

B.B.A./B.B.M. DEGREE (C.B.C.S.S.) EXAMINATION, APRIL 2013**Sixth Semester****Choice Based Core Course—INCOME TAX—THEORY, LAW AND PRACTICES**

(Common for B.B.A. and B.B.M.)

Time : Three Hours

Maximum Weight : 25

Part A (Objective Types)*Answer all questions from this part.**Each Bunch of four question carries a weight of 1.*

- I. 1. _____ taxes are paid by the tax payer through an intermediary.
(a) Direct. (b) Income.
(c) Indirect. (d) None of these.
2. An assessee is equal to total tax liability divided by total income :
(a) Maximum Marginal rate. (b) Surcharge.
(c) Average Rate of tax. (d) None of these.
3. A company formed and registered under the Companies Act :
(a) 1946. (b) 1958.
(c) 1956. (d) 1947.
4. Employer's contribution to a RPF over _____ of the salary of the assessee :
(a) 10%. (b) 20%.
(c) 12%. (d) 15%.
- II. 5. If a receipt is related to a current asset or circulating asset, it is :
(a) Capital receipt. (b) Revenue payment.
(c) Revenue receipt. (d) Capital payment.
6. _____ is paid at the time of retirement of an employee in consideration of the past services.
(a) Pension. (b) Provident Fund.
(c) Gratuity. (d) None of these.
7. Income received in India in previous year is taxable in the hand of :
(a) Resident. (b) Non-resident.
(c) Non-ordinarily resident. (d) All above.

Turn over

8. Expenditure on free meals to employee in excess of _____ per meal will be treated at perquisite of employee.

- (a) Rs. 100.
- (b) Rs. 50.
- (c) Rs. 150.
- (d) Rs. 75.

III. 9. The following is not 'plant' u/s 43 (3) of the Income Tax Act 1961 :

- (a) Books.
- (b) Know-how.
- (c) Electrical fittings.
- (d) Road in the factory building.

10. In respect of listed shares held for 10 months sold on 12.8.2010, the rate of tax in respect of capital gains is :

- (a) 10%.
- (b) 20%.
- (c) 15%.
- (d) 25%.

11. Mr. X gifts Rs. 60,000 to the HUF of which he is member, said amount will be treated as income of :

- (a) Mr. X.
- (b) The HUF.
- (c) None, as it is exempt.
- (d) None of the above.

12. The following is a exempt income :

- (a) Travel concession to employee.
- (b) Encashment of leave salary whilst in service.
- (c) Perquisites in India.
- (d) None of the above.

IV. 13. Mr. L singh used it in his business. This is the only asset in the block. 20% of the usage is for personal purposes. The WDV of the block as on 31.3.2011 is :

- (a) Rs. 2,70,000.
- (b) Rs. 2,55,000.
- (c) Rs. 2,10,000
- (d) None of these.

14. The following is a capital receipt :

- (a) Divident from investment.
- (b) Bonus shares.
- (c) Sale of technology know-how.
- (d) Compensation received for compulsory evacuation of place of business.

15. In an assessee earns rent from a subtenant in respect to tenanted property let out as a residence, the said rent is :

- (a) Exempt under Sec 10.
- (b) Taxable under the head income from house property.
- (c) Taxable as business income, as the letting out is commercial activity.
- (d) None of these.

16. Long term capital gains arising on compulsory acquisition of agricultural land held by a domestic company within specified Urban limit is :
- (a) Not exempt under Sec. 10 (37).
 - (b) Exempt under Sec 10 (37) in full.
 - (c) 50% of receipt is exempt under Sec 10 (37).
 - (d) None of these.

(4 × 1 = 4)

Part B (Short Answer Type)

*Answer any five questions from this part.
Each question carries a weight of 1.*

- 17. Who is an Assessee in Default ?
- 18. How is arrears of rent received treated for tax purposes ?
- 19. What is Block of assets ?
- 20. What is a converted property ?
- 21. What is income deemed to be received ?
- 22. Distinguish between capital and revenue expenditure.
- 23. What is Tea Development Account ?
- 24. What do you mean by full value of consideration ?

(5 × 1 = 5)

Part C (Short Essay/Problem Solving Type)

*Answer any four questions from this part.
Each question carries a weight of 2.*

- 25. Mr. Sandeep purchased a house property in 1978 for Rs. 2,00,000 paying 2% commission. He sold the house during December 2007 for Rs. 30,00,000 expenses being Rs. 10,000. The fair market value of the house property on 1-4-1981 was Rs. 5,00,000. Compute the capital gains.
- 26. Which are the interest income exempt U/S 10 (15) ?
- 27. Explain the tax implications of dividends.
- 28. Discuss the conditions laid down for the allowances of bad debts.
- 29. Explain the term income as per Sec. 2 (24) of the Income Tax Act.

Turn over

30. From the following information compute depreciation allowance for the P.Y. 2007-08 to m/s Latha associate a firm of chartered accountants in Jaipur.

Assets as on 31-03-2007

	Rs.
(a) Cars for professional requirements ...	8,00,000
(b) Computers ...	1,40,000
(c) Furniture and Fittings ...	30,000
(d) Office building ...	1,00,000
(e) Staff quarters ...	1,00,000
(f) Books purchased for professional requirements :	
(i) Annual Publication ...	50,000
(ii) Others ...	80,000

A new computer was purchased on 10 May 2007 at a cost of Rs. 40,000 and another one on 2 October 2007, for Rs. 30,000. Office building was sold for Rs. 5,00,000 and a new office building was constructed in February 2008 at a cost of Rs. 10,00,000.

(4 × 2 = 8)

Part D (Essay Type)

Answer any two questions from this part.

Each question carries a weight of 4.

31. How is the cost of acquisition of an asset acquired on distribution of capital assets of a company on its liquidation is computed ?
32. What is grossing up of interest of securities ? Explain how and why incomes are grossed up ?
33. Explain how is Residential status determined ?

(2 × 4 = 8)