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**BBMBMC 211**

**Credit Based III Semester B.B.M. Degree Examination, Oct./Nov. 2014**  
**(2012 Scheme)**  
**INCOME TAX**

Time : 3 Hours

Max. Marks : 120

**Instruction : Show the working note where necessary.**

**SECTION – A (2 marks each)**

1. Answer **any ten** in **one** or **two** sentences **each** : **(2×10=20)**
- What are the twin objectives of income tax ?
  - Give the meaning of assessee.
  - What do you mean by partly agricultural income ?
  - State any two characteristics of income.
  - What is the basic requirement to treat an income as salary ?
  - What do you mean by expected rent with reference to house property ?
  - What do you mean by 'vocation' ?
  - Define 'perquisite'. Give two examples of tax free perquisites.
  - What is "Indexed cost of acquisition" ?
  - What do you mean by "grossing up of interest" ?
  - What do you mean by "tax free commercial securities" ?
  - When an asset is said to be a 'short-term capital asset' ?

**SECTION – B (8 marks each)**

Answer **any five** :

**(8×5=40)**

- How do you determine the residential status of an individual ?
- Define and explain the term capital gain. Write the difference between long-term and short-term capital gain.
- Following are the taxable income of Shri Ratan Chand for the previous year 2013-14.
  - Income from salary accrued and received in India ₹ 20,000
  - Profit of hotel business at Melbourne ₹ 30,000
  - Dividend declared in U.S.A. but received in India ₹ 5,000
  - Income from transfer of a long-term capital asset situated in India ₹ 20,000
  - Interest on debenture of a company at Manchester, which was received in India ₹ 10,000

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- f) Interest received from Shri Philip, a non-resident on the loan provided to him for a business carried on in India ₹ 5,000
- g) Royalty received in Germany from Shri Kailash a resident in India for technical services provided for a business carried on in Germany ₹ 20,000
- h) Fees from an Indian company carrying on business at London from technical services rendered at London having been directly deposited by the company in his bank account in India ₹ 30,000. Compute Shri Ratan Chand's total income for the assessment year 2014-15 if he is ordinarily resident, not ordinarily resident and non resident.
5. Shri Amarnath who is not covered by the payment of Gratuity Act, 1972, receives a gratuity of ₹ 11,64,000 when he retires on 30 June 2013 after a service of 34 years 9 months. His last drawn emoluments are as follows.
- Basic salary ₹ 75,000 per month  
Dearness allowance ₹ 15,000 per month  
(not considered for retirement benefit)  
Servant allowance ₹ 600 per month (fixed)  
Annual increment of basic salary ₹ 3,000 per month falls due on 1<sup>st</sup> January every year.
- Compute taxable gratuity for the assessment year 2014-15.
6. Mrs. Padmini sold some of her property during the year 2013-14 as under :
- a) Jewellery costing ₹ 80,000 (which was purchased on June 2011) was sold for ₹ 1,00,000 in May 2013.
- b) House at Kolkata : Let out for residential purposes. It was inherited by her in 1964. Sale price on 31-10-2013 ₹ 12,00,000. Fair market value on 1-4-1981 ₹ 1,00,000. Cost of improvement made during 1989-90 ₹ 25,000. Expenses on transfer are ₹ 25,000.
- c) Car was sold on 1-12-13 for ₹ 45,000, its written down value on 1-4-2013 was ₹ 38,000.
- d) Self-cultivated land was compulsorily acquired under a law for ₹ 6,00,000 on 1-1-2014 and its cost in 1982-83 was ₹ 65,400. Compute his total capital gain. Cost inflation index 1981-82-100, 1982-83-109, 1989-90-172 and 2013-14-939.
7. From the following particulars of Mr. Amir compute his income from other sources.
- 1) Amount received from Benaras University for the lectures delivered as visiting professor ₹ 25,000.
- 2) Winning from horse race (net) ₹ 7,000.
- 3) ₹ 1,000 on redemption of preference shares in a foreign company.
- 4) Dividend ₹ 8,000 from Indian company.
- 5) Gift from foreign friend on the occasion of wedding anniversary ₹ 1,00,000





- 6) Winning from crossword puzzles ₹ 7,000 (gross)
- 7) Interest accrued on the following securities :
- a) ₹ 10,000, 4½% National Defence Gold Bonds, 1980
  - b) 9% secured redeemable nonconvertible bonds of Indian Railway Finance Corporation Ltd. ₹ 10,000
  - c) 9% tax free debentures of Madhura Coats Ltd. ₹ 10,000
- Entry fee paid for crossword puzzles ₹ 100.
8. Calculate the qualifying amount under Section 80C for the assessment year 2014-15 of Mr. Suresh from the information given below :
- a) Life insurance premium paid ₹ 20,000 on his own policy.
  - b) His own contribution to recognised provident fund ₹ 5,000 and employer's contribution to R.P.F. ₹ 4,000
  - c) Repayment of loan taken for construction of residential house ₹ 80,000 out of which ₹ 30,000 is interest.
  - d) Purchased National Savings Certificate IX issue of ₹ 10,000
  - e) Contribution to Family Benefit Fund ₹ 1,000
  - f) Accrued interest on NSC (VIII issue) amounted to ₹ 1,000
  - g) Life insurance premium paid by him on his brother's life policy was ₹ 5,000.

**SECTION – C (20 marks each)**

Answer any three :

(20×3=60)

9. From the following particulars of Shri Suraj, compute his salary income.

	₹
1) Salary ₹ 15,000 per month	1,80,000
2) Bonus	6,000
3) Dearness allowance	1,800
4) Entertainment allowance	6,000
5) Employer's contribution to recognised provident fund	21,000
6) Employee's contribution to recognised provident fund	21,000
7) Interest on provident fund @ 12%	2,400
8) Personal expenses of Mr. Suraj's son met by the employer	1,000
9) Rent-free unfurnished house provided by the employer, whose annual rental value is (city is Delhi)	36,000
10) Watchman engaged by the employer for many years for the security of residence of Mr. Suraj, total salary paid to him by employer during the year	4,800
11) Medical expenses of the employee paid by the employer	600
12) Free refreshment during office hours	3,000
13) Club bill of the assessee paid by the employer	400
14) Unit linked insurance plan contribution paid by the employer	6,000





15) He deposited ₹ 12,000 in P.P.F.

16) He was provided with rent-free house for a period of 8 months only during 2013-14 after which he shifted to his own house. He continued to enjoy the facility of a watchman for his own house also.

10. Bhavya owns four houses, the details of which are as under :

	I	II	III	IV
Annual Municipal value	10,000	8,000	12,000	15,000
Fair rental value	12,000	15,000	10,000	12,000
Rent received	15,000	14,400	Self	Self
Standard rent	13,600	18,000	15,000	10,000
Municipal taxes paid	800	600	Nil	1,200
Municipal taxes due	—	—	1,000	—
Repairs	Nil	12,000	4,000	6,000

For the construction of IV house, he had borrowed ₹ 80,000 at 15% p.a. on 1-1-2008. The house was completed on 1-8-2010. This loan is not cleared. Compute his income from house property.

11. Shri Ram Prasad is a registered medical practitioner. He has prepared the following income and expenditure account for the year ending 31-3-2014. You are required to prepare a statement showing his income from profession.

#### Income and Expenditure A/c

	₹		₹
Household exp.	1,20,000	Consultation fee	1,10,000
Car purchased	1,30,000	Visiting fees	1,20,000
Travelling exp. (personal)	4,000	Gains on race (gross)	10,000
Charity and donations	1,000	Share in sale proceeds of an house	34,000
Income tax	2,000	Capital gains	6,000
Salaries	8,000	Dividend from domestic company	5,000
Gifts to daughter	7,000	Interest on post office S.B.A/c	600
Establishment exp.	1,000	Gift from father-in-law	2,000
Surgical equipments	4,000	Interest on fixed deposit (gross)	1,300
Books (annual publications)	1,200	Bad debt recovered (not allowed in earlier year)	2,000
Life insurance premium	2,000		
Wealth tax	1,000		
Interest on capital	1,000		
Surplus	8,700		
	<b>2,90,900</b>		<b>2,90,900</b>

Rate of depreciation allowable on car and surgical equipments is @ 15%.

12. Explain different types of provident fund.