

Roll No. ....

**BBA-503(N)**

**B. B. A. (Fifth Semester)  
EXAMINATION, Dec., 2014**

(New Course)

Paper Third

**INCOME TAX LAWS AND ACCOUNTING**

*Time : Three Hours ]*

*[ Maximum Marks : 70*

**Note :** Attempt *five* questions in all. Question No. 1 in Section A compulsory which carries 30 marks. Attempt four more questions selecting *two* questions each from Section B and Section C. All questions in Section B and Section C carry 10 marks each.

**Section—A**

1. Attempt all the following questions. Each question carries 3 marks.
  - (a) Define assessment year and previous year as per Income Tax Act, 1961.
  - (b) Explain the provisions relating to casual income.
  - (c) How will you calculate taxable house rent allowance and house rent allowance exempted from tax ?

T-113

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- (d) What are the notified securities, bonds or certificates the interest and premium on redemption of which is exempted from tax ?
- (e) Discuss the provisions regarding pension and commuted pension.
- (f) What are the deductions allowed from annual value of house property while computing taxable income from house property ?
- (g) Name at least *five* items which can be included under the head "Income from other sources".
- (h) Explain the provisions regarding set off and carry forward of long-term capital losses and short-term capital losses.
- (i) How are gross total income and total income of an individual computed ?
- (j) Explain unabsorbed depreciation and block of assets.

#### Section—B

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

2. How will you determine residence of an assessee as per Income Tax Act, 1961 ? What is the incidence of tax on total income on the basis of residence ?
3. Distinguish between tax planning, tax avoidance and tax evasion. What are the benefits of tax planning ?
4. Explain any *ten* incomes which are exempted from tax.

Or

Shri A. K. Arjupal Singh has the following incomes for the previous year ending on 31st March, 2014 :

	₹
1. Income from salary in India from a company (He went to Australia for some months due to his service and received salary for such period there)	50,000
2. Dividend (gross) 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. (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 and (iii) Non-Resident.

5. The following particulars relate to the income of Sri Rohit Saxena for the previous year 2013-14.

He is employed in a cotton textile mill at Bangalore on a monthly salary of ₹ 25,000. He is also entitled to a commission @ 1% of sales effected by him. The sale effected by him during the previous year amounted to ₹ 40,00,000. He received the following allowances and perquisites during the previous year :

- (i) Dearness pay @ ₹ 6,000 per month.
- (ii) Bonus @ two months basic salary.
- (iii) Entertainment allowance @ ₹ 2,000 per month.
- (iv) House Rent Allowance @ ₹ 5,000 per month.
- (v) The employer paid ₹ 10,000 towards the income-tax liability of Sri Rohit Saxena.
- (vi) The employer provided him L. T. C. of ₹ 35,000 for going to Simla.
- (vii) He has also been provided with gas, electricity and water facility and employer spent ₹15,000 on these.
- (viii) The employer gave him cotton worth ₹ 1,000 free of cost.
- (ix) He and his employer both contributed 15% of his salary to his recognised provident fund and interest

credited to this fund @ 9% amounted to ₹ 30,000 during the previous year.

(x) He spent ₹ 6,000 per month as rent of the house occupied by him in Bangalore.

Compute his taxable income under the head 'salaries' for the assessment year 2014-15.

#### Section—C

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

6. What are the various provident funds of which a salaried employee can become member ? Explain the provisions of Income Tax Act, 1961 relating to them.
7. What are the capital gains exempted from Tax ? Explain.
8. Write short notes on any *two* of the following :

(i) Setoff of losses

(ii) Annual value

(iii) Perquisites

(iv) Donations by assessee

Or

Mr. T. K. Mehta is the owner of a house property in Delhi. It has been let out for ₹ 90,000 p. a. The municipal tax payable by the owner comes to ₹ 10,000 but the landlord has taken an agreement from the tenant stating that the tenant would pay the tax direct to the municipality. The landlord, however,

[ 6 ]

BBA-503(N)

bears the following expenses on tenant's amenities under an agreement :

Water charges	₹	1,000
Lift maintenance		1,000
Lighting of stairs		800
Gardener's salary		1,200

The landlord claims the following deductions :

Repairs	30,000
Land Revenue	1,000
Collection charges	2,000

Legal expenses incurred in connection with the purchase of land on which the house is built

24,000

Compute the taxable income from house property for the A. Y. 2014-15.

9. The investments of Mr. D. S. Kapoor on 1st April, 2013 were as given below :

- ₹ 20,000, 10% U. P. Govt. Loan.
- ₹ 12,500, 10% Improvement Trust Debentures purchased at par on 1st Nov., 2012.
- ₹ 7,500, 10% Debentures of a Jute Mill Company.
- ₹ 1,000 Interest on Debentures of a Co-operative Society.

[ 7 ]

BBA-503(N)

On 1st October, 2013 he sold his Improvement Trust Debentures for ₹ 11,625 and purchased ₹ 20,000, 12% Port Trust Bonds, for which he took a loan of ₹ 10,000 @ 15% per annum. The bank commission for buying and selling securities was 1% on face value and for collecting interest ₹ 20. During the year he inherited ₹ 5,000, 12% Mumbai Govt. Loan from his father who died on 1st December, 2013. Such interest being payable in each cash on 1st January and 1st July. Find out his income under the heads 'Capital Gains' and 'Income from Other Sources' for the assessment year 2014-15.

BBA-503(N)

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