

Register Number :

Name of the Candidate :

**6 2 9 8**

**M.Com. DEGREE EXAMINATION, 2011**

(SECOND YEAR)

(GROUP - A)

(PAPER - III)

**630. INCOME TAX LAW AND PRACTICE**

( Including Lateral Entry )

December ]

[ Time : 3 Hours

Maximum : 100 Marks

**SECTION – A** ( 5 × 8 – 40 )

*Answer any FIVE questions.*

*ALL questions carry equal marks.*

1. Define annual value. How is it determined?
2. Define the term person.
3. What are the restrictions imposed U/S 40 (b) of the Income Tax Act, on remuneration and interest payable to partners of a firm?

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4. What are the different modes of recovery of tax?

5. Write a short note on :

(a) Voluntary return of income.

(b) Belated return.

(c) Revised return.

6. Write a short note on :

(a) U/S 80 E.

(b) U/S 80 DD.

7. What is deduction of tax at source? List any four instances.

8. Explain any four exempted incomes.

### SECTION – B ( 3 × 20 = 60 )

*Answer any THREE questions.*

*ALL questions carry equal marks.*

9. The following particulars relate to the income of Mr. Rajiv for the previous year 2008 – 2009. He is employed in a cotton textile mill at Bangalore on a monthly salary of ₹ 25,000.

- (e) Sugar worth ₹ 1,000 was distributed free on Diwali Puja.
- (f) Amount of Depreciation, admissible according to rules, works out at ₹ 98,200.

- (a) Cane crushed includes ₹ 1,54,000 the cost, grown on company's own firm, the average market price of the same being ₹ 1,96,000.
- (b) Manufacturing expenses include:
- (i) ₹ 4,26,000 for excise duty paid.
- (ii) ₹ 68,000 spent on scientific research as follows:
- ₹ 57,000 for capital expenditure on the fitting up of a new research laboratory, and ₹ 11,000 for current expenditure.
- (c) Establishment charges include ₹ 1,200 for contribution towards Employee's Provident Fund which is unrecognized.
- (d) Miscellaneous expenses include ₹ 5,000 for donations to local educational institutions and ₹ 2,000 for donations to public hospital where the company's employees are treated free and ₹ 2,000 commission in connection with issue of share for setting up a new industrial unit.

He is also, entitled to a commission @1% of sales effected by him. The sale effected by him during the previous year amounted to ₹ 40,00,000. He received the following allowances and perquisites during the previous year.

- (a) Dearness pay @ ₹ 6,000 per month.
- (b) Bonus @ two months basic salary.
- (c) Entertainment allowance @ ₹ 2,000 per month.
- (d) House Rent allowance @ ₹ 5,000 per month.
- (e) The employer paid ₹ 10,000 towards the income tax liability of Rajeev.
- (f) He has also, been provided with gas, electricity and water facility and employer spent ₹ 15,000 on these.
- (g) The employers gave him cotton worth ₹ 1,000 free of cost.

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- (h) He and his employer both contributed 15% of his salary to his recognized provident fund and interest credited to this fund @ 9% amounted to ₹ 30,000 during the previous year.
- (i) He spent ₹ 6,000 per month a rent of the house occupied by him in Bangalore.
- (j) The employer provided him L.T.C. of ₹ 35,000 for going to Simla.
10. Mr.X is the owner of two houses which he uses for his residential purposes. He submits the following information in respect of the house for the previous year 2008 – 2009.

	I-House	II-House
Municipal value	4,000	10,000
Fair rent	5,000	12,000
Municipal Taxes paid	500	1,500
Fire insurance premia	100	200
Interest on loan taken for the construction	3,000	15,000

	₹	₹	₹
Selling commission	78,600		
Depreciation written – off	1,30,700		
Balance being profit carried down	2,09,200	28,24,200	28,24,200
Amount transferred to reserve fund	25,000		2,09,200
Reserve for income tax	90,000		
Balance C/D	94,200		
		2,09,200	2,09,200

Compute the company's business income for the assessment year 2007 – 2008 after taking the following informations into account:

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13. The following is the manufacturing and profit and loss account of a sugar mill company for the year ended 31<sup>st</sup> March,2007:

	₹		₹
Opening Stock	1,82,300	Sales	24,51,500
Cost of Cane crushed	12,57,700	Miscellaneous receipts	6,700
Manufacturing expenses	7,98,500	Closing Stock	3,66,000
Repairs and Renewals	40,700		
Establishment charges	41,600		
Miscellaneous expenses	17,800		
Commission of Sales etc.	63,500		
Director's fees.	1,600		
Auditor's fees	2,000		

His other incomes are ₹ 1,50,000. Advice Mr.X which house he should opt for self – occupation concession.

11. Mr.Singh, a resident of India submits the following particulars of his income for the assessment year 2009 – 2010.

(a) Income from house let out computed	₹ 9,500
(b) Profit from radio business	19,600
(c) Interest from firm	1,800
(d) Speculation income	1,900
(e) Short – term Capital gains	3,200
(f) Long – term capital gains	1,400

The following items have been brought forward from the preceding assessment year 2008 – 2009.

(i) Loss from radio business	₹ 4,600
(ii) Unabsorbed depreciation	1,000
(iii) Speculation loss	3,200

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12. Mr.X has the following investments in the previous year ended 31<sup>st</sup> March, 2009.
- (a) ₹ 10,000, 12% debentures of Tata Textiles.
- (b) ₹ 10,000, 9% U.P. Government loan.
- (c) ₹ 5,000, 15% Debentures of a Jute company.
- (d) ₹ 30,000, 15% Debentures of Imperial Trading Co.Ltd.
- (e) ₹ 15,000, 4% 10 – year National plan certificates.

- (f) ₹ 7,500,is in post office savings bank account on which ₹ 140 as interest was credited in the previous year.
- (g) ₹ 3,184 received as interest on the securities of a company ( not listed)
- (h) ₹ 10,000, 20% securities issued by Bahrain Government.
- On 1<sup>st</sup> September, 2008, he sold ₹ 30,000,15% Debentures of the Imperial Trading on Ltd, at a profit of ₹ 2,500.
- The Bank has charged ₹ 125 as collection charges. Interest on all securities except securities issued by Bahrain Government is payable on 30<sup>th</sup> June and 31<sup>st</sup> December, each year. On Bahrain Government securities interest is payable on 30<sup>th</sup> September and 31<sup>st</sup> March each year. Calculate income from other sources assuming accounts are maintained on cash system and interest due on 31-3-2009 on Bahrain Government securities is not received on 31-3- 2009.