



SN – 392

- 45 -
V Semester B.B.M. Examination, November/December 2013
(2013-14 and Onwards)
Business Management
Paper – 5.1 : INCOME TAX

Time : 3 Hours

Max. Marks : 100

Instruction : Answers should be written only in **English**.

SECTION – A

Answer **any eight** sub-questions. **Each** sub-question carries **two** marks : (8x2=16)

1. a) Who is an assessee-in-default ?
- b) Give two examples of exempted incomes.
- c) Name the specified assets under Section 54 EC.
- d) What is Total Income ?
- e) Name any two securities, the interest on which is exempt from tax.
- f) Name the types of Provident Fund.
- g) State the provisions of Section 80 D.
- h) What is re-assessment ?
- i) State the rules to set-off capital loss.
- j) What is 'annual value' of a house property ?



P.T.O.



SECTION – B

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

(3×8=24)

2. Mr. Swamy retires on 31-10-12 after 20 years and 8 months service. His salary at the time of retirement is as follows :

Basic salary Rs. 20,000 p.m.

Dearness allowance Rs. 5,000 p.m.

(62% of it enters into retirement benefits)

Commission on sales made by him for the year 2012-13 is Rs. 78,000.

He is paid Rs. 4,60,000 as leave salary for the leave to his credit at the time of retirement. He is allowed 45 days leave every year by his employer. He has taken 675 days of leave and has encashed 30 days leave while in service.

Calculate the amount of leave salary taxable for the previous year 2012-13.

3. Mr. Shiv, an Indian citizen left India for Canada on 20th Sept. 2012 after securing a job there for the first time. He did not come to India during the previous year 2012-13 :

Determine his residential status for the Assessment Year 2013-14.

Based on his residential status, calculate his gross total income for the assessment year 2013-14 considering the following incomes for 2012-13.

- 1) Profit from business in Nepal received in India Rs. 3,00,000.
- 2) Agricultural income from land in India received in Canada Rs. 12,00,000.
- 3) Share of profit from business in India received in India Rs. 50,000 (Business is a partnership firm).
- 4) Gift from a relative on his birthday Rs. 1,00,000.
- 5) Short term capital gain received in India Rs. 40,000.
- 6) Dividend received in Canada from a company registered in India Rs. 12,000.



4. The following incomes were received by Mrs. Aditya during the financial year 2012-13 :

	Bs.
a) Directors fees	60,000
b) Royalty on books (expenses incurred Rs. 4,000)	20,000
c) Family pension received	1,20,000
d) Money received on maturity of Life Insurance Policy	5,00,000
e) Credit in his bank account for which no explanation offered by him	7,50,000
f) Winning from lottery (gross) (Ticket purchased for Rs. 10,000)	5,00,000
g) Rent received for letting-out Plant, Machinery (Repairs to Plant Machinery – 46,000. Depreciation allowable @ 10% on W.D.V. 3,00,000)	85,000
h) Gift from a friend on his wedding anniversary	1,00,000

Compute Income from Other Sources for the P.Y. 2012-13.

5. Mr. Jolly purchased a house property on 15-9-79 for Rs. 2,10,000. Fair Market value of the property as on 1-4-1981 was Rs. 4,35,000. He incurred the following expenses :

	Rs.
a) Construction of a room on the ground floor in December 1980	63,000
b) Construction of first floor building in 1993-94	5,92,000
c) Renovation of the Building in 2001-02	7,75,000

He transferred this property for Rs. 45,00,000 during the year 2012-13 incurring 2% as expenses on transfer. He purchased another house for Rs. 12,00,000 on 16-4-2013.

He invested Rs. 5,00,000 in Capital Gain Account Scheme on 30-6-13.

He purchased securities issued by NHAI for Rs. 1,00,000 on 2-7-13.

Compute his taxable capital gain for the P.Y. 2012-13.

Note : Cost inflation Index :

1981-82 – 100; 1993-94 – 244; 2001-02 – 426; 2012-13 – 852.



6. Compute the amount of deduction under Section 80C from the following investments and expenditures carried out by Mr. Prasad during the previous year 2012-13.

- 1) School fee paid for three children Rs. 15,000 each.
- 2) Life Insurance premium paid :
 - a) on own life policy for Rs. 5,00,000 Rs. 62,000
 - b) on life policy of his wife Rs. 20,000
 - c) on life of grand daughter Rs. 9,000
 - d) on life policy of his sister Rs. 5,000
- 3) Amount deposited as term deposit for 5 years with SBI Rs. 1,50,000
- 4) Repayment of housing loan (including interest of Rs. 73,000) Rs. 1,83,000

SECTION – C

Answer **any four** of the following questions. **Each** question carries **fifteen** marks.

(4×15=60)

7. Sri Rama is a Chartered Accountant in Bangalore. He has given the following Income and Expenditure A/c for the year 2012-13. Compute his total income for the assessment year 2013-14.

	Rs.		Rs.
To Office rent	33,000	By Audit fees	3,95,000
To Salary to staff	77,000	By Consultation fee	1,05,000
To Charity	25,000	By Interest on bank	
To Gifts to relatives	6,000	deposits (Gross)	48,000
To Subscription for Journals		By Dividend on units of UTI	12,000
(Annual publication)	2,400	By Share in profit of a	
To Drawings	16,000	partnership firm	50,000
To Car expenses	42,000		
To House hold expenses	10,000		



To Premium paid on life policy	20,000	
To Home loan repaid	1,00,000	
To Net income	2,78,600	
	6,10,000	6,10,000

Additional information :

- a) Office rent includes Rs. 3,000 outstanding.
- b) Depreciation on car is not yet provided (Car W.D.V. Rs. 1,60,000; original cost Rs. 3,42,000).
- c) 30% of Car use is related to personal purpose.

8. Mr. Ravi is an employee of Indian Railways. He retires on 31-1-13 after 29 years and 8 months service. He received the following emoluments during the previous year 2012-13.

Basic salary Rs. 60,000 p.m.

DA (forming part of salary 62% of basic salary

Bonus one month's basic salary

Pension Rs. 24,000 p.m.

On 5-2-2013, he received the following from his employer :

- a) Salary in lieu of leave Rs. 3,50,000
- b) Gratuity (as per Gratuity Act) Rs. 4,75,000
- c) Gift Rs. 1,00,000

He was a member of Statutory Provident Fund to which he and his employer contributed 10% of his salary. Interest credited to his PF A/c on 30-11-12 @ 12% is Rs. 48,000.

He paid professional tax Rs. 2,000 during the year. During his service, he lived in Railway quarters in Bangalore, for which the employer company charged a rent of Rs. 1,000 p.m. (The house was not furnished)

Compute Taxable Income for the Assessment Year 2013-14 of Mr. Ravi, taking into account that :

- a) License fee for the accommodation as per government rules is Rs. 3,000 p.m.
- b) He received Rs. 5,00,000 as maturity amount from LIC.
- c) He received Family Pension Rs. 10,000 p.m.



9. Mr. Chopra owns four houses. The details of these properties are given below for the PY 2012-13 :

	1	2	3	4
	Self occupied for Residence	Let out	Self occupied for Residence	Let out
Municipal value	1,20,000	1,32,000	10,80,000	2,20,000
Fair rental value	1,50,000	1,60,000	12,00,000	2,50,000
Standard rent	–	1,55,000	10,00,000	2,48,000
Rent receivable	–	8,000 p.m.	–	15,000 p.m.
Vacancy period	3 months	1 month	–	–
Unrealised rent (conditions satisfied)	–	–	–	6,000
Municipal tax				
a) Paid by Chopra	9,600	4,000	42,000	1,000
b) Paid by Tenant		6,000		11,000
Interest on loan borrowed				
a) for the year 2012-13	–	8,600	1,00,000	3,900
b) for the pre-construction period	10,000	25,000	2,10,000	–

The loan was borrowed for acquisition of the properties which was complete during the year 2009-10.

He is an employee of Karnataka Government receiving a salary of Rs. 9,60,000 p.a. (computed). He has taken a mediclaim policy for Rs. 3,00,000 on own health and pays Rs. 25,000 p.a. as premium.

Compute his Total Income for the previous year 2012-13.



10. Mr. Tiger furnishes the following information for the A.Y. 2013-14. Compute his Business Income.

Profit and Loss A/c for the year ended 31-3-13

	Rs.		Rs.
To Office expenses	41,000	By Gross Profit	7,87,000
To Rent	24,000	By Sundry Receipts	99,000
To Salary	82,000		
To Depreciation	28,000		
To Travelling Expenses	43,000		
To Loss of cash by theft	5,000		
To transfer to reserve	7,500		
To Diwali Expenses	7,000		
To Int. on Capital	44,000		
To Provision for tax	15,000		
To Advance IT paid	35,000		
To Sales tax paid	19,000		
To Transfer to Employee Welfare Fund	10,000		
To Net Profit	5,25,500		
	8,86,000		8,86,000

Additional information :

- a) Salary includes Rs. 5,000 paid to Son who is studying B.Com. and occasionally comes to office.
- b) Depreciation as per IT rules amounts to Rs. 35,000.
- c) Sundry receipts include Rs. 1,000 received as gift.



11. Mr. Preetham is a doctor residing in Jaipur. He provides the following Cash A/c details for the previous year 2012-13. Compute his net income for the assessment year 2013-14. He maintains his books on cash basis.

Receipts	Rs.	Payments	Rs.
To Balance b/d	12,400	By Purchase of computer	1,40,000
To Fee from Patients		By Purchase of equipment	6,00,000
2011 – 12 7,32,000		By Purchase of Medicine	3,00,000
2012 – 13 10,45,000		By Rent of hospital	2,40,000
2013 – 14 <u>50,000</u>	18,27,000	By Interest on loan	1,20,000
To Presents	1,11,000	By Repairs to House let out	50,000
To Loan from Bank for		By purchase of books for	
construction of Lab.	5,00,000	profession	75,000
To Winnings from lottery (Gross)	1,00,000	By Expenses on tour (personal)	1,62,000
To Interest from UTI	1,60,000	By Wealth Tax paid	45,000
To Rent of let-out house	2,40,000	By Contribution to approved	
		scientific research centre	2,00,000
		By Balance c/d	10,18,400
	29,50,400		29,50,400

- a) Opening stock of medicine on 1-4-12 – Rs. 10,000.
- b) Closing stock of medicine on 31-3-13 – Rs. 63,000.
- c) Depreciation on assets for the P.Y. – Rs. 1,41,300.
(Including Depreciation on let-out house Rs. 6,300)