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BBA-503 (N)

B.B.A. (Fifth Semester) EXAMINATION, March-2021

**New Course
Paper Third**

INCOME TAX LAWS AND ACCOUNTING

Time : Three Hours]

[Maximum Marks : 70

Note: Attempt questions from all Sections as directed.

Inst.: The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section-A

(Short Answer Type Questions)

Note : All questions are Compulsory. Each question carries 3 marks.

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1. (a) Distinguish between tax planning and tax evasion
- (b) Who is an 'Assessee' as per Income Tax Act, 1961?
- (c) Distinguish between gross total income and total income.
- (d) What are exempted perquisites in case of a salaried employee?
- (e) What are the deductions allowed u/s 16 of income tax Act 1961 while calculating taxable income from salary?
- (f) Find out the amount of the house rent allowance which shall be included in the income under the head salaries in each of the following cases:
 - (1) Basic pay Rs. 20,000 p.m., dearness pay @ 10% of basic pay, commission based on fixed percentage of turnover Rs. 1,20,000 for the whole year, house rent allowance Rs. 5,000 p.m., Actual rent paid by the assessee Rs. 4,000 p.m. House situated in Agra.
 - (2) Basic pay Rs. 30,000 p.m., dearness allowance @ 10% of basic pay, house rent allowance Rs. 5,000 p.m., Actual rent paid by the assessee Rs. 7,000 p.m. House situated in Mathura.
 - (3) Basic pay Rs. 20,000 p.m., dearness allowance @ 10% of basic pay, house rent allowance Rs. 2,000 p.m., Actual rent paid by the assessee Rs. 5,000 p.m. House situated in Delhi.

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- (g) LIC of India sanctioned a loan of Rs. 16,00,000 to Mr. Ram @ 12% p.a. for the construction of a house. The loan was given in installments as under :

- I Installment on 1.7.2013 Rs. 5,00,000
- II Installment on 1.4.2015 Rs. 6,00,000
- III Installment on 1.8.2015 Rs. 5,00,000

The construction of the house completed in November, 2015 and it is self-occupied for residential purposes. Determine the amount of interest deductible u/s 24 for the Assessment Year 2020-21. No part of the loan repaid till date.

- (h) Shri Anil Bhandari sold a house for Rs. 20 lakh on 1st Nov., 2019. The house was constructed by him in 2000 at the cost of Rs. 1.2 lakh and used for own residence. Besides, he has two more houses. On 1st Feb., 2020 he invested Rs.10,00,000 to specified bonds of NHAI. After construction he spent Rs. 24,400 in 2006-07 on the improvement of the house. Compute his taxable capital gains. He paid 3% brokerage for selling the house and other expenses were Rs.10,000. On 1st April, 2001 the fair market value of the house was Rs. 1.4 lakh. Cost inflation index for 2001-02 is 100, 2006-07 is 122 and 2019-20 is 289.

- (I) Distinguish between tax-free Govt. Securities, tax-free Commercial Securities and less tax Securities.

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- (j) What are exempted incomes? Gives example of any five exempted incomes fully exempted from tax.

Section-B

(Long Answer Type Questions)

Note: Attempt any **Two** questions. Each question carries **10** marks.

2. How is residence of an assessee determined under income tax Act. 1961 in cases of an individual, Hindu undivided family and company? Explain.
3. Shri Hanuman Prasad has the following incomes for the previous year ending on 31st March, 2020:

	Rs.
1. Income from salary in India from a company (computed)	50,000
2. Dividend from an Indian company received in England and spent there	10,000
3. Income from house property in India received in Pakistan	20,000
4. Dividend from a foreign company received in England and deposited in a bank there	10,000
5. Income from business in Kolkata, managed from U.S.A.	20,000
6. Income from business in U.S.A.	

[5]

(controlled from Kanpur Head Office) 12,000

7. Income was earned in Australia and received there, but brought into India 25,000

8. His maternal-uncle sent a Bank Draft from France as a gift to him on his marriage 20,000

Compute the gross total income, if he is :

(i) Resident,

(ii) Not ordinarily Resident

(iii) Non-resident.

4. Mr. X was working in a factory in Delhi. He got Rs. 14,000 p.m. basic pay, Rs. 1,600 per month as dearness allowance and Rs. 1,000 p.m. as house rent allowance. He resides in his own house. He got Rs. 4,000 as travelling allowance for tour.

He retired on 1st January, 2020 and got Rs. 1,60,000 as gratuity and Rs. 2,00,000 as accumulated balance in his Unrecognised Provident Fund. His own contribution and that of the factory to this fund was equal. He also received Rs. 1,76,000 for 10 months' earned leave to his credit at the time of retirement. Leave accrued at 30 days per year of actual service.

He was allowed to get pension of Rs. 4,000 per month, three-fourth of which was commuted for Rs. 2,40,000. He commenced service of the factory on 1st August, 1985 and his average salary during the ten months

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immediately preceding his retirement was Rs. 15,600.

Compute the taxable income from salary of Mr. X for the Assessment Year 2020-21.

OR

What are the various provident funds of which a salaried employee can become member? Explain provisions of Income Tax Act. 1961 relating to each one.

5. Mr. Ram Nath owns a house at Kanpur (Municipal value Rs. 30,000) of the fair rent of Rs. 36,000 p.a. During the Previous Year 2019-20 the house is let out for residential purpose on a monthly rent of Rs. 4,000 from 1st April, 2019 to 30th June, 2019 and self-occupied for residential purpose for the remaining part of the year 2019-20. Municipal taxes Rs. 6,000, and Collection Charges Rs. 600, were paid during the year. A loan of Rs. 50,000 was taken on 1st April, 2014 @ 10% p.a. for the construction of the house which was completed on 1st January, 2017. Rs. 10,000 were paid towards the loan account on 1st April, 2016. Find out his taxable income from house property for the Assessment Year 2020-21.

OR

How is annual value of house property determined? what are the deductions allowed

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from annual value of house property while calculating taxable income from house property?

Section-C

(Long Answer Type Questions)

Note : Attempt any **Two** questions. Each question carries **10** marks.

6. From the following particulars compute the Business Income of Mr. Satyam:

Particulars	Rs.
To Salaries	90,000
To Rent	20,000
To Service Charges	4,000
To legal Expenses	5,000
To Reserve for Income-Tax	6,000
To Depreciation	12,000
To Expenses on acquisition of patent rights	56,000
To Office Expenses	42,000
To Contribution to RPF	12,000
To Bad debts	4,500
To Donation by cheque	2,500
To Net Profit	2,05,600
	<u>Rs. 4,59,600</u>

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Particulars	Rs.
By Gross Profit	4,50,000
By Dividend	4,000
By Bad debts recovered (allowed earlier)	4,400
by Interest on post office Saving Bank	1,200
	<u>Rs. 4,59,600</u>

Other Information :

- (1) Legal expenses include Rs. 2,000 incurred by the assessee for defending a criminal case against him.
- (2) Depreciation of the year on the assets other than patent rights is Rs. 16,900.
- (3) Contribution to RPF includes Rs. 2,000 not paid till the due date of filing the return of income. <https://www.csjmuonline.com>

OR

What do you mean by short term capital gains and long term capital gains? What are exempted capital gains? Explain.

7. Miss Meenakshi had purchased shares in a company on 1.3.2004 for Rs. 21,800 and on 1.3.2019 for Rs. 22,300. She sold the shares of 1.3.2019 for Rs.80,000 on 1.1.2020. She also sold her jewellery for Rs. 6,00,000 on the same day (1.1.2020) which she had purchased

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for Rs. 1,83,000 on 1.8.2006.

She invested the full consideration from the sale of all these assets in the acquisition of a new residential house on the same day.

Compute taxable capital gains of Miss Meenakshi for the Assessment Year 2020-21 assuming that she did not own any residential house on the date of sale of shares and jewellery. Cost inflation indices for 2003-04, 2006-07 and 2019-20 are 109, 122 and 289 respectively.

8. What do you mean by set off and carry forward of losses? Explain the provisions of Income Tax Act, 1961 relating to set off and carry forward of losses.
9. The investments of Mr. X on 1st April, 2019 Were as given below :
 - (a) Rs. 20,000, 10% U.P. Govt. Loan;
 - (b) Rs. 12,500, 10% Improvement Trust Debentures purchased at par on 1st Nov., 2018;
 - (c) Rs. 7,500, 10% Debentures of a Jute Mill Company;
 - (d) Rs. 1,000 Interest on Debentures of a Co-operative Society.

On 1st October, 2019 he sold his Improvement Trust Debentures for Rs. 11,625 and purchased Rs. 20,000, 12% Port Trust Bonds,

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for which he took a loan of Rs. 10,000 @ 15% per annum. The bank charged commission for buying and selling securities was 1% on face value and for collecting interest Rs. 20. During the year he inherited Rs. 5,000, 12% Mumbai Govt. Loan from his father who died on 1st December, 2019. Such interest being payable in each case on 1st January and 1st July. Find out his income under the heads 'Capital Gains' and 'Income from Other Sources' for the Assessment Year 2020-21.

OR

Write short notes on any two of the following:

- (a) Agriculture Income
- (b) Casual Income
- (c) Deductions Allowed u/s 80 of Income Tax Act, 1961 From GTI
- (d) Depreciation Allowable under Income Tax Act, 1961
- (e) Clubbing of Income

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