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BBABMC 211/BBMBMC 211

**Credit Based Third Semester B.B.A./B.B.M. Degree Examination,
October/November 2017
(2012 Scheme)
INCOME TAX**

Time : 3 Hours

Max. Marks : 120

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

SECTION – A (2 marks each)

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

(2×10=20)

1. a) Define Assessment Year.
- b) Give the meaning of deemed to be letout property.
- c) What is standard rent ?
- d) When an individual is said to be an 'ordinarily resident in India in the PY ?
- e) What is meant by tax-free income ?
 - f) What is gratuity ?
 - g) Give an example for partly agricultural income.
 - h) Give the meaning of long term capital asset.
 - i) Who is a specified employee ?
 - j) Give the meaning of tax-free commercial security.
 - k) How to treat tax free interest received on government securities ?
 - l) Give the meaning of vocation.

SECTION – B (8 marks each)

Answer **any five**.

(8×5=40)

2. Explain the provisions of 'Free meals' and 'Gift' while calculating taxable salary.
3. Define the term income. Bring out its characteristics.
4. Saleem, an Indian citizen, went to Australia for higher studies on 1st June, 2013. He returned to India on 25th November, 2015 and joined an US concern. He worked in this company till 10th September, 2016 when he got appointment in Indonesia and therefore left India. Find out his residential status for the PY 2016 – 2017.

P.T.O.



5. Bhargav Arora retired from service on 31st July, 2016, after serving for 28 years and 6 months and 20 days. His basic was ₹ 15,500 on 01-01-2016 and the annual increment of ₹ 500 fall due on 1st May, every year. He got DA 40% of his basic. He received a gratuity of ₹ 3,65,000. Earlier he had received ₹ 75,000 as gratuity which was then exempt. Compute taxable gratuity if he is covered under payment Gratuity Act.
6. From the following particulars in respect of Mr. Adarsh, find out the deduction allowable to him U/S 80C for AY 2017 – 18 :
- Deposited in Post Office Savings Bank Account ₹ 4,000
 - Premium paid on his minor son's life policy ₹ 8,000
 - Contribution to ULIP of UTI ₹ 34,000
 - Investment in infrastructure Bonds issued by a public financial institution ₹ 45,000
 - Subscribed to Home Loan Account of N.H. Bank ₹ 38,000
 - Interest accrued on Home Loan Account of N.H. Bank ₹ 8,000
 - Contribution to Recognised Provident Fund ₹ 25,000
 - LIC premium on mother's life policy ₹ 12,000.
7. Mr. Prabhakar purchased a house in Udupi in 1979, for ₹ 1,00,000. He incurred the following expenses for the improvement of the house.
- Cost of Renovation of the house in 1980 ₹ 25,000
Cost of Addition of two rooms in January, 1995 ₹ 50,000
The fair market value of the house on 1st April, 1981, was ₹ 1,60,000
He sold the house in May, 2016 for ₹ 25,50,000
Expenses on sale incurred ₹ 10,000. He purchased another house property within 2 months for ₹ 1,50,000 and invested in CGAS, ₹ 1,25,000. Calculate the taxable capital gains.
Cost inflation index for 1994 – 95 : 259 and 2016 – 17 : 1,125.
8. From the following information, compute the income from other source for the AY 2017 – 18 of Mr. Suresh Kumar :
- Investments on 1st April were as follows :
- ₹ 80,000 – 9 % Government paper
 - ₹ 70,000 – 10 % Tax Free Debentures of a company
 - ₹ 40,000 – 10 % Tax Free Tamil Nadu Government Bonds
 - ₹ 60,000 – 12 % Debentures of a Public Ltd. Company
- He received during the year :
- From horse race ₹ 42,000 (net)
 - Dividend received from a co-op. society ₹ 6,000
 - Interest received on Kerala Government Bonds ₹ 5,000
 - Dividend on shares of Indian Company ₹ 4,000.



SECTION – C (20 marks each)

Answer any three :

(20×3=60)

9. Explain the provisions of Income Tax Act relating to different types of Provident Fund.
10. Compute income from house property of Mr. Raja from the following particulars :

Particulars	I (₹)	II (₹)	III (₹)	IV (₹)
Municipal value	30,000	15,000	12,000	12,000
Fair Rental value	28,000	21,000	18,000	20,000
Rent received	27,000	16,000	15,400	17,000
Standard rent	32,000	18,000	21,000	18,000
Repairs	10,000	12,000	6,000	14,000
Municipal taxes : Paid	3,000	1,500	–	3,000
Municipal taxes : Due	–	–	1,200	1,600

The assessee had borrowed on 01-11-2013 ₹ 2,50,000 at 12% p.a. for the construction of the 3rd house which was completed on 31-10-2015. As on 01-04-2016 ₹ 2,00,000 was outstanding.

11. Sri Nehru is the proprietor of a business. His profit and loss account for the year ended 31-03-2017 is as follows :

Particulars	₹	Particulars	₹
Rent, Rates and Taxes	12,000	Gross profit	2,50,000
General charges	8,000	Interest on Government Securities	20,000
Household expenses	8,000	Rent from house property	15,000
Provision for bad debts	12,000		
Commission	2,000		
Discount and allowances	4,000		
Repairs (not for business)	6,000		
Postage and telegrams	2,000		
Law charges	6,000		
Advertising	15,000		
Gifts and presents to employees	1,000		
Fire Insurance Premium (Goods)	1,500		
Sales tax paid	3,500		
Life insurance premium	2,500		



Interest on capital	6,500	
Audit fee	5,000	
Interest on bank loan	16,000	
Provision for depreciation	4,500	
Provision for income tax	14,500	
Net profit	1,55,000	
	2,85,000	2,85,000

From the following, compute his income from business for the AY 2017 – 18

- i) Actual bad debts written-off during the year amount to ₹ 1,500.
 - ii) Depreciation allowable is ₹ 2,500 as per income tax rules.
 - iii) Advertising expenses includes the cost of show case ₹ 3,500.
 - iv) Bank loan is taken for business purposes.
 - v) General charges include donation given to a charitable trust ₹ 1,000.
12. Mr. Santhosh furnishes following details of his salary for the PY 2016 – 17 :
- i) Basic Pay ₹ 20,000 p.m.
 - ii) Dearness allowance ₹ 8,000 p.m. (50 % enters into retirement benefits).
 - iii) Entertainment allowance ₹ 500 p.m.
 - iv) Helper allowance ₹ 500 p.m. (Salary paid to helper ₹ 400 p.m.)
 - v) Employer's contribution to RPF ₹ 3,000 p.m.
 - vi) Employee's contribution to RPF ₹ 3,000 p.m.
 - vii) Interest credited to PF A/c during the year at 13.5 % amounted to ₹ 13,500.
 - viii) City compensatory allowances ₹ 500 p.m.
 - ix) Medical allowances ₹ 400 p.m.
 - x) He received education allowance of ₹ 800 p.m.
 - xi) He is also provided with furnished accommodation owned by the company. Cost of furniture provided amounting to ₹ 1,00,000.
 - xii) His club bills and telephone bills of his residence amounting to ₹ 1,000 and ₹ 8,000 respectively are paid by the company.
 - xiii) He made the following payments :
 - a) Professional tax ₹ 2,600
 - b) PPF contribution ₹ 10,000
 - c) NSC VIII issue ₹ 10,000
 - d) Home Loan Account Scheme ₹ 20,000 (State bank).

Compute the taxable salary and deduction U/S 80C (City Population 30 lakh).