

Goa Vidyaprasarak Mandal's
GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND
ECONOMICS, PONDA GOA

M. COM. (SEMESTER –III) EXAMINATION, NOVEMBER 2014
ACCOUNTING AND FINANCE
C03A3 DIRECT TAXES

Duration : 2 hours

Total Marks: 50

*Instructions: 1) All questions are compulsory
2) Each Question Carries 10 marks.*

Q.1] Answer the following:

(5 X 2 = 10)

- Enumerate with reference to Section 10 of the Income Tax Act, 1961, five types of income which are totally exempt from tax.
- 'X' purchased a piece of land on 4.1.1978 for ₹50,000. This land was sold by him on 2.9.2013 for ₹14,00,000. The market value of the land as on 1.4.1981 was ₹1,20,000. Expenses on transfer were 2% of the sale price. Compute the capital gain for the assessment year 2014-15.
- How would you determine residential status of a company? Can a company be not ordinarily resident in India.
- State the specific managerial decision related to 'make' or 'buy'
- What is Tax Deduction at Source?

Q.2A] Explain tax planning in respect of industrial undertakings engaged in infrastructural development.

(10)

OR

Q.2B] What are the deductions available from gross total income?

(10)

Q.3A] What are the provisions of the income tax act related to set off and carry forward of Losses?

(10)

OR

Q.3B] Explain certain expenditures which are specifically disallowed while computing business income in the case of all assesses.

(10)

Q.4A] X, a regular employee of A Ltd., gets the following emoluments during the previous year 2013-14. Basic Salary: ₹60,000 p.m. (which has been increased to ₹70,000 p.m. from January 1, 2014); dearness allowance : ₹4,000 p.m. (72% of which is a part of salary for computing all retirement benefits); Education allowance: ₹550 p.m. per child for 4 children.; Medical allowance: ₹400 p.m.; Transport allowance: ₹1,150 p.m. (out of which ₹100 p.m. is used for covering the journey between office and residence and ₹250 p.m. is used for other purposes). Besides he gets ₹20,000 p.m. as HRA up to November 30, 2013 (rent paid at Ghaziabad: ₹18,000 p.m.) With effect from December 1st, 2013 he has been provided a furnished flat by the employer at Delhi (rent paid by employer: ₹26,000 p.m.; rent of furniture provided : ₹12,780; rent recovered from X : ₹900 p.m.) Find out the salary chargeable to tax for the assessment year 2014-15. (10)

OR

Q.4 B] X owns a residential house property. It has two equal residential units – Unit I and Unit II. While Unit I is self occupied by X for his residential purpose, Unit II is let out (rent being ₹6,000 p.m., rent of 2 months could not be recovered). Municipal value of the property is ₹1,30,000, Standard rent is ₹1,25,000 and fair rent is ₹1,40,000. Municipal tax is imposed at 12% which is paid by X. Other expenses for the previous year 2013-14 being repairs ₹250, insurance ₹600, interest on capital (borrowed during 1998) for constructing the property ₹63,000. Find the income of X for the A. Y 2014-15 on the assumption that income of X from other sources is ₹1,80,000. (10)

Q.5 A] X Purchases a house property for ₹26,000 on May 10, 1962. He gets the first floor of the house constructed in 1967-68 by spending ₹40,000. He dies on Sept 12, 1978. The property is transferred to Mrs. X by will. Mrs. X spends ₹30,000 and ₹26,700 during 1979-80 and 1985-86 respectively for renewals / reconstruction of the property. Mrs. X sells the house property for ₹21,50,000 on March 15, 2014 (brokerage paid by Mrs. X is ₹11,500). The fair market value of the house on April 1, 1981 is ₹1,60,000. Compute the capital gains for the A.Y. 2014-15. (10)

OR

Q.5 B] X Ltd. commenced production of paper on December 1st, 2013. The company has made the following expenditure on scientific research up to the year ending on March 31st, 2014.

- (i) On December 13, 2013 the company pays ₹80,000 to the Indian Agricultural Research Institute, New Delhi being an approved research institution u/s 35(1)(ii), for the purpose of carrying out scientific research in natural science.
- (ii) On December 21st, 2013 the company pays ₹70,000 to the Indian Institute of Management, Ahmedabad being an approved institute u/s 35(1)(iii) for the purpose of carrying out research in social or statistical science.
- (iii) On January 10, 2014 the company pays ₹40,250 to an approved National Laboratory for carrying out programmes of scientific research.
- (iv) On December 23rd, 2013 the company purchases a plot of land for ₹6,00,000. Later on a laboratory building is constructed (cost of construction ₹4,70,000, date of completion of construction March 1st 2014.) to start an in-house research.
- (v) Before commencement of production the company had made the following revenue expenditure for its research laboratory.
 - a. Expenditure on salary and perquisite to research personnel and research material during the 12 months ending on November 30th 2010, ₹30,000.
 - b. Expenditure on salary of research professional from December 1st 2010 to November 30th 2013, ₹91,000 (amount certified by prescribed authority is ₹32,000).

Determine the amount of deduction available to X Ltd u/s 35(1) for the A.Y. 2014-15 if the scientific research is related to the business of the assessee company. (10)