

V Semester B.B.M. Examination, October/November 2012
 (Semester Scheme)
 Business Management
 5.1 : INCOME TAX

Time : 3 Hours

Max. Marks : 90

Instruction : Answer only in English.

SECTION – A

(Answer any 10 sub-questions. Each sub-question carries 2 marks.)

(10×2=20)

1. a) Define the term assessee.
- b) What is meant by perquisite ?
- c) Give the meaning of total income.
- d) What is transferred balance ?
- e) What is agricultural income ?
- f) How do you calculate pre-construction period ?
- g) What do you mean by defacto rent ?
- h) Explain the term block of assets.
- i) Define capital asset.
- j) What is casual income ?
- k) Give the meaning of less-tax securities.
- l) Write the provisions of Section 80 D of the Income Tax Act.

SECTION – B

Answer any five questions. Each question carries five marks. (5×5=25)

2. Mr. Kumar retired on 10th April 2011 after serving for 30 years and 7 months. He was getting salary of ₹ 15,000 p.m. from 1-1-2010 to 31-12-10 and thereafter Rs. 15,600 p.m. He received D.A. @ Rs. 3,000 p.m. (forming part of salary for

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retirement benefits) and 2% commission on sales achieved by him. Turnover achieved by him during 10 months (preceding the month in which he retired) is Rs. 24,00,000. He received gratuity of Rs. 4,68,000. Compute the exempted amount of gratuity. (He is not covered under the Gratuity Act).

3. Following are the particulars of Incomes received by Mr. Kiran in the previous year 2011-12. Compute his taxable Income if he is :
- Resident
 - Not-ordinarily Resident
 - Non-Resident.
 - Income from agriculture in Bangladesh received and spent there Rs. 8,000.
 - Dividend paid by an Indian company received in Canada Rs. 10,000.
 - Income from business in India but received in America Rs. 5,000.
 - Interest on Post Office Savings Bank A/c Rs. 1,000.
 - Profit on sale of property at Bangalore (one-half received in Pakistan) Rs. 50,000.
4. Mr. Mohan, a resident of Delhi is working in a private company. His salary particulars are :
- Basic salary-Rs. 10,000 p.m.
- D.A.-20% of basic salary (enters for service benefits)
- H.R.A. received Rs. 20,000 p.a.
- Rent paid-Rs. 12,000 p.a.
- Compute taxable H.R.A. for the Assessment Year 2012-13.
5. Mr. Vinod purchased a residential house in Mysore on 1-4-79 for Rs. 25,000 and added first floor in 1980 at a cost of Rs. 7,000. On 1st November 1990 he gifted the house to his son Mr. Anand who added two rooms in June 1994 at a cost of Rs. 20,000.



On 1st January 2012 Mr. Anand sold the property for Rs. 10,00,000.

Find out the taxable capital gain if the fair market value of the property as on 1-4-1981 is Rs. 75,000 (CII 2011-12=785, 94 – 95 = 259, 1981– 82 = 100, 1990 – 91 = 182).

6. Calculate gross annual value of residential property of Mr. Ajay from the following particulars.

Actual rent – Rs. 8,500 p.m.

Municipal value – Rs. 65,000 p.a..

Fair rental value – Rs. 69,000 p.a.

Standard rent – Rs. 55,000 p.a.

During the previous year, the assessee could not realise rent for 1 month and the house also remained vacant for 3 months during the previous year 2011-12.

7. From the following incomes of Mr. Amar (resident) for the previous year ended 31-3-12, compute his taxable income from other sources.

1) Director's fees	Rs. 10,000
2) Devidend from Co-operative society	Rs. 5,000
3) Devidend from ABC Ltd.	Rs. 5,500
4) Interest on bank deposits	Rs. 7,000
5) Winning from lottery (net)	Rs. 30,000
6) Interest on Central Government Securities	Rs. 2,000
7) Interim devidend received on 1-5-11	Rs. 3,000

8. Mr. Syed, an employee of PQR Limited in Chennai draws Rs. 2,00,000 p.a. as salary (basic) and Rs. 10,000 as D.A. He has been provided with a accommodation for which employer pays an annual rent of Rs. 60,000 and Rs. 3,000 towards hire charges for furniture provided.

Mr. Syed pays Rs. 4,000 p.a. as rent for the accommodation.

Compute taxable value of the accommodation.

9. Mr. Ajay, an Indian citizen left India for the first time on 1st April 2005 and came back to India in September 2008. Again he left India on 1st May 2011.

Determine the residential status of Mr. Ajay with reason for the previous year 2011-12.



SECTION – C

Answer any three of the following questions. Each question carries 15 marks.

(3×15=45)

10. Mr. Pradeep is an employee of Hindustan Uniliver Ltd. at Bangalore. He gives the following information about his salary Income for the previous year 2011-12.
- 1) Basic salary Rs. 18,000 p.m.
 - 2) D.A. Rs. 6,000 p.m. (Rs. 1,000 p.m. enters into retirement benefits).
 - 3) City compensatory allowance Rs. 600 p.m.
 - 4) Entertainment allowance Rs. 750 p.m.
 - 5) Company paid his income tax of Rs. 6,420 and Rs. 6,000 life insurance premium.
 - 6) He and company contributed 14% of salary towards R.P.F.
 - 7) Interest on R.P.F. was Rs. 15,000 at 15% p.a.
 - 8) He has been provided with 1600 cc Motor car with driver for both official and personal use (the expenses of running and maintenance are met by employer).
 - 9) Conveyance allowance Rs. 800 pm (Rs. 600 pm used for official purpose).
 - 10) He has been provided a rent free accommodation for which company pays an annual rent of Rs. 20,000.

Compute total income from salary for the assessment year 2012-13.

11. Mr. Anand, an advocate residing in Delhi submits his receipts and payment account for the previous year 2011-12.

Receipts and Payment Account

Receipts	Rs.	Payments	Rs.
To balance b/d	5,000	By staff salary	28,000
To sitting fees	1,20,000	By professional books	9,000
To legal counselling fees	15,000	By subscription to journals	1,000
To loan from bank	12,500	By refreshment charges	2,000
To rent from property	22,500	By rent of office	7,500
To interest on bank F.D.	10,500	By telephone charges	9,000
To dividend from ABC Ltd.	4,000	By printing charges	1,500



To share of income from HUF 50,000	By electric charges	3,000
	By purchase of car	1,25,000
	By computer purchased	25,000
	By car expenses	3,500
	By contribution to PPF	5,000
	By NSC purchased	7,000
	By B.A.R. association fees	1,000
	By balance c/d	12,000
		2,39,500
		2,39,500

Additional information :

- 1) $\frac{1}{2}$ of the car expenses pertain to personal use.
- 2) Depreciation rates – car 15%, computer 60%, books 100%.
- 3) 25% of telephone expenses pertain to personal use.
- 4) Half of the electric charges are for house property.
- 5) Gifts from clients Rs. 5,000 not included in above account.
- 6) Loan from bank is for personal use.

Compute his total income from profession for the Assessment Year 2012-13.

12. Mr. Vinod submits the following particulars of income for the year ended 31-3-12.

- 1) Family pension received from the employer Rs. 15,000 p.a.
- 2) Winning from lottery Rs. 35,000 (Net)
(Purchase of lottery ticket Rs. 100).
- 3) Interest on fixed deposit in a bank Rs. 5,000.
- 4) Rent from sub-letting a house Rs. 3,000 p.m. (rent paid to the owner Rs. 1,000 p.m. and repair expenses Rs. 500).
- 5) Rent from house property Rs. 60,000 p.a.



- 6) Agricultural income Rs. 10,000 p.a.
- 7) Dividend received from Reliance Industries Limited Rs. 7,000.
- 8) Short term capital gain Rs. 12,000.
- 9) Interest on Kiran Vikas Patra Rs. 7,000.

Compute gross total income for the assessment year 2012-13.

13. Mr. Vinay Kumar is running cloth business. He has prepared the following profit and loss account for the year ended 31-3-12. You are required to compute his income from business and his gross total income for the assessment year 2012-13.

	Rs.		Rs.
Trade expenses	450	Gross profit	2,19,400
Establishment charges	2,200	Dividends (Net)	3,140
Rent, rates and taxes	1,400	Interest on Non-Govt.	
Household expenses	1,850	Securities (net)	
Discount allowed	200	non-listed	3,600
Income tax	700		
Advertisement	450		
Postage and telegram	100		
Gifts to relatives	125		
Fire insurance premium	250		
Donation, to Prime Minister's National Relief Fund	800		
Repairs	1,600		
Life insurance premium	850		
Wealth tax	600		
Interest on capital	400		
Audit fees	250		
Net profit	2,13,915		
	2,26,140		2,26,140



14. Mr. Amar is the owner of three houses. The particulars of the properties are

Particulars	House A	House B	House C
	Rs.	Rs.	Rs.
Fair rental value	18,000	15,000	12,000
Municipal value	15,000	20,000	10,000
Rent per month	2,000	1,500	1,250
Vacancy	–	–	4 months
Municipal tax-10%	Paid by owner	Out-standing	Paid by tenant
Interest on loan	Rs. 10,000 (for construction)	Rs. 6,000 (for marriage)	Rs. 1,000 (for repair)
Use by tenant	Residential	Office	Residential
Construction started	30-5-2006	1-1-2006	2-3-2003
Construction completed	1-4-2009	1-6-2009	31-3-2004

Compute income from house properties for the assessment year 2012-13.
