

Reg. No. :

Code No. : 5551

Sub. Code : PKCM 32

M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2019.

Third Semester

Commerce – Core

TAXATION AND TAX PLANNING

(For those who joined in July 2017 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. When was income tax levied in India for the first time?
 - (a) 1860
 - (b) 1886
 - (c) 1960
 - (d) 1961

(b) Mrs. Geetha furnished the following particulars relating to his capital assets. Calculate his taxable capital gain for the previous year 2018-19 (CII: 2001-01 is 100, 2002-03 is 105, 2007-08 is 129, 2008-09 is 137 and 2018-19 is 280)

- (i) Machinery purchased in 2002-03 for 3,00,000 is sold on 11.10.18 for Rs. 12,00,000. There was an addition during the year 2007-08 for Rs. 1,50,000.
- (ii) Furniture purchased on 22.12.12 for Rs. 85,000 was sold on 22.01.19 for Rs. 1,10,000.
- (iii) Agricultural land in Coimbatore purchased in 1998-99 for Rs. 2,50,000 was sold on 21.3.19 for Rs. 20,00,000. The FMV as on 1.4.01 for land being Rs. 4,00,000.
- (iv) Depreciable machinery purchased in 2003-04 was sold for Rs. 1,25,000 on 03.04.18. The WDV as on 01.04.18 was Rs. 45,000.
- (v) House property costing Rs. 16,00,000 purchased in 2007-08, was sold for Rs. 40,00,000 on 22.12.18. Assume another house property was purchased for Rs. 2,00,000 on 12.3.18 from the sale consideration.



2. The scope of total income of an assessee depends upon
(a) his residential status
(b) the place of accrual income
(c) the time of accrual income
(d) all the above
3. Deduction for entertainment allowance is allowed to
(a) Private employees
(b) Semi-government employees
(c) Government employees
(d) All employees
4. Gift on social occasions given to employee is exempted up to
(a) Rs. 5000 (b) Rs. 10,000
(c) Rs. 1,50,000 (d) Rs. 50,000
5. The provision relating to the income from house property are contained in sections
(a) 16-21 (b) 22-27
(c) 28-32 (d) 36-42

6. Interest on preconstruction period will be allowed in _____ equal annual instalments.
(a) 2 (b) 3
(c) 4 (d) 5
7. Under valuation of closing stock would have reduced the
(a) Sales (b) Profit
(c) Purchases (d) None of these
8. Allowable rate of depreciation on computer is
(a) 60% (b) 50%
(c) 40% (d) 30%
9. State which of the following is not a capital asset
(a) Goodwill
(b) Land and Building
(c) Plant and Machinery
(d) Stock in trade
10. Financial asset is called as short term asset if it is held for not more than
(a) 12 months (b) 24 months
(c) 36 months (d) 48 months



PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain tax planning and tax evasion.

Or

- (b) Describe the scope of total income.

12. (a) Mr. Rahul is working in Sun Network Ltd., Chennai. He is paid the following emoluments every month :

Basic pay	6,000
Bonus	30,000
D.A(50% enter into service benefits)	4,000
Educational allowance	1,000
Hostel allowance	800
Transport allowance	1,000
HRA (while actual rent he pays is Rs, 6000 p.m.)	5,000

Compute his taxable salary.

Or

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- (b) From the following particulars of Mr. Balaji, compute the perquisite value

Basic salary	12000 p.m.
D.A.	3000 p.m.
Bonus	5000 p.m.
Commission	7000 p.a.
Fees	4000

He is provided with a rent free accommodation in Coimbatore with furniture (cost of furniture is Rs. 15000). The employer deducts Rs. 1000 pm. as rent for that accommodation.

13. (a) From the following particulars, compute GAV.

Municipal value	Rs. 60,000 p.a.
Fair rental value	Rs. 66,000 p.a.
Standard rental value	Rs. 63,000 p.a.
Actual rent	Rs. 66,000 p.a.
Date of completion	30.06.2018
Date of letting	01.10.2018

Or

- (b) On 1st July 2013 Mr. Nair borrowed Rs. 20,00,000 @ 9% p.a. from SBI to construct a house. The house construction was completed on 30.09.2017. He did not repay the loan till date. He let out that home from 1st October 2017.

Calculate the interest on loan eligible for deduction u/s 24 for the previous year 2018-19.

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14. (a) Ram has given the following particulars regarding his income during the financial year 2018-19. Compute his business income for the previous year 2018-19.

	Rs.
Net profit (before allowing the following expenses)	4,50,000
Entertainment expenditure	52,000
Amount given to notified scientific research institute (not related to the business of assessee)	18,000
Life Insurance premium for self	25,000
Fire insurance premium	23,000

Or

- (b) Written down value of Plant and Machinery on 1.4.2018 was Rs. 5,95,000. During the year 2018-19 a new item costing Rs. 1,50,000 was acquired in May 2018 and an item was sold on 15.9.2018 for 79,000. Calculate the Written Down Value of this block of assets and calculate the depreciation @ 15% in relation to basement year 2019-20.

15. (a) Mr. Suresh sold gold for Rs. 6,00,000 on May 20, 2018, which he acquired 16.4.1999 at the cost of Rs. 1,70,000. The fair market value of gold on 1.4.2001 was Rs. 1,50,000. He invested Rs. 5,00,000 in buying another residential house on 15.6.2012. Ascertain the capital gain chargeable during the Assessment year 2019-20. (CII: for 2001-02 : 100, for 2018-19 : 280)

Or

- (b) Compute taxable capital gain from the particulars given below :

- Net consideration of a residential house Rs. 10,00,000 (2-6-201), (CII: 280)
- Cost of acquisition of this house Rs. 2,10,000 (1.5.207) CII: 129
- New house acquired on 1.9.2018 for Rs. 2,00,000.



PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) What are the income exempted from tax?

Or

(b) The following are the incomes of Mishra for the previous year 2-18-19.

(i) Dividend from Indian company	Rs. 10,000
(ii) Profit from business in Japan received in India	Rs. 1,20,000
(iii) Profit from business in Pakistan deposited in a bank there. This business is controlled from India	Rs. 2,00,000
(iv) Profit from business from Indore (Controlled by London Head office)	Rs. 1,10,000
(v) Interest received from a non-resident Mr. Rahim, on the loan provided to him for a business carried on in India	Rs. 50,000
(vi) Income was earned in America and received there, but brought in India	Rs. 80,000
(vii) Share of income from Indian partnership firm	Rs. 1,50,000
(viii) Income from house property in India received in America (Computed)	Rs. 62,000
(ix) Interest on debentures of an Indian company received in Dubai	Rs. 25,000
(x) Capital gain on sale of agricultural land situated at Ajmer	Rs. 48,000

Compute his taxable income, if he is :

- (1) Resident
- (2) Not-ordinary resident
- (3) Non-resident

17. (a) Mr. Raja an employee of Private Ltd. Co. working at Trichy (population 20 lakhs), furnished the following particulars rearing to previous Year 2018-19.

- (i) Basic pay Rs. 15000 p.m.
- (ii) D.A. Rs. 3000 p.m.
- (iii) Bonus Rs. 10000 pa.
- (iv) Commission Rs. 25000 p.a.
- (v) Entertainment allowance Rs. 2000 p.m.
- (vi) Education allowance for his children Rs. 500 p.m.
- (vii) Transport allowance Rs. 1000 p.m.
- (viii) He is provided with a rent free accommodation, the fair rental value of which is Rs. 6000 p.m. cost of furniture provided in that house is Rs. 50000
- (ix) He is provided with a big car for both official and personal use.
- (x) Gas, water and electricity bills issued in the name of the employee but paid by the employer 8600 p.m.
- (xi) Professional tax paid by the employer Rs. 2000 p.a. Compute the taxable salary for the Assessment Year 2019-20.

Or



- (b) Mr. Tamil is a manager in a private Ltd. at Chennai. He furnished the following particulars for the previous year 2018-19.

Basic Salary	Rs. 18000 p.m.
D.A (50% added for retirement benefits)	Rs. 6000 p.m.
CCA	Rs. 2000 p.m.
Medical allowances	Rs. 1000 p.m.
H.R.A.	Rs. 4000 p.m.
Rent paid for house	Rs. 5000 p.m.
Entertainment Allowance	Rs. 2000 p.m.

He is provided with small car for both official and personal use.

Expenses including driver salary are met by employer.

He and his employer contributes 15% of his salary towards RPF.

Interest on RPF credited @ 14% Rs. 4900

Professional tax paid by Mr. Tamil is Rs. 1500

Compute taxable salary for the Assessment year 2019-20.

18. (a) From the following particulars of Ms. Latha, compute the interest on loan deductible u/s 24 while calculating the income from let out house property for the previous year 2018-19.

Date of loan	01.09.2013
Date of construction completed	30.09.2016
Amount of loan	6,00,000
Rate of interest	12%
Part of the loan Rs. 200000 was repaid on	01.07.2017.

Or

- (b) From the following particulars, compute the Gross Annual value.

Particulars	House I	House II
SRV	60,000	-
MRV	50,000	70,000
FRV	54,000	77,000
Municipal taxes paid	7,000	7,500
Ground rent	6,000	4,000
Insurance premium	3,000	1,500

The house owner borrowed Rs. 100000 @ 15% p.a. for construction of House 2 (Date of borrowing was 1st Oct. 2012. Date of repayment was 31st March 2019) Date of construction was completed during September 2017.



19. (a) Following is the P and L account of Mr. Lal for the year ending on 31.03.2019. Calculate his income from business.

Particulars	Rs.	Particulars	Rs.
To Salary to staff	62,000	By Gross profit	2,00,000
To Rent	12,400	By Income from HP	1,00,000
To Sales tax	13,600	By Dividend	50,000
To Charity	10,000	By Business income	1,50,000
To Bad debt reserve	15,000		
To Advertisement(cash)	30,000		
To Depreciation on car	8,000		
To Parents(acquired on 31.12.17)	44,000		
To Net Profit	3,05,000		
	<u>5,00,000</u>		<u>5,00,000</u>

Additional Information :

- Car is used 25% for personal purposes
- Salary to staff includes Rs. 25,000 given to his son for taking part in the business which is unreasonable to the extent of Rs. 5,000.

Or

- (b) From the following statement compute the income from profession of Dr. S.K. Kapoor if accounts are maintained on cash / receipt system :

Particulars	Rs.	Particulars	Rs.
To Dispensary rent	36,000	By Visiting fees	45,000
To Electricity and water charge	6,000	By Consultation fees	1,25,000
To Telephone charges	6000	By Sale of medicines	72,000
To Salary to nurse and compounder	36,000	By Dividends	5,000

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Particulars	Rs.	Particulars	Rs.
To Dep. On surgical equipment	6,000		
To Purchase of medicines	36,000		
To Depreciation on X-ray Machine	4,000		
To Income Tax	5,500		
To Donation to Rama Krishna Mission	4,000		
To Motor car expenses	9,600		
To Dep. On Car	4,800		
To Net Income	93,100		
	<u>2,47,000</u>		<u>2,47,000</u>

20. (a) Calculate capital gain from the following particulars given by Mr. Kavin for the previous year, if CII for 2018-19 is 280 and 2001-02 is 100.

Cost of residential house	5,40,000
FMV as 01.04.2001	5,40,000
Date of purchase	01.10.96
Date of sale	01.10.18
Sales value	30,00,000
Cost of improvement	90,000
Date of improvement	01.10.06
Stamp duty and legal charges	50,000

The assessee has purchased another residential house within one year for Rs. 8,00,000 before the date of sale. CII 2006-07: 122.

Or

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