

C 60001-A

(Pages : 4)

Name.....

Reg. No.....

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

B.Com.

BCM 6B 12—INCOME TAX LAW AND PRACTICE

(Multiple Choice Questions for SDE Candidates)

Time : 15 Minutes

Total No. of Questions : 20

Maximum : 20 Marks

INSTRUCTIONS TO THE CANDIDATE

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

BCM 6B 12—INCOME TAX LAW AND PRACTICE

(Multiple Choice Questions for SDE Candidates)

1. _____ is /are empowered to levy and collect income tax.
 - (A) State Governments
 - (B) Central Government.
 - (C) RBI.
 - (D) Local self government department.
2. Income Tax Act was passed in the year _____.
 - (A) 1955.
 - (B) 1961.
 - (C) 1956.
 - (D) 1962.
3. Previous year started from _____.
 - (A) April.
 - (B) March.
 - (C) January.
 - (D) September.
4. Income tax is a _____.
 - (A) Business tax.
 - (B) Profession tax.
 - (C) Direct tax.
 - (D) Indirect tax.
5. A person is said to be a non-resident when he is _____.
 - (A) Not fulfilling any one of the basic conditions.
 - (B) Fulfilling only basic conditions.
 - (C) Fulfilling only additional conditions.
 - (D) Fulfilling both basic and additional conditions.
6. Who is assessee in case of a HUF ?
 - (A) Father.
 - (B) Spouse.
 - (C) Karta.
 - (D) Deemed Karta.
7. Salary paid by an Indian company to its employees working in one of its branches outside India is _____.
 - (A) Salary accruing outside India.
 - (B) Salary deemed to accrue in India.
 - (C) Salary accruing outside India.
 - (D) None of these.

8. Income accrued in India is taxable in the hands of _____.
- (A) Non-resident only.
 - (B) Resident and not ordinarily resident only.
 - (C) All assesseees.
 - (D) Resident and ordinarily resident only.
9. Past untaxed income brought to India is taxable in the hands of _____.
- (A) Resident and not ordinarily resident.
 - (B) Resident and ordinarily resident.
 - (C) Non-resident.
 - (D) None of these.
10. Incomes on which Income tax is not charged are called _____.
- (A) Exceptional incomes.
 - (B) Privileged incomes.
 - (C) Exempted incomes.
 - (D) None of the above.
11. Incomes absolutely exempt from Tax are listed under _____.
- (A) Sec. 2.
 - (B) Sec. 10.
 - (C) Sec. 38.
 - (D) Sec. 80 C.
12. Under valuation of opening stock is _____.
- (A) Deducted from net profit.
 - (B) Added to net profit.
 - (C) Credited to Profit and Loss Account.
 - (D) None of these.
13. Gifts from clients are _____.
- (A) Professional income.
 - (B) Income from other sources.
 - (C) Non-taxable item.
 - (D) None of these.
14. Repairs incurred before installation of an assets is _____.
- (A) Capital expenditure.
 - (B) Revenue expenditure.
 - (C) Non-business expenditure.
 - (D) None of these.

Turn over

15. If a depreciable asset is acquired and used for less than 180 days in a financial year, depreciation allowed on it is _____.
- (A) Normal Rate. (B) 50% of Normal Rate.
(C) Nil. (D) None of these.
16. Rate of depreciation on residential building is _____.
- (A) 5 %. (B) 10 %.
(C) 15 %. (D) 20 %.
17. Additional depreciation is allowed at half the rate, if the asset is used in the initial year for _____.
- (A) 195 days. (B) 199 days.
(C) 360 days. (D) Less than 180 days.
18. Income from sale of rural Agricultural land is _____.
- (A) Taxable capital gain. (B) Exempted capital gain.
(C) Taxable income. (D) None of these.
19. What is the time limit for holding of a Financial Asset, to be called Short Term Capital Asset ?
- (A) Not more than 6 months. (B) Not more than 12 months.
(C) Not more than 24 months. (D) Not more than 36 months.
20. To be a longterm capital asset, a non-financial asset should be held more than _____.
- (A) 12 months. (B) 24 months.
(C) 36 months. (D) 60 months.

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, MARCH 2019

(CUCBCSS)

B.Com.

BCM 6B 12—INCOME TAX LAW AND PRACTICE

Time : Three Hours.

Maximum : 80 Marks

Part I*Answer all questions.**Each question carries 1 mark.*

Choose the most appropriate answer from the following :

- 1 Education cess of 3 % is calculated on ———.
 - (a) Total income.
 - (b) Gross total Income.
 - (c) Income tax.
 - (d) Income tax plus surcharge.
- 2 The Income Tax Act 1961 defines term 'Previous Year' as per ———.
 - (a) Sec. 2 (24).
 - (b) Sec. 2 (30).
 - (c) Sec. 2 (31).
 - (d) Sec. 3.
- 3 An employee in receipt of education allowance for his three children, the maximum annual allowance exempt under Sec.10 (14) is Rs. ———.
 - (a) 1,800.
 - (b) 2,000.
 - (c) 2,400.
 - (d) 3,000.
- 4 The income tax exemption limit in case of firm is Rs. ———.
 - (a) 2,50,000.
 - (b) 3,00,000.
 - (c) 5,00,000.
 - (d) Nil.
- 5 Preliminary expenses incurred in case of a company are allowed deduction in ———.
 - (a) Ten equal instalments.
 - (b) Five equal instalments.
 - (c) Four equal instalments.
 - (d) Fully in a year.

Turn over

- 6 The rate of tax applicable to the highest slab of income of an individual, AOP or BOI is called _____.
- 7 Cost of treatment in private hospital upto Rs. _____ is tax-free perquisite.
- 8 In case of self occupied house the maximum amount of interest deductible is _____.
- 9 The rate of depreciation applicable to intangible assets such as goodwill, patent, copy right, etc. is _____.
- 10 Person with disability can claim deduction from Gross Total Income under Sec. _____.

(10 × 1 = 10 marks)

Part II

*Answer any **eight** questions.
Each question carries 2 marks.*

- 11 What is assessment year ?
- 12 What is total income ?
- 13 Who is an assessee in default ?
- 14 What is income deemed to be received ?
- 15 What is short term capital gain ?
- 16 State the deductions in computing income from house property under Sec. 23 of IT Act 1961.
- 17 State any *two* items of expenditure which are expressly disallowed in computing business income.
- 18 What do you mean by bond washing transactions ?
- 19 State any *four* items which are deductible under Sec. 80 C of Income Tax Act ?
- 20 What is block of assets ?

(8 × 2 = 16 marks)

Part III

*Answer any **six** questions.
Each question carries 4 marks.*

- 21 Explain Profits in lieu of salary.
- 22 State the incomes exempted under the Income from House Property.
- 23 Explain the provisions of Income Tax Act, 1961 regarding Expenditure on scientific research in computing income from business.
- 24 Mr. X a citizen of U.K. came to India for the first time on 1.5.2010. He stayed here without any break for 3 years and left for Bangladesh on 1.5.2013. He returned to India on 1.4.2014 and went back to U.K. on 1.12.2014. He was posted back to India on 20.1.2017. Determine his residential status for the Assessment Year 2017-18.

25 Compute income from house property from the following information :—

| | Rs. |
|--|----------------|
| Fair rent | ... 72,000 |
| Let out | ... 7,000 p.m. |
| Standard rent | ... 60,000 |
| Municipal tax paid during the previous year @ 20 % of M.V. : | |
| for the Previous Year 2015-16 | ... 10,000 |
| for the Previous Year 2016-17 | ... 10,000 |

Other information :

- (a) House remained vacant for two months during the previous year.
- (b) Expenditure incurred on collecting unrealised rent Rs. 5,000.

26 Books of Sunrise Ltd. disclosed the following details :

| | Rs. |
|--|--------------|
| W.D.V. of Plant and Machinery on 1.4.2016 | ... 1,00,000 |
| Cost of new machinery purchased for production of articles on 1.1.2017 and put to use | ... 60,000 |
| W.D.V. of machinery sold on 1.2.2017 | ... 30,000 |
| Amount received on machinery sold on 1.2,2017 | ... 40,000 |

Calculate chargeable depreciation of Plant and Machinery for the Assessment Year 2017-18.

27 Mr. Abhilash has the following investment during the Previous Year 2016-17 :

- (a) Rs. 4,00,000—10 % Tax-free debentures of a company listed on a recognised stock exchange in India.
- (b) Rs. 1,60,000—9 % Tax-free commercial securities.
- (c) Rs. 20,000—9 % Port trust bonds.
- (d) Rs. 30,000—10 % Municipal debentures.
- (e) Rs.1,60,000—12% Debentures of a public limited company (not listed).

For the purpose of purchasing securities mentioned above, he took a loan of Rs.1,00,000 and paid an interest of Rs.10,000 on it.

Find out the income from interest on securities.

Turn over

- 28 Mr. X paid health insurance premium to GIC on his health Rs. 1,00,000 and his spouse Rs. 15,000 during the year 2016-17 :

He also paid health insurance premium of Rs. 35,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made in cash.

Compute the amount of deduction under Section 80 D from his GTI.

(6 × 4 = 24 marks)

Part IV

*Answer any two questions.
Each question carries 15 marks.*

- 29 Explain the scope of total income on the basis of residential status.
- 30 Mr. Thomas is working in a limited company on a salary of Rs. 8,000 per month. The following details are also available :
- The company has provided him with a rent-free house at Delhi. It has also provided him necessary furniture costing Rs.16,000.
 - He is getting Rs. 3,000 p.m. as entertainment allowance. The electricity bills are also paid by the company which averaged Rs. 500 p.m.
 - The company also provided him a gardener paying a salary of Rs. 1,000 p.m.
 - The company has given a large car along with a chauffeur for official and private purposes. However the company meets the running expenses of the car.
 - He was also provided free lunch in office on 300 working days costing Rs. 21,000.
 - He contributes 12 % of his salary to a recognised provident fund and the company also contributes equal share. The amount of interest credited to his Provident Fund Account @ 8.5 % for the previous year was Rs.10,000.
 - He was given a laptop for his personal use, the cost of which was Rs. 40,000.
 - The company contributed Rs. 3,000 for him under the staff group insurance scheme.
 - Professional tax paid by the company on behalf of him Rs. 1,500.

Compute taxable income from salary for the Assessment Year 2017-18.

- 31 Mr. Anil sold a house for Rs. 20 lakh on 1st November 2016. The house was constructed by him in 1980 at a cost of Rs. 1.2 lakh and used for own residence. Besides, he has two more houses. On 1st February 2017 he invested Rs. 2,00,000 to qualified bonds of NHAI. After construction he spent Rs. 14,000 in 1986-87 on 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 1981 the market value of the house was Rs. 1,40,000.

Cost inflation index for 1981-82 is 100, 1986-87 is 140 and 2016-17 is 1,125.

(2 × 15 = 30 marks)