent	20,000	" Interest on Govt. Securities	50,000
To Reserve for bad debts	10,000	" Dividend from foreign company	12,000
To Advertisement	5,000	" Closing Stock	25,000
To Reserve for Income Tax	7,000		
To Depreciation on Machinery	5,000		
To Wealth Tax	7,000		
To Interest	7,000		
To Sales Tax due	15,000		
To Insurance	2,000		
To Donation	25,000		



To Loss on sales of old		
type writer	3,000	
To Computer	45,000	
To Staff Welfare Fund	40,000	
To Net Profit	2,80,000	
	7,10,000	7,10,000

You are required to compute taxable income after taking in to account the following information.

- a) Bad debts amounted to Rs. 2,000.
- b) Purchases include Rs. 25,000 paid in cash.
- c) Traced embezzlement by an employee in Business Rs. 3,000.
- d) Allowable depreciation amounted to Rs. 4,000 excluding computer.
- e) Sales tax due was paid on 30th July of A.Y.
- f) Donation was given to a charitable trust.

12. Define and explain agricultural income. Explain the present position.