

M.Com. DEGREE (C.S.S.) EXAMINATION, JULY 2014**Fourth Semester**

Faculty of Commerce

Elective—Finance

DT 04 C17—DIRECT TAXES—ASSESSMENT AND PROCEDURES

(2012 Admissions—Regular)

[Common for all Electives]

Time : Three Hours

Maximum Weight : 30

Section A

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

1. Distinguish between tax planning and tax management.
2. Explain the following terms for the purpose of wealth tax
 - (a) Valuation date.
 - (b) Net wealth.
 - (c) Residence and citizenship.
3. Describe the organisation of the Income Tax Department.
4. What are the payments of which tax is deducted at source ?
5. Describe the procedure for obtaining refund of tax already paid.
6. Describe the set-off and carry forward of losses of companies.
7. Define an AOP. What are the steps regarding computation of total income of AOP ?
8. The book profits of a company in the previous year 2012-13 computed in accordance with Sec. 115 JB of the Income Tax Act is Rs. 12,00,000. Its Total Income under the Income Tax Act for the same period is computed at Rs. 3,50,000. Is the Company liable to pay "Minimum Alternative Tax" ? If yes, how much has to be paid ?

(5 × 1 = 5)

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Section B

Answer any five questions.
Each question carries 2 weight.

9. What are the provisions of the Income Tax in respect income escaping assessment ?
10. A, B and C are equal partners in a firm. For the previous year the particulars of income of the firm are given below :

	Rs.
1 Profit from business	2,00,000
2 Long term capital gain	1,00,000
3 Interest on bank deposit	50,000
4 Remuneration to partners	1,80,000
5 Unabsorbed depreciation	30,000
6 Brought forward business loss	2,00,000
7 Capital gain invested in specified assets	30,000
8 Amount deposited in Capital gain	
Account scheme 1988	30,000

Compute total income and tax liability of the firm.

11. Roy Traders Limited closes its accounts on 31st March every year. During 2012-13 it had the following incomes and expenses :
- Profit from business Rs. 2,00,000.
 - LTCG on transfer of land Rs. 1,00,000.
 - LTCG on transfer of building 1,50,000.
 - STCL Rs. 60,000.
 - Rent from house property Rs. 36,000.
 - Municipal tax paid relating to house property Rs. 4,000.
 - Dividend from an Indian Company Rs. 10,000.
 - Income from units of UTI Rs. 5,000.
 - Dividend from a co-operative society Rs. 10,000.
 - Income from royalty from a Foreign Company Rs. 1,00,000.

Calculate Total Income of the company for the A.Y. 2013-14.

12. Write notes on :

- 1 Voluntary return of income.
- 2 Belated return of income.
- 3 Revised return of income.
- 4 Defective return of income.

13. Explain the general powers of Income Tax authorities.

14. How the total income of a firm is computed ? Give a proforma of such computation.

15. Y Ltd. is engaged in the construction of residential flats. For the valuation date 31-3-2013, furnishes the following data and requests you to compute the taxable wealth and wealth tax.

Rs. (in lakh)

(a) Land in urban area (construction is not permitted as per municipal law in force)	...	20
(b) Motor cars (in the use of Company)	...	10
(c) Jewellery (investment)	...	20
(d) Cash balance (as per books)	...	2
(e) Bank balance (as per books)	...	3
(f) Guest house (situated in rural areas)	...	4
(g) Residential flat occupied by MD (annual remuneration of whom is Rs. 10 lakh excluding perquisites)	...	8
(h) Residential house let out for 100 days in the financial year	...	7
(i) Loans obtained :		
For purchase of motor car	...	2
For purchase of Jewellery	...	2

The reason for inclusion or exclusion should be stated in the computation.

16. The total income of an association of persons in which A, B and C are members, sharing profits and losses in the ratio of 1 : 2 : 2 was assessed at Rs. 16,000. In computing the total income of Rs. 16,000 the Assessing Officer has made the necessary adjustments in respect of the following sums :

- (a) Salaries of Rs. 6,000 and Rs. 4,000 to A and B respectively.

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- (b) Interest on capital Rs. 7,000, Rs. 10,000, Rs. 25,000 to A, B and C respectively.
 (c) Commission of Rs.1,000, Rs. 3,500 and Rs. 4,500 to A, B and C respectively.
 (d) Bonus of Rs. 1,000, Rs. 1,500 and Rs. 2,500 to A, B and C respectively.

C has borrowed capital for investment in the AOP and had paid interest of Rs.15,000 separately to the lender. Members do not have any other income.

Allocate the income amongst the members.

(5 × 2 = 10)

Section C

Answer any **three** questions.
 Each question carries 5 weight.

17. For what offences a person can be prosecuted under the I.T. Act and what are the punishments provided for such offences ?
 18. From the particulars submitted below, find out the total income of PQR Co. Ltd.

	Rs.		Rs.
To Opening stock	52,400	By Sales of sugar	11,52,500
" Cane purchased	4,75,200	" Transfer fees	300
Manufacturing expenses	2,59,000	" Rent of agricultural	
" Salaries and wages	45,500	lands	1,000
" General expenses	8,500		
" Commission and brokerage	36,400		
" Interest on loan	8,500		
" Director's fees	1,200		
" Income Tax	35,800		
" Reserve for bad debts	19,500		
" Depreciation	69,000		
" Provision for dividends	30,000		
" Net profit	1,12,800		
	<u>11, 53, 800</u>		<u>11,53,800</u>

Other information :

(i) General charges include :

- 1 Rs. 1,000 as donation to a hospital.
- 2 Rs. 1,000 subscription to sugar syndicate.
- 3 Rs. 2,600 commission to broker for arranging a loan for the company and
- 4 Rs. 2,000 paid to a director for a trip to Hyderabad to study modern methods in chocolates manufacture.

(ii) The actual bad debts amounted to Rs. 6,000.

(iii) Depreciation is Rs. 72,000.

19. What is meant by tax planning ? Explain the main points of tax planning in respect of employee's remuneration from employee's point of view.

20. A, B and C are partners in a firm sharing profits in the ratio of 3 : 2 : 1. Firm's P and L account of the year ending 31st March 2013 revealed a net profit of Rs. 1,50,00,000 after deduction of the following :

- (a) Salary to A Rs. 8,00,000.
- (b) Rent of building owned by A Rs. 60,000. Firm's office is situated in this building.
- (c) Commission paid to A, B and C Rs. 2,00,000 Rs. 3,50,000 and Rs. 7,00,000 respectively.
- (d) Interest on capital at 20% p.a. to A, B and C Rs. 1,50,000, Rs. 2,50,000 and Rs. 3,50,000 respectively.
- (e) Bonus paid to C Rs. 5,00,000.
- (f) Repairs and renewals of building of A Rs. 2,00,000 firm is not responsible to repair the building.
- (g) Interest on loan given by C's wife out of her Stridhan Rs. 3,00,000.
- (h) Audit fees paid to A's son who is Chartered Accountant Rs. 20,000.
- (i) Taxi hire paid to B Rs. 25,000. B runs taxi business independently. Firm took his taxi on hire for firm's business.
- (j) Firm donated Rs. 80,000 to approved institutions by cheques.

Firm's income of Rs. 1,50,00,000 includes, Rs. 4,50,000 (net) interest received on government securities.

Compute firm's total income for the Assessment Year 2013-14.

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21. What do you understand by Advance Payment of Tax ? Explain clearly the provisions of the Income Tax Act in this respect.
22. A, B and C are partners in a firm sharing profits and losses in the ratio of $\frac{1}{2}$, $\frac{1}{4}$ and $\frac{1}{4}$ respectively. After 8 months B left and D was taken in his place and the profit and loss sharing ratio was adjusted as follows :

A $\frac{6}{16}$, C $\frac{5}{16}$ and D $\frac{5}{16}$. For the previous year 2012-13 the account of the firm disclosed a profit of Rs. 88,000.

The above book profit had been worked out after debiting the following items under the terms of partnership deed :

- (a) Rs. 8,000 interest paid to A.
- (b) Rs. 12,000 paid to C for salary.
- (c) Rs. 6,000 shop rent to B.
- (d) Rs. 3,000 commission paid to D.

The firm has to be allowed depreciation Rs. 22,000. The depreciation has not been taken into account while calculating the above net profit. Compute the total income of the firm and allocate it among the partners assuming that the firm fulfils the conditions of Sec. 184.

B/F business loss of the A.Y. 2011-12 Rs. 60,000.

(3 × 5 = 15)