



B.Com. (Semester – VI) Examination, April 2015
COST AND MANAGEMENT ACCOUNTING (Major – I)
Income Tax

Duration : 2 Hours

Max. Marks : 80

- Instructions :** 1) Question No. 1 is compulsory.
2) Answer **any three** questions from Question No. 2 to Question No. 6.
3) Figures to the **right** indicate **maximum** marks.

1. Answer **any four** questions from the following : **(4x5=20)**

- a) Mr. Goldman, a foreign national (not being a person of Indian origin), comes to India for the first time on 15th April, 2009. During the financial years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 he was in India for 130 days, 80 days, 13 days, 210 days and 75 days respectively. Determine the residential status of Mr. Goldman for the assessment year 2014-15.
- b) Mr. Cedric who resides in Ajmer, receives Rs. 1,92,000 per annum as basic salary during the previous year 2013-14, in addition he gets Rs. 19,200 per annum as dearness allowance forming part of basic salary, for computation of all retirement benefits, and Rs. 24,000 per annum as house rent allowance, however he pays Rs. 21,500 per annum as house rent. Determine the quantum of house rent allowance exempt from tax.
- c) Mr. Sultan, an employee of Kingdom Ltd., receives Rs. 98,000 as gratuity. He is covered by the Payment of Gratuity Act, 1972. He retires on 21st December 2013 after rendering a service of 38 years and 9 months. At the time of retirement his monthly basic salary and dearness allowance was Rs. 3,200 and Rs. 800 respectively. Compute taxable gratuity of Mr. Sultan for the assessment year 2014-15.

P.T.O.



- d) From the following assets compute depreciation allowable under Income Tax Act 1961.

Sr. No.	Name of asset	Rate of depreciation admissible	W.D.V. on 01-04-2013	Purchased on 01-09-2013	Sold during the year
1	Plant & Machinery	25%	2,00,000	60,000	-
2	Furniture	10%	40,000	1,00,000	30,000
3	Building	5%	1,00,000	-	-

- e) Mr. Sanman is engaged in the business of carriage of goods. On 1st April 2013, he owns 10 trucks (7 out of which are heavy goods vehicles). On 15th May, he sold one of the heavy goods vehicle to buy light vehicle which was purchased on 25th May 2013. Compute his estimated income under Section 44 AE for the assessment year 2014-15.

2. a) Mr. Fharan is a Finance Manager of Sandu Ltd. of Mumbai, he received the following emoluments for the P.Y. 2013-14. 10

Basic Salary 1st April, to 30th September, 2013, Rs. 14,000 per month and from 1st October 2013 it has been increased to Rs. 16,000 per month.

House Rent Allowance @ 20% of basic salary p.a.

Salary in lieu of leave Rs. 5,500.

Medical Allowance Rs. 500 p.m.

Educational Allowance @ Rs. 250 per month, per child for two children.

Professional tax paid by employer Rs. 1,200.

Compute income from salary for the Assessment Year 2014-15 of Mr. Fharan.



b) Following is the Profit and Loss Account of a Departmental store owned by Miss. Tara for the year ended 31st March 2014. 10

Profit and Loss Account for the year ended 31-03-2014

	Rs.		Rs.
To Salaries	72,000	By Gross Profit	3,29,000
" Travelling Expenses	12,000	By Rent from house	
" Guest House Expenses	15,000	property	1,20,000
" Entertainment Expenses	14,000	By Dividend from Indian	
" Gift to Staff	13,000	Companies	18,000
" Repairs to House			
Property	20,000		
" Advertisement	30,000		
" Personal drawings	10,000		
" Interest on Capital	5,000		
" Reserve for Bad debts	7,000		
" Divali Pooja expenses	3,000		
" Depreciation	30,000		
" Net profit	2,36,000		
	4,67,000		4,67,000

**Additional Information :**

- 1) Rs. 25,000 included in advertisement has been incurred for advertisement in souvenir published by a political party.
- 2) Depreciation allowed as per Income Tax Rules is Rs. 25,000.

Calculate Miss Tara's Income from Business for the Assessment Year 2014-15.

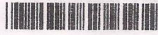
3. a) Mrs. Sara aged 65 years is a Finance Manager of ABC and Co. at Mumbai, she provides you the following information for the P.Y. 2013-14. 10

- i) Basic salary Rs. 50,000 p.m.
- ii) D.A. 20,000 p.m. (forming part of the retirement benefits)
- iii) Bonus - 2 months basic pay.
- iv) Commission 0.1% of the turnover of the company. The turnover for the financial year 2013-14 was Rs. 15,00,00,000.
- v) Contribution of the employer and employees to the Provident Fund Account Rs. 2,00,000 each.
- vi) Entertainment Allowance Rs. 30,000 p.a.

She makes the following payments

Medical Insurance premium for self Rs. 12,000 and spouse Rs. 5,000.

Compute taxable income for the A.Y. 2014-15.



b) Mr. Aquib is an eminent lawyer of Bombay High Court. His Receipt and Payment Account is given as under :

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Receipts and Payments Account for the year ended 31st March, 2014

Receipts	Rs.	Payments	Rs.
To Balance B/F		By Investments in	
Cash in hand	750	NSC VIII Issue	2,25,000
Cash with bank	<u>2,250</u>	By Drawings	1,45,500
To Professional Fees	4,90,000	By Purchase of	
To LIC (Amount received		Electronic Typewriter	51,000
on maturity of policy)	3,50,000	By Payment of tuition	
To Gift from a client on		fees to poor children	25,000
successfully completing			
a legal complicated case	5,000		
To Agricultural Income			
received	12,000	By Telephone Expenses	13,685
		By Conveyance	21,445
		By Rent	36,000
		By Subscription to	
		professional journals	11,370



	By Stationery	42,000	
	By Salaries	1,08,000	
	By Advance Income		
	Tax	65,000	
	By Balance C/F		
	Cash in hand	6,000	
	Cash at bank	1,10,000	
		1,16,000	
			8,60,000
			8,60,000

Depreciation allowable on typewriter amounts to Rs. 13,500 as per Income Tax Rules. Compute taxable income of Mr. Aquib for the Assessment Year 2014-15.

4. Write short notes : (4x5=20)
- Assessment u/s 2 of Income Tax Act, 1961.
 - Short-term capital gain.
 - Keyman Insurance Policy.
 - Deduction u/s 24 of Income Tax Act 1961.
5. Answer the following : (4x5=20)
- Explain deductions under section 80 CCC of the Income Tax Act 1961.
 - Explain Transfer in relation to capital gain as per the Income Tax Act, 1961.
 - Explain the scope of total income of a person who is a resident in India.
 - Mention any five items that are wholly exempted from tax u/s 10.



6. Answer the following :

(4x5=20)

- What are the deductions allowed under the Income Tax Act, 1961 in computing "Income from Other Sources" ?
- Explain the deductions available u/s 80 U of the Income Tax Act 1961.
- How will you determine the annual value of the property which is let out ?
- Define Person u/s 2(31) of IT Act 1961.