

**F 7026**



00007026



**Reg. No.**.....

**Name**.....

**M.Com. DEGREE (C.S.S.) EXAMINATION, JANUARY 2022**

**Third Semester**

Faculty of Commerce

CM 010 302—INCOME TAX—LAW AND PRACTICE

(2019 Admissions)

[Private—Regular]

Time : Three Hours

Maximum Weight : 30

**Section A**

*Answer any **eight** questions.  
Answers shall not exceed **one page**.  
Weight 1 for each question.*

1. What is block of assets ?
2. What is gratuity ?
3. What is a domestic company ?
4. How to check company's residential status ?
5. What are tax free government securities ?
6. An employer has taken a house for rent for Rs. 15,000 per month. He allotted half for Mr. A and half for Mrs. B for residential purpose. The annual salary for A is Rs. 3,00,000 and that of B is Rs. 7,00,000. Find out the value of rent free house for Mr. A and Mrs. B.
7. Calculate the interest deduction for house property if the date of borrowing is on 1.04.2014 and date of completion of construction is on 31.12.2016. Loan is repaid as on 31.03.2021.
8. State with reasons specify whether following is agriculture income or not :
  - (a) Income from sale of trees of forest which are of spontaneous growth and in relation to which forestry operations alone are performed.
  - (b) Remuneration received as manager of agriculture land.
9. Out of Rs. 30,00,000 share capital of Rs. 100 per share, the company reduces Rs. 3,00,000 share capital Rs. 10 per share. The accumulated profits of the company were Rs. 1,50,000. Mr. ACC holds 600 shares of company. Calculate deemed dividend u/s 2(22)(d).





F 7026

10. State with reasons whether the following expenses are admissible under Income Tax Act :

- (a) Loss due to embezzlement by an employee.
- (b) Lump sum consideration paid on 1.07.2021 for acquiring technical know how Rs. 6,00,000.
- (c) Stock in trade loss due to fire amounting to Rs. 10,000 debited to profit and loss account.
- (d) Donation paid to a political party.

(8 × 1 = 8)

### Section B

*Answer any **six** questions.*

*Answers shall not exceed **two** pages.*

*Weight 2 for each question.*

- 11. What is deemed income ? Narrate with examples.
- 12. Explain how the tax liability of an assessee is determined with reference to his residence.
- 13. Discuss different kinds of agricultural income.
- 14. Mr. OP is owner of a big house and employed in school at Gujarat on a monthly salary of Rs. 25,000 p.m. Municipal valuation of his house is Rs. 21,000. He has let out 1/3<sup>rd</sup> of portion of his house on a monthly rent of Rs. 1,400 and occupies remaining 2/3 for residential purpose. He paid Rs. 1,200 as municipal taxes in respect of whole house and Rs. 1,200 paid as insurance. The house is constructed on lease land for which Rs. 600 is rent. He constructed the house with borrowed money of Rs. 2,00,000 which was borrowed after 31<sup>st</sup> March, 1999 @ 8 % p.a interest. Compute income from house property.
- 15. Mr. BBC, Kerala furnishes you the following information for the previous year :
  - (i) Income from coffee grown and cured in Coorg, Karnataka 3,00,000.
  - (ii) Income from tea grown and manufactured in Jorhat, Assam 2,50,000.
  - (iii) Income from Rubber estates in Kerala by sale of field latex obtained from rubber plants grown there. 4,00,000.
  - (iv) Income from nursery by name 'Haritha nursery', Chennai 2,00,000.
  - (v) Rent from a dwelling house in agricultural land in Coorg, Karnataka (It is occupied by the coffee estate labourers). 90,000.

Compute the agricultural income of Mr. BBC.

2/6





F 7026

16. Miss Puspa has the following salary details :

- (i) Basic salary Rs. 6,000 p.m.
- (ii) D.A. Rs. 3,000 p.m.
- (iii) Academic development allowance Rs. 1,000 p.m., expenditure incurred Rs. 700 p.m.
- (iv) Entertainment allowance Rs. 500 p.m.

She has been provided with a rent-free accommodation in Tirunelveli. On 1/7/2020, she was posted to Kolkata. A new house further allotted to her on same date. But she surrendered her Tirunelveli house only on 31/12/2020. Rent paid by employer for Tirunelveli House Rs. 500 p.m. while Kolkata house is owned by the employer. Find her gross taxable salary.

17. Mr. and Mrs. Bab both are working in Az Ltd. without possessing any technical or professional qualification. From the following details compute their income for the A.Y. 2021-22

<i>Particulars</i>		<i>Mr. Bab</i>	<i>Mrs. Bab</i>
Taxable Salary from Az Ltd.	...	3,50,000	1,00,000
Other Income	...	80,000	75,000
Share of holding : Case 1	...	15 %	6 %
Case 2	...	3 %	18 %
Case 3	...	18 %	2 %

18. Mr. PQR receives the gift from previous year 2020-21. Calculate his taxable income from other sources.

- (a) He gets Rs. 75,000 from a notified public charitable institution.
- (b) He gets a gift of Rs. 50,000 from C, who is cousin of his father.
- (c) He gets a gift of Rs. 5,000 from D, who is elder brother of his grandfather.
- (d) He gets gift of Rs. 41,000 from his grandmother.

On the occasion of Marriage of X, he gets Rs. 1,90,000 as gift (out of which Rs. 1,50,000 is received from relatives and remaining amount is received from friends of Mr. PQR and Mrs. PQR).

(6 × 2 = 12)





F 7026

**Section C**

*Answer any **two** questions.  
Answers shall not exceed **five** pages.  
Weight 5 for each question.*

19. From the Profit and Loss account for the relevant Assessment Year 2021-22, Compute income from business of Shri Tom :

<i>Particulars</i>	<i>Amount Rs.</i>	<i>Particulars</i>	<i>Amount Rs.</i>
To office expenses	.. 45,000	By Gross profit	.. 3,43,000
" Sundry expenses	.. 39,000	" Sundry receipts	.. 11,000
" Entertainment expenses	.. 15,000	" Bad debts recovered	
" Audit fee	.. 12,000	(not allowed earlier)	.. 7,100
" Legal charges	.. 4,000	" Customs duties recovered	
" Extension of building	.. 6,000	(Allowed earlier)	.. 32,500
" Depreciation on plant		" Gifts received from father	.. 1,43,000
and machinery	.. 23,000		
" Salary to staff	.. 43,000		
" Bonus to staff	.. 36,000		
" Contribution towards			
Recognized Provident			
Fund	.. 15,000		
" Contribution towards Un-			
approved Gratuity Fund	.. 4,000		
" Provision for GST	.. 25,000		
" GST paid	.. 38,000		
" Payment to approved			
research association for			
scientific research	.. 49,600		
" Net profit	.. 1,82,000		
Total	5,36,600	Total	5,36,600





F 7026

- (a) Salary to staff include payment of pension Rs. 8,000 to the widow of former employee.
- (b) GST paid of Rs. 38,000 includes interest for late payment of GST Rs. 1,200 and penalty for evading GST Rs. 10,000. Provisions for GST is however paid on July 10, 2021. Evidence for payment is submitted along with the return of income.
- (c) Depreciation allowed as per Income Tax Act is Rs. 19,000.
- (d) Plant costing Rs. 30,000 was purchased for scientific research. Neither cost of plant nor depreciation is debited to Profit and Loss Account.

Compute Business Income.

20. Miss Sis, being a citizen of India and Government employee has following salary details :

Basic Salary 2,500 p.m.

Dearness Allowance 3,500 p.m.

Dearness Pay 1,250 p.m.

Fees 55,000 p.a.

House Rent Allowance 5,000 p.m. (Rent paid for Kolkata house Rs 4,500 p.m.)

Children Education allowance 3,500 p.m. (She is having one adopted child)

Children allowance 1,500 p.m.

Hostel allowance 2,000 p.m.

Dress Allowance 5,000 p.m. (Actual expenditure Rs. 10,000 p.m.)

Uniform Allowance 2,000 p.m. (Actual expenditure Rs. 1,000 p.m.)

Tiffin Allowance 1,000 p.m.

Education Allowance for her own education 2,000 p.m. (Actual expenditure Rs. 1,500 p.m.).

Compute salary income for Assessment Year 2021-22.

21. Mr. ACB purchased 5,000 units of a mutual fund as on 10/10/2020 @ Rs 80. On 1/11/2020, the fund declares 4 bonus units for every 5 units held. The record date for declaring bonus is 01/11/2020. On 01/12/2020, Mr. ACB sold 2,500 original units @ Rs 25. On 10/01/2021, Mr. ACB sold 1,000 bonus units @ Rs 30. On 12/02/2021, Mr. ACB sold remaining 2,500 original units @ Rs. 25. On 14/03/2021, Mr. A sold remaining 3,000 bonus units @ Rs 45. All units sold to his friend. Compute Capital gain.





F 7026

22. You are provided with income of Mr. Bam for the Assessment Year 2021-22 :

	Rs.
(A) Salary for 12 months	... 6,00,000
(B) Interest on list securities (gross)	... 3,000
(C) Interest on Government securities	... 5,000
(D) Interest paid on loan taken to purchase Govt. Securities	... 1,000
(E) Income from house property (computed)	... 19,000
(F) Long term capital gain	... 70,000
(G) Short term capital loss	... 10,000
(H) Dividends received from Indian company (Gross)	... 4,000
(I) Income from mutual funds (Gross)	... 7,000
(J) Personal agricultural income	... 20,000
(K) Brought forward agricultural loss	... 25,000
(L) Paid insurance premium Rs. 13,000 on a policy taken after 01.04.14 of Rs. 1,20,000	
(M) Paid donations to National Childrens fund by cheque	... 5,000
(N) Contribution to unrecognised Provident Fund	... 3,000
(O) Deposited in PPF	... 30,000

Compute his tax liability and advise assessee any *two* tax saving options.

(2 × 5 = 10)

