



LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

M.Com. DEGREE EXAMINATION - COMMERCE

SECOND SEMESTER – APRIL 2013

CO 2815 - DIRECT TAX PLANNING AND MANAGEMENT

Date : 26/04/2013
Time : 9:00 - 12:00

Dept. No.

Max. : 100 Marks

SECTION – A Answer ALL questions (10 x 2 = 20)

1. Define the term 'Assessment Year' as per the Income Tax Act.
2. When is income from house property not charged to tax?
3. Is Tax Avoidance acceptable under the Income Tax Act? Explain.
4. Why is cost of acquisition indexed under the 'Capital Gains'?
5. What do you mean by 'Income Escaping Assessment'?
6. Mr. X, an Indian citizen leaves India for the first time on 31st May 2007 and comes back on 15th May 2010. He again leaves India on 10th June 2011 to come back on 14th January 2012. He is living in India since then. *Determine his residential status for the previous year 2011-12.*
7. The Government College Co-operative society Ltd. has the following incomes during the year, from which *compute the total income of society.*
 - (a) income from college canteen and mess Rs.20,000
 - (b) income from college book shop Rs.8,000
 - (c) interest on securities (gross) Rs.8,000
 - (d) income from house property (computed) Rs.5,000
 - (e) dividend on shares of another cooperative society Rs.13,000
8. Total income of Mrs. X for the assessment year 2012-13 is Rs.10,76,500 which includes long term capital gain of Rs.7,30,000 and lottery prize of Rs.1,00,000 (out of which tax deducted at source is Rs.30,000). *Calculate her tax liability for the assessment year 2012-13.*
9. *Compute the tax liability of Mr. A.* His non-agricultural income is RS. 1,92,000 and Net agricultural income is Rs. 50,000 for the assessment year 2012-13.
10. Mr. S, an individual converted his self-acquired property amounting Rs.60,000 into HUF property on 1-6-94. The HUF consists of himself, his wife, a major son and a minor son. The HUF earned an income of Rs.1,00,000 from other sources. The income from the property converted into HUF property is Rs.12,000 and his wife and minor son are entitled to a share in it. *Compute the total income of HUF and total income of Mr. S if Mr. S has Rs.15,000 as his individual income.*

SECTION – B Answer any five questions (5 x 8 = 40)

11. Write note on the powers of Central Board of Direct Taxes.
12. Bring out the unique features of deduction for medical insurance premium u/s 80 D.
13. Give a brief account of the instalments of Advance Tax and the due dates (a) For company Assessee and (b) For all other Assesseees.
14. What are the conditions under which a charitable trust can claim exemptions?
15. From the particulars given below *compute the total income* of Mr. X for the assessment year 2012-13:
- income from profession Rs.86,500
 - income of minor son (singing is his profession) Rs.12,000
 - winings from lotter: ticket pourchased on the name of Mr.X's minor daughter 6,800
 - Mr. X's father gifter debentures in an Indian company to Mr.X's minor son and company paid gross interest Rs.,6,650
 - Mr. X's wife is a government servent and her income computed under the head salaries 56,000
 - interest on debentures purchased by Mr.X but gifted to Mr. X 18,000

16. The following are the particulars of income / loss of Mr. A. You are required *to set-off losses and carry forward and set off* where necessary:

	Assessment year 2011-12	Assessment year 2012-13
Income from salary (computed)	15,000	15,000
Income from interest on securities (gross)	5,000	5,000
Loss from business	53,000	15,000
Short term capital gain	8,000	---
Long term capital gain (land)	21,000	----

17. Sri. B furnished the following particulars of his investments for the previous year, from which *compute his taxable income under 'other sources'*:
- Rs.45,000 in Fixed Deposit account with Allahabad Bank on which interest at 9% is payable;
 - 12%, Rs.40,000 Debentures (listed) of Tea Company;
 - Rs.2,000 interest received on National Development Bonds;
 - Rs.1,000 interest received on the debentures of a cooperative society;
 - 10%, U.P. State Electricity Board Bonds Rs.20,000;
 - Rs.36,000, 10% Tax free debentures of Agra Municipal Corporation. Interest being payable on 31st December;
 - Rs.900 received by an account payee cheque as interest on debentures (listed) of a company in which public are substantially interested; He collected the entire interest himself and claimed Rs.200 as his own fees for collection of interest;
18. From the following information, *compute taxable income under the head 'salaries'* of Mr. X for the assessment year 2012-13:
- Salary Rs.8,000 pm;
 Arrears of salary Rs.4,000
 Dearness allowance Rs.2,000
 Employer is paying insurance premium of Rs.10,000 pa. for the policy of Mr.X
 Bonus received Rs.15,000

City compensatory allowance Rs.1,000 pm;
 Medical expenses paid by employer Rs.6,000
 He contributes 15% of his salary to RPF and his employer contributes the same.

SECTION – C **Answer any TWO questions** **(2 x 20 = 40)**

- 19.** Mr. Hemant furnishes the following particulars of his income for the previous year ending 31-3-2012:
 (A) He owned two flats in Delhi, one of which has been let out at an annual rent of Rs.60,000. The other house is self occupied. The particulars relating to both the flat are as follows:

	Let out flat	Self occupied flat
Municipal value	48,000	72,000
Interest on money borrowed for construction of flats	6,000	7,000
Interest paid on mortgage for daughter's marriage	2,000	-----
Municipal taxes	4,000	5,000

- (B) He had purchased a plot in Delhi for construction of house in October, 2001 (CII = 426) for Rs.90,000. He sold this plot for Rs.2,50,000 during the current year (CII = 785) and incurred the following expenses on transfer of the plot:

Advertising Rs.600
 Brokerage Rs.5,000

- (C) He deposited Rs.3,000 in his PPF account during the year and gave the following donations:
 (a) To Technology Development and Application Fund Rs.1,000;
 (b) To Rajiv Gandhi Foundation Rs.2,000;

Calculate his total income for the assessment year 2012-13.

- 20.** Mr. M and Mr. K are partners in a firm who share profits and losses in the ratio of 3:2. The profit and loss account of the firm for the year ended 31st March 2012, as follows:

To opening stock	6,00,000	By sales	64,00,000
Purchases	32,00,000	Closing stock	4,00,000
Office salaries	10,00,000	Rent from House property	48,000
General expenses	5,00,000	Winning from horse races	1,40,000
Donation to national fund	2,00,000		
To interest on capital at 16% p.a.			
- Mr. M	40,000		
- Mr. K	32,000		
To salary			
- Mr. M	1,44,000		
- Mr. K	1,20,000		
Income Tax	4,00,000		

Net profit	7,52,000		
	69,88,000		69,88,000

Additional information –

- (a) Closing stock undervalued by 20%;
- (b) General expenses include –
 - (i) Demurrage charges paid to railways Rs.10,000;
 - (ii) LIC premium - Mr. M Rs.20,000 and Mr. K Rs.17,000;
- (c) The firm is to be assessed under section 184. The salary, interest on capital to partners have been paid as per deed;

Calculate –

- (i) *Total income and tax liability of firm*
- (ii) *Individual income of each partner.*

21. An Indian company carries on business in motor transportation. Its profit and loss account for the previous year 2011-12 shows a net profit of Rs.5,61,300. *Find out total income and tax liability of the company* after taking into consideration the following particulars:

- (a) The profit and loss account was debited with following expenses:
Rs.4,50,000 as depreciation;
Rs.56,250 as bad debts reserve;
Rs.15,000 spent to obtain a new license and the company was able to get it;

The engine of a very old bus was replaced by a new one by spending Rs.75,000.

Mr. X a retiring director, was paid Rs.80,000 as gratuity in appreciation of his services. In the past, the company never paid such a gratuity to any of its retiring directors and even the service conditions did not provide for the payment of such gratuity.

- (b) The profit and loss account was found credited with following incomes:
Agricultural receipts of Rs.75,000;
Rs.12,000 as interest from an Indian company on its debentures (gross);
- (c) Capital gain on sale of Motor car Rs.25,000 (short term);
- (d) As per the rates applicable in the current year, the amount of depreciation comes to Rs.3,00,000;
- (e) The book profit of the company under section 115 JB Rs.24,00,000.