

FINAL YEAR B.Com. DEGREE EXAMINATION, MARCH 2003

Part III—Commerce

Paper IX-C—INCOME-TAX LAW AND PRACTICE—I

Time : Three Hours

Maximum : 100 Marks

Section A*Answer any ten questions.**Each question carries 2 marks.**Answers may be given in 1 or 2 sentences each.*

1. Define the term "Previous year".
2. Who is a Not Ordinarily Resident ?
3. What is the treatment of refund from Recognized Provident Fund for tax purposes ?
4. What is meant by sub letting ?
5. What is the treatment of expenditure on patent rights ?
6. What is the rate of depreciation on cars acquired on or after 1-4-1990 ?
7. What is "Long-term Capital Gain" ?
8. Are dividends from Indian Companies taxable ?
9. What is Rectification of mistake ?
10. What is belated return ?
11. What is recovery of tax ?
12. Who is an assessee-in-default ?

(10 × 2 = 20 marks)

Section B*Answer any ten questions.**Each question carries 5 marks.**Answers to theory questions may be given in one page each.*

13. What is the scope of total income of a person under Income-tax Act, 1961 ?
14. What deductions are allowed in computing "Income from house property" ?
15. Distinguish between Long-term capital gain and Short-term capital gain.
16. Describe the savings which are entitled to tax rebate under Section 88 of the I.T. Act.
17. Under what conditions Best Judgement Assessment is made by the Assessing Officer ?
18. What are the circumstances in which a claim for refund of tax may arise ?
19. Mr. A an Indian citizen left India for the first time on 31st May 1996 and came back on 1st May 1999. He again left India on 10th June 2000 and came back on 14th January 2001. He is living in India since then. Determine his status for the previous year 2000-2001.

Turn over

20. Mr. B gets a salary of Rs. 1,800 p.m. and Dearness pay Rs. 200 p.m. He is provided with rent free unfurnished accommodation at Palghat whose fair rental value is Rs. 1,300 p.m. Calculate value of rent free accommodation.
21. Compute the Net Annual value from the particulars given below :
- | | |
|------------------------|-------------------|
| Municipal rental value | : Rs. 24,000 p.a. |
| Fair rental value | : Rs. 30,000 p.a. |
| Municipal taxes | : 10 % of MRU |
| Date of completion | : 31-12-1995 |
- Let out from 1-4-2000 to 31-7-2000 and self occupied for the rest of the year.
22. Compute the taxable capital gains for the Assessment Year 2001-2002 from the given information of Mr. D.
- (a) Cost of acquisition of residential house in 1983-84 Rs. 3,48,000.
 (b) Sale consideration on 1-7-2000 Rs. 16,00,000.
- Cost of acquisition of new house prior to the date of filing the Income Tax Return Rs. 3,00,000
 The Cost Inflation Index in 1983-84 and in 2000-2001 was 116 and 406 respectively.
23. Calculate the amount of depreciation a firm can claim for the Assessment Year 2001-2002.
- | | |
|---|--------------|
| (a) Furniture W.D.V. on 1-4-2000 | Rs. 15,000 |
| Additions during the year | Rs. 5,000 |
| Rate of depreciation | 10 % |
| (b) Factory building W.D.V. on 1-4-2000 | Rs. 3,50,000 |
| Additions during the year | Rs. 1,00,000 |
| Money realised on assets destroyed | Rs. 60,000 |
| Rate of depreciation | 10 % |
24. Mr. X invested Rs. 1,00,000 in 7 % tax-free debentures of a company. What will be his taxable interest for the previous year ending 31-3-2001 if the rate of deduction of tax at source is 22%
 (10 × 5 = 50 marks)

Section C

Answer any two questions.

Each question carries 15 marks.

Answer to theory question may be in around four pages.

25. Explain the provisions of Income-tax Act regarding "Advance payment of tax".
26. Mr. Rao is a Professor in a College at New Delhi getting a salary of Rs. 15,000 p.m. plus 22% account of dearness allowance. He contributes 12 % of his salary to Recognized Provident Fund and the employer contributes the same amount. He is also a hostel warden and has been provided with rent free unfurnished accommodation whose annual rental value is Rs. 12,000 p.a. He owns a house which he lets out at Rs. 800 p.m. and he pays municipal taxes amounting to Rs. 1,600 p.a.

During the previous year, he received the following incomes :—

- 10 % dividend on shares of Rs. 12,000.
- 12 % interest on debentures of Rs. 60,000.
- Rs. 3,000 as interest on Bank deposit.
- Rs. 4,600 being one-third share of profits in an A.O.P.

He has insured his life for Rs. 1,25,000 and paid Rs. 13,250 as annual premium.

Ascertain his total income for the Assessment Year 2001–2002.

27. From the following Profit and Loss Account and other additional information of a trader, compute his business income for the Assessment Year 2001–2002 :—

- Half the repairs expenses were on let out building.
- Depreciation allowable on all the assets including car Rs. 14,400.
- Rs. 3,000 were spent on the purchase of land and are included in legal expenses.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2001

	Rs.		Rs.
General expenses	... 16,000	Gross profit	... 3,80,000
Entertainment expenses	... 12,000	Interest on securities	... 14,000
Bad debts	... 1,500	Income from house property	... 25,000
Salaries	... 95,000	Bad debts recovered	
Advertisement expenses		(allowed earlier)	... 12,000
(in cash)	... 24,000		
Drawings by the proprietor	... 24,000		
Interest on capital	... 7,000		
Repairs	... 2,500		
Rent	... 27,000		
Legal expenses	... 5,000		
Depreciation	... 15,000		
Bonus to proprietor	... 4,000		
Car purchased	... 72,000		
Expenses on car	... 12,000		
Donations	... 2,000		
Provision for bad debts	... 6,000		
Other expenses	... 6,000		
Net profit	... 90,000		
	<u>4,31,000</u>		<u>4,31,000</u>

(2 × 15 = 30 marks)