

**E 1823**

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Reg. No.....

Name.....

**B.B.M. AND B.B.A. DEGREE (C.B.C.S.S.) EXAMINATION, MARCH 2015**

**Sixth Semester**

**Choice Based Core Course—INCOME TAX—THEORY, LAW AND PRACTICE**

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

Time : Three Hours

Maximum Weight : 25

**Part A (Objective Type)**

*Answer all questions from this part.*

*Each bunch of four questions carries a weight of 1.*

- I. 1 The rate of tax that is leviable on Short Term Capital Gain arising from transfer of equity shares of a Company is :
- (a) 10 %. (b) 15 %.
- (c) 20 %. (d) 30 %.
- 2 Income tax payable is rounded off to :
- (a) Nearest ten rupees. (b) Nearest one rupee.
- (c) No rounding off of tax is done. (d) Nearest hundred rupees.
- 3 Dividend paid by an Indian company is :
- (a) Taxable in India in the hands of the recipient.
- (b) Exempt in the hands of recipient.
- (c) Taxable in the hands of the company and exempt in the hands of the recipient.
- (d) Taxable but at a lesser rate of 10 % in the case of all assesses.
- 4 Under the head business or profession, the method of accounting which an assessee can follow shall be :
- (a) Mercantile system only.
- (b) Cash system only.
- (c) Mercantile or cash system.
- (d) Hybrid system.
- II. 5 Unabsorbed business loss which could not be set off in the same assessment year, can be carried forward for :
- (a) 8 Years. (b) Indefinitely.
- (c) 4 Years. (d) 10 Years.

**Turn over**

- 6 Maximum deduction under section 80 CCC permissible is :  
(a) Rs. 2,00,000. (B) Rs. 1,00,000.  
(C) Rs. 1,20,000. (D) Rs. 1,80,000.
- 7 An employee is covered under Payment of Gratuity Act, 1972. For the purpose of computing 15 day's salary, the number of days in a month shall be taken as :  
(a) 30 days. (b) 26 days.  
(c) 31 days. (d) 25 days.
- 8 Commuted pension received shall be fully exempt in case of :  
(a) Government employee.  
(b) Government employee or an employee of local authority.  
(c) Government employee or an employee of local authority or an employee of statutory corporation.  
(d) None of these.
- III. 9 Compensation received on voluntary retirement is exempt under section 10 (10C) to the maximum extent of :  
(a) Rs. 2,40,000. (B) Rs. 3,50,000.  
(c) Rs. 5,00,000. (d) Rs. 10,00,000.
- 10 An employer has provided a motor car of 1.5 litre capacity to his employee which the employee is allowed to use for official purpose and for travelling from office to residence and back. The expenses of running and maintenance of Motor Car are met by the employer. The value of this perquisite shall be :  
(a) Rs. 1,200 p.m. (b) Rs. 400 p.m.  
(c) NIL. (d) Rs. 1,600 p.m.
- 11 Interest credited to recognized provident fund shall be :  
(a) Fully exempt. (b) Fully taxable.  
(c) Exempt up to 9.5 %. (d) Exempt up to 12 %.
- 12 Municipal valuation of the house is Rs. 1,20,000, fair rent is Rs. 1,40,000 ; standard rent is Rs. 1,30,000 ; whereas actual rent received or receivable is Rs. 1,25,000 ; municipal taxes paid are Rs. 40,000. The annual value in this case shall be:  
(a) Rs. 1,00,000. (b) Rs. 85,000.  
(c) Rs. 90,000. (d) Rs. 1,25,000.

- IV. 13 Any sum received by an employer from Keyman insurance policy taken on the life of the employee shall be :
- (a) Exempt.
  - (b) Taxable under the head business and profession.
  - (c) Taxable under the head other sources.
  - (d) Taxable in the hands of employee.
- 14 Donation for scientific or statistical research shall be allowed as deduction to the extent of :
- (a) 50 % of the donation so made. (b) 100 % of the donation so made.
  - (c) 125 % of the donation so made. (d) 150 % of the donation so made.
- 15 In case of company assessee, the total preliminary expenses incurred are allowed as deduction to extent of 5 % of :
- (a) The cost of the project.
  - (b) The aggregate capital employed.
  - (c) The cost of project or the capital employed.
  - (d) Borrowings.
16. Where capital asset is converted into stock-in-trade then for the purpose of computation of capital gain, the full value of consideration shall be :
- (a) The market value of the asset on the date of sale of such asset.
  - (b) The market value of the asset on the date of conversion of such asset.
  - (c) The cost at which the capital asset is acquired.
  - (d) The price for which it is sold.

(4 × 1 = 4)

### Part B

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

Write notes on :

- 17 Perquisite.
- 18 Recognized Provident Fund.
- 19 Annual value.
- 20 Unabsorbed business loss.
- 21 Speculative business income.
- 22 Short term capital asset.
- 23 Grossing up of interest/dividend.
- 24 Tax Deducted at Source.

(5 × 1 = 5)

**Turn over**

**Part C**

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

- 25 Write short notes on : (a) tax free commercial securities ; and (b) less tax securities.
- 26 In what circumstances is the income of one person treated as the income of another.
- 27 State the provisions regarding set of capital losses.
- 28 List out the provisions relating to expenses on scientific research while computing profits and gains of business or profession.
- 29 Mr. Anoop purchases 500 equity shares of Rs. 10 each for Rs. 40 / share in 2008 and incurs an expense of Rs. 400 as brokerage. In May 2010 he receives 100 bonus shares and in September 2011 he gets 100 right shares at Rs. 20 each. He sold 100 bonus shares cost Rs. 90 per share in November 2012 and 100 right shares at Rs. 30 per share in December 2012. Compute the capital gains of Mr. Anoop.
- 30 For the assessment year 2012-13, compute the income from home property on the basis of the following information :

	Rs.
Municipal Value of the home	... 40,000
Municipal taxes paid	... 8,000
Fine insurance premium paid	... 800
Grant rent paid	... 1,000
Land revenue	... 1,200
Interest on loan taken to construct the home	... 2000

(4 × 2 = 8)

**Part D**

*Answer any two questions.  
Each question carries a weight of 4.*

- 31 Enumerate expenses which are allowed in computing taxable profits of a business and also state expenses or losses which are not admissible.
- 32 Explain the concept of capital asset, different kinds of capital asset and transfer of capital asset for the purpose of computation of capital gains.
- 33 Describe the method of computing income under the head income from other sources. List out the major items included under this head.

(2 × 4 = 8)