

**B.Com. (Semester – V) Examination, October/November 2016**  
**Accounting Major 2 : INCOME TAX, SERVICE TAX AND GOA**  
**VALUE ADDED TAX – I**  
**(New Course)**

Duration : 2 Hours

Max. Marks : 80

- Instructions:** i) Question No. 1 is **compulsory**.  
 ii) Answer **any 3** questions from the **remaining** questions.  
 iii) Show important **working notes** as **fair work**.  
 iv) Figures to the **right** indicate **marks** allotted.

1. A) From the following information of Mr. Raman, compute his taxable income for the assessment year 2016-17 assuming that he is (i) Resident but Not ordinary resident and (ii) Non-Resident.

- 1) Remuneration for consultancy service in Japan of Rs. 1,00,000 but received in India.
- 2) Income from business in UAE received in Scotland Rs. 1,65,000. The business is however controlled from India.
- 3) Pension for services rendered in India but received in China Rs. 40,000.
- 4) Fee for technical services payable by Mr. Raghav, a resident in India, the payment relates to a business carried on in India Rs. 1,00,000. 5

- B) Mr. Romeo, an employee completed 27 years and 8 months of service with M/s Juliet Iron and Steel Ltd. and at the time of retirement on 1.1.2016, he received Rs. 3,30,000 as gratuity. His monthly salary on the date of retirement was Rs. 19,500. He was drawing Rs. 19,000 p.m. prior to July 2015. Find out the amount of taxable gratuity if Payment of Gratuity Act, 1972 applies. 5

- C) Mr. Gulati is engaged in the business of transportation of goods. On 1.4.2015 the W.D.V. of his various assets was as given below :

	Rs.
A) Office building (Rate of depreciation 10%)	9,20,000
B) Commercial vehicles (Rate of depreciation 30%)	30,90,000
C) Car (Rate of depreciation 15%)	2,10,000

During the year, he sold one of the commercial vehicles which was over the age of 15 years for Rs. 60,000. It was replaced by another vehicle at a cost of Rs. 9,00,000 on 1.11.2015. A new commercial vehicle was purchased on 1.1.2016 for Rs. 15,00,000. Calculate depreciation admissible for the previous year 2015-16.

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P.T.O.



D) Mr. Anand, a chartered accountant, practicing in Delhi provides services to his following clients :

	Audit fee charged Rs.
a) Service provided to PNB, Delhi	5,80,000
b) Services provided to J & K Bank in Srinagar	4,90,000
c) Service provided to other clients (located in Delhi & Haryana)	8,70,000
d) Service provided to International Monetary Fund	2,30,000

Compute the value of taxable service provided.

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2. Mr. Double furnishes the following information for the year ended 31.3.2016 and asks to compute his income from salaries for assessment year 2016-17.

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- 1) He is employed by X Ltd., as Managing Director and Y Ltd., as Technical Director.
- 2) The details of the amounts received for the year ended 31.03.2016 are as follows :

	X Ltd. Rs.	Y Ltd. Rs.
Basic salary (p.m)	20,000	5,000
Dearness Allowance as a percentage of basic	50%	60%
Commission as a percentage of basic	10%	20%
H.R.A.	8,000	—
Perquisite value of H.R.A.	6,000	—
Special Qualification Allowance	3,000	—
Telephone Allowance	—	200 p.m.
Conveyance Allowance	10,000	2,000
Actual conveyance expenditure	6,000	2,500
Children Hostel Allowance for one child @ Rs. 350 p.m.	—	4,200
Premium on health insurance	2,000	—
Premium on life insurance	—	1,500
Reimbursement of car expenses in respect of office use (Mr. A used his own car for office as well as personal use)	—	4,000
Cash award from the company for achieving highest sales	3,000	—
Reimbursement of medical treatment in a Govt. hospital	—	20,000
Value of sweat equity shares allotted by the company	20,000	—
Profession tax paid by the employer	50 p.m.	100 p.m.



3. Following is the receipt and payment account of Mr. Kalakar, a stage artist for the year ending 31.3.2016.

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/f	91,260	Travelling Expenses	1,14,000
Concert Receipts (local)	2,24,000	Motor car expenses	88,000
Receipts from film producers	78,000	Staff salaries	1,12,000
Receipts from Ad. companies	85,000	Staff welfare expenses	26,000
Royalty receipts from companies for records sold	40,000	Life Insurance Premium of Mrs. Kalakar	10,000
Amount received from LIC on maturity of LIC policy	36,000	Payment to accompanying artists for concert	38,000
Interest on Savings Bank Accounts	7,550	Audit Fees	14,000
Interest on Fixed Deposits with Banks	29,500	Membership Fees of Artist's Association	3,500
Concert receipts from tour to Varanasi	65,000	Entertainment expenses	2,000
		Rent of premises	60,000
		Purchases of musical instruments	24,000
		Balance c/f	1,64,810
	<b>6,56,310</b>		<b>6,56,310</b>

**Additional Information :**

- 1) Mr. Kalakar also trains disciples in his spare time and in the relevant year, he collected from his disciples Rs. 12,000 in cash which was utilized to meet household expenses.
  - 2) Travelling Expenses include cost of train tickets of his troupe for a concert in Pune.
  - 3) Only 3/4<sup>th</sup> of the premises are used for professional purposes.
  - 4) Received a gift of Sitar worth Rs. 21,000 from a friend for performing at his daughter's wedding ceremony.
  - 5) Depreciation allowable as per Income Tax Act :  
 Motor Car Rs. 7,500  
 Musical Instruments Rs. 13,650
- Compute his income from business for assessment year 2016-17.



4. Answer in short **any four** of the following in relation to Income Tax Act. (4x5=20)
- Definition of 'Gross Total Income'.
  - Definition of 'Company'.
  - Provisions for determining the residential status of HUF.
  - Exemption in relation to agricultural income u/s 10 (1).
  - Exemption in relation to income of minor child u/s 10 (32).
5. Answer in short **any four** of the following in relation to Income Tax Act. (4x5=20)
- Definition of 'Assessee'.
  - Provisions for persons governed by Portuguese Civil Law u/s 5A.
  - Exemption in relation to Educational Scholarships u/s 10(16).
  - Deduction for Profession Tax u/s 16(iii).
  - Computation of income on estimated basis u/s 44AE.
6. a) Answer the following in relation to Income Tax Act. (2x5=10)
- Basis of charge of salary income u/s 15.
  - Excessive or unreasonable expenditure u/s 40A(2).
- b) Answer the following in relation to Service Tax. (2x5=10)
- 'Reverse Charge' or 'Tax Shift' u/s 68(2).
  - Penalty for failure to pay service tax.