

TB155180A

Reg. No.....

Name.....

**B. COM. DEGREE (C. B. C. S. S.) EXAMINATION, OCTOBER 2017  
SEMESTER V- CORE COURSE (COMMERCE)  
CO5B21B - INCOME TAX LAW AND PRACTICE**

**Time: Three Hours**

**Maximum Marks: 80**

**PART A**

**I. Answer all questions. Each question carries 1 mark.**

1. Define the term Total Income?
2. What is transferred balance?
3. Who are eligible to deduct Entertainment allowance u/s 16(2)?
4. What is Municipal Rental Value?
5. What is SPF?
6. How is income earned by a news agency treated for tax purposes?

**(6x1=6)**

**PART B**

**II. Answer any seven questions. Each question carries 2 marks.**

7. What are the exceptions to the rule that income of the year is taxed in the same year itself?
8. List out any four fully exempted perquisites?
9. What you mean by leave encashment?
10. Discuss the tax treatment metered out for the gratuity received by employees covered by Payment of Gratuity Act 1972 ?
11. Define the term Assessment Year?
12. Differentiate between capital and revenue expenditure?
13. Explain the term deemed owner?
14. How are arrears of rent received treated for tax purposes?
15. Explain the provisions relating to depreciation allowable while computing business income?
16. Write a note on amortization of preliminary expenses?

**(7x2=14)**

**PART C**

**III. Answer any five questions. Each question carries 6 marks.**

17. How will you determine the residential status of an individual?
18. What are the deductions allowed while computing Income from house property?
19. List out the expenses expressly disallowed while computing business income?
20. What are the rules followed in computing Income from house property?
21. Mr. X left for Japan on 15 March, 2012, after staying in India for 15 years. He came back on 31 August, 2016. Determine his residential status for the AY 2017-18.
22. Mr. B is employed in Mumbai. His particulars of income for the year 2017-18 is as follows:

Basic salary Rs 17,000 per month, Dearness Allowance Rs 4,000 per month (40% is computed for retirement benefits). Bonus Rs 20,000 per year. Commission for the year Rs.15,000 per year. Entertainment allowance Rs 3,000 per month.  
Calculate Mr.B's salary income for the AY 2017-18.

23. From the following information, compute the depreciation allowable for the AY 2017-18:

WDV of furniture on 1-4-2016 - 110,000

Furniture purchased in June 2016 – 15,000

Furniture purchased in January 2017 – 20,000

Part of furniture sold in February 2017 – 3,000

Rate of depreciation – 10%

24. Mr.Ram owns a house property. Its annual letting value is Rs 80,000. During the PY, it was let out to a tenant on a monthly rent of Rs 7,000. He claimed the following expenses:

(1) Municipal taxes paid – Rs 8,000

(2) Expenses for the recovery of rent – Rs 600

(3) Maintenance allowance paid to step mother Rs 12,000 by creating a charge against the property in the will.

The house remained vacant for one month during the PY. Find out the income from house property for the AY 2017-18.

#### PART D

(5x6=30)

#### IV. Answer any two questions. Each question carries 15 marks

25. Illustrate exempted incomes u/s 10 of The Income Tax Act?

26. From the following particulars of Sri. Balakrishnan, working in a firm at Jaipur, compute the taxable income for salary for the PY 2016-17.

(1) Basic salary – Rs 1,800 pm

(2) Contribution to RPF – Rs 2,632

(3) Employer's Contribution – Rs 2,632

(4) Interest on PF @ 9.5% - Rs 9,000

(5) House Rent Allowance – Rs 2,400

Rent paid for the house – Rs 4,800

(6) Medical Allowance – Rs 1,000

Medical expenses – Rs 1,200

(7) Free service of water and gas for which the payment was done by the employer – Rs 1,200

(8) He was provided with a cook whose salary was borne by the employer - Rs 7,200

(9) He claims the following deductions:

(a) Rs 700 in connection with purchase of books

(b) He paid Rs 60 as tax on employment.

27. Mr. Harish owns two houses. The particulars of the two houses for the PY 2016-17 are

given below:

Particulars	House I	House II
Date of completion of the house	31 March , 2010	31 December , 2011
Use of house	Self occupied	Let out
Municipal Value	30,000	60,000
Fair rent	35,000	90,000
Rent received	Nil	1,20,000
Standard rent	25,000	65,000
Municipal taxes paid	4,000	8,000
Interest on loan for construction of the house	30,000	40,000

Compute income from house property for AY 2017-18.

28. Smt Jyothi is a registered medical practitioner. She keeps her books on cash basis and for the year ended 31 March, 2017 her summarised cash account is as follows:

	Rs		Rs
Opening balance	2,700	Cost of medicines	20,000
Bank loan	6,000	Surgical equipment	6,000
Sale of medicines	30,500	Motor car	12,000
Consultation fees	10,000	Car Expenses	1,800
Visiting fees	8,000	Salary	1,200
Interest on investments	9,000	Rent of Dispensary	1,200
Rent from house	7,200	General Expenses	600
property	15,000	Personal expenses	3,600
Sale of building	5,000	Life Insurance Premium	2,000
Sale of furniture		Interest on bank loan	360
		Property insurance	400
		Fixed deposit in bank	30,000
		Closing balance	14,240
	<b>93,400</b>		<b>93,400</b>

Additional Information:

- (1) 1/3 rd car expenses are for personal use.
- (2) Rate of depreciation on car and surgical equipments is 15%.

(2x15= 30)