



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

Duration : 2 Hours

Total 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 full marks.

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

- a) Mr. Raj came to India from Germany for the first time on 3rd October, 2011. He returned to Germany after staying in India till 28th September, 2012. Prior to 3rd October, 2011 he has never been to India. Will he be a resident in India for the Assessment Years 2012-13 and 2013-14 ?
- b) Mr. Raju an employee of Kipla Ltd. receives Rs. 66,000 as gratuity. Mr. Raju is covered under the payment of Gratuity Act, 1972. He retires on 28th February, 2014 after a service of 28 years and 8 months. At the time of retirement his average monthly salary works out to Rs. 4,200. Calculate the amount of gratuity exempted and taxable for the Assessment Year 2014-15.
- c) Mr. Rajesh joins Sugar Coating Co. Ltd. on 15th December, 2012. Prior to 15th December, 2012 he was not in employment. He does not have any other source of income. Calculate the previous years for the Assessment Years 2013-14 and 2014-15.
- d) Mr. Kanti starts a new business on 16th June, 2013 and purchases the following assets. You are required to form Block of Assets from the following data and calculate the depreciation allowable as per Income Tax Act for the previous year 2013-14.

Sr. No.	Particulars	Rate of Depreciation	Amount (Rs.)
1	Office Building	10%	25,00,000
2	Plant and Machinery	20%	10,00,000
3	Office Furniture	15%	2,00,000
4	Factory Building	10%	20,00,000



- e) Mr. Patil a Director of a Private Ltd. Co. visited Shimla on Leave Travel Concession (LTC) along with his spouse and three dependent children during the previous year 2013-14. Following were the expenses incurred by him during the travel : Travelling expenses Rs. 5,000 per person, Accommodation Rs. 2,000 per person and Food Rs. 1,200 per person. His company reimbursed the full amount. Determine LTC exempted U/s 10(5) of the Income Tax Act 1961 for the Assessment Year 2014-15.
2. a) Mr. Gupta is working as an Accountant in Indian Railways. The following are the particulars of his income for the financial year ending 31st March, 2014. **10**
- Basic Salary Rs. 36,000 per month.
 - Dearness Allowance Rs. 12,000 per month.
 - Special Allowance Rs. 1,500 per month.
 - Bonus received during the year amounted to Rs. 3,000.
 - Mr. Gupta is provided a car for his office use as well as for personal use. The perquisite value of this is ascertained at Rs. 8,500 during the year ending 31st March, 2014.
 - He receives entertainment allowance @ Rs. 1,400 per month of which he actually spent Rs. 1,000 per month.
 - He pays profession tax @ Rs. 400 per quarter.
 - Overtime wages received during the year Rs. 5,300.

Calculate the taxable income of Mr. Gupta under the head salaries for the assessment year 2014-15.

- b) Following is the Profit and Loss Account of M/s. Morin Traders owned by Mr. Mahindra for the financial year ending 31st March, 2014. **10**

Profit and Loss Account for the financial year ending 31st March, 2014

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salaries	42,000	By Gross Profit bal. b/f	1,58,000
To Advance Tax	3,000	By Winning from lotteries	4,500
To Provision for bad debts	2,500	By Bad debts recovered	3,500
To Insurance of shop	5,600		
To Insurance of own life	3,200		
To Rent-shop	3,500		
To Free distribution of samples	2,250		
To Printing and Stationery	2,750		
To Depreciation	15,000		
To Bonus to staff	3,500		
To Net Profit Bal. c/d	82,700		
	1,66,000		1,66,000



Additional Information :

- i) Salaries include Rs. 3,000 paid as salary to the staff for conducting market research.
- ii) Bad debts recovered were not allowed as deduction in the earlier year during which it was written off.
- iii) Depreciation allowed as per Income Tax Rules is Rs. 12,000.

Compute the taxable income of Mr. Mahindra under the head income from business for the assessment year 2014-15.

3. a) Mr. Mahesh is the sales manager of Chakra Tyres Ltd. He provides the following information about his salary and investments made during the year ending 31st March, 2014.

Compute his total taxable income for the assessment year 2014-15.

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- i) Basic salary Rs. 44,000 per month.
- ii) He received a commission of 2% on the turnover of the company. The turnover of the company during the previous year 2013-14 was Rs. 25,80,000.
- iii) Arrears of salary received Rs. 15,000.
- iv) House Rent Allowance received Rs. 10,000 per month. He pays rent @ Rs. 12,000 per month.
- v) Education allowance received @ Rs. 300 per month per child for three children.
- vi) Medical insurance premium paid for self Rs. 10,000; wife Rs. 7,000 and dependent parents who are senior citizens Rs. 12,000.

- b) Mr. Doshi is an eminent lawyer of High Court. His receipts and payments account is given below :

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Receipts and Payments Account of Mr. Doshi for the year ending 31st March, 2014

Receipts	Amount	Payments	Amount
	(Rs.)		(Rs.)
To Balance b/d		By Salaries	75,000
Cash in Hand Rs. 600	600	By Telephones	
Cash with Bank Rs. <u>5,000</u>	5,600	expenses	8,500



To Professional Fees	5,40,900	By Conveyance	
To Gift from a client on		expenses	25,000
successfully completing		By Drawings	30,000
a legal complicated case	12,000	By Rent paid	24,000
		By Printing and	
		Stationery	12,000
		By Purchase of office	
		Computer	60,000
		By Donation to a local	
		Sports Club	2,000
		By Advance Income Tax	10,000
		By Balance c/d	
		Cash in hand	12,000
		Cash with	
		Bank	<u>3,00,000</u>
			3,12,000
	5,58,500		5,58,500

Additional Information :

- i) Depreciation allowable on office computer for income tax @ 10% per annum on straight line method.
- ii) Salaries include Rs. 5,000 paid to his daughter towards her admission in a new college.

Compute the taxable income of Mr. Doshi from Business or Profession for the assessment year 2014-15.

4. Answer the following : (4×5=20)
 - a) Define Gross Total Income as per Income Tax Act 1961.
 - b) Explain the 'Scope of total income' under the Income Tax Act, 1961.
 - c) What is the difference between Deduction and Exemption ?
 - d) Define the term perquisites and give four examples of non-taxable perquisites.
5. Answer the following : (4×5=20)
 - a) Explain the deduction on account of Family Pension U/s 57.
 - b) State the deductions available to an individual U/s 80E.
 - c) Discuss the tax liability of Arrears of Rent Received U/s 25B.
 - d) What are the incomes chargeable under the head "Profits and Gains of Business and Profession" ? (Give any five incomes).
6. Write short notes on : (4×5=20)
 - a) Deductions available to an individual U/s 80C.
 - b) Amounts not deductible U/s 58.
 - c) Apportionment of Income between spouses governed by the Portuguese civil code.
 - d) Deduction available for a self occupied house property.