VI Semester B.B.A. Examination, May/June 2018
(CBCS) (F+R) (2016-17 and Onwards)
BUSINESS ADMINISTRATION
Paper – 6.3 : Income Tax

Time : 3 Hours
Max. Marks : 70

Instruction : Answer should be written in English only.

PART – A

1. Answer any 5 sub-questions. Each sub-question carries 2 marks. (5x2=10)
   a) What is capital gain?
   b) Give the meaning of bond washing transaction.
   c) What is Annual value of the property?
   d) Who is an assessee in default?
   e) State any two allowances which are taxable.
   f) State any 2 cannons of taxation.
   g) What is agricultural income?

PART – B

Answer any three questions. Each question carries six marks. (3x6=18)

2. Mrs. Uma Maheshwari comes to India for the first time on 1-10-2016. On 1-10-2016 she joins ITC Ltd. on a monthly salary of Rs. 25,000. On 15-10-2016 she starts a wholesale merchant business and earns Rs. 10,000 p.m. Determine the residential status of Mr. Uma Maheshwari for the A.Y. 2017-18.

3. Mr. Gopal is drawing Rs. 90,000 p.m. as salary plus 10% of his salary as D.A. He is getting EA of Rs. 1,000 p.m. He has spent Rs. 5,000 on entertainment of the company’s customers. He is provided with a rent-free unfurnished house at Allahabad of the FRV of Rs. 20,000 p.m. The house is owned by the company. He is also provided with a small car for his personal and official use and all the expenses of its maintenance and running are met by the company. Find out his taxable salary for the A.Y. 2017-18.

P.T.O.
4. Mr. Suresh owns a house property in Mumbai. From the following particulars compute the income from house property for the A/Y 2017-18.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual rent per month</td>
<td>15,000</td>
</tr>
<tr>
<td>Municipal value</td>
<td>1,60,000</td>
</tr>
<tr>
<td>Fair rental value</td>
<td>1,65,000</td>
</tr>
<tr>
<td>Municipal tax paid</td>
<td>15,000</td>
</tr>
<tr>
<td>Expenses on repairs</td>
<td>8,000</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>2,500</td>
</tr>
<tr>
<td>Collection charges</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Suresh has borrowed a sum of Rs. 1,20,000 @ 12.5% p.a.

5. The net profit of Mr. Sulaiman of Sulia as per his P/L A/c for the year ended 31-3-2017 after charging the following item was Rs. 2,40,000.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on capital</td>
<td>20,000</td>
</tr>
<tr>
<td>Salary to staff</td>
<td>1,16,000</td>
</tr>
<tr>
<td>Office expenses</td>
<td>3,000</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>13,000</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>10,000</td>
</tr>
<tr>
<td>Provision for income tax</td>
<td>16,000</td>
</tr>
<tr>
<td>Donation</td>
<td>10,000</td>
</tr>
<tr>
<td>Depreciation allowable as per the Act</td>
<td>12,000</td>
</tr>
</tbody>
</table>

Compute income from business for the A/Y 2017-18.

6. Mr. Mallanna a production manager of an industrial unit of a company in Chennai. The particulars of his salary income are as under:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic salary</td>
<td>15,000 p.m.</td>
</tr>
<tr>
<td>Dearness allowance</td>
<td>5,000 p.m.</td>
</tr>
</tbody>
</table>

(Given under terms of employment)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment allowance</td>
<td>1,000 p.m.</td>
</tr>
<tr>
<td>Medical allowance</td>
<td>500 p.m.</td>
</tr>
<tr>
<td>HRA</td>
<td>4,000 p.m.</td>
</tr>
<tr>
<td>Rent paid for the house</td>
<td>5,000 p.m.</td>
</tr>
</tbody>
</table>

Car of 1.2 Litre capacity provided by employer for private and official use. Employer meets expenses of car. He and his employer (each) contribute 15% of salary to RPF. Compute income under the head salary.
PART - C

Answer any three from the following. Each question carries 14 marks. \((3 \times 14 = 42)\)

7. What is perquisites? Explain any ten perquisites which are fully tax-free.

8. Sairam, a foreign national, furnishes the following particulars of his income relevant for the A.Y. 2017-18.
   a) Income from property in New York received there Rs. 1,20,000.
   b) Income from business in Kolkata managed from Singapore Rs. 2,40,000.
   c) Profit on sale of machinery in California (one-half received in Kolkata) Rs. 90,000.
   d) Dividend received in Thailand from a company registered in India but mainly operating in Thailand Rs. 15,000.
   e) Income from house property in Dhaka deposited by the tenant there in a foreign branch of SBI Rs. 36,000.
   f) Gift in foreign currency Rs. 3,50,000 from a relative (one-half received in India) and the balance used in New York.
   g) Income from agriculture in Myanmar Rs. 45,000 received there,
      \(\frac{1}{3}\) used while visiting there and \(\frac{2}{3}\) remitted later to Kolkata.
   h) Income from profession as a management consultant in Philippines received there. The profession set up in India Rs. 2,20,000.

Compute his total income in Sairam is:
   a) A resident  \quad b) Not ordinary resident  \quad c) Non-resident.

   Basic salary Rs. 50,000 p.m.
   Bonus 2 months basic salary.
   Contribution to RPF @ 15\% of salary (both employers and employee)
   Commission on sales @ 7.5\% on total sales of Rs. 25,00,000.
   Arrears salary Rs. 4,50,357.
   Fixed medical allowance 5,000 p.m.
   Warden and Proctor allowance Rs. 8,000 p.m.
   Entertainment allowance Rs. 1,000 p.m.
   Children education allowance @ Rs. 500 per child for three children.
   Facility of big car along with the driver both for office and for personal use.

Other particulars are:
   1) Contribution to LIC Rs. 2,000 as premium as whole life policy.
   2) Med. claim insurance premium paid Rs. 35,000.
   3) Contribution to Zilla Saksaratha Samithi Rs. 50,000.
   4) Professional tax paid during the year 200 p.m.
10. Mr. Urs is the owner of 3 houses. Compute his income from house property for the A.Y. 2017-18.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>$H_1$</th>
<th>$H_2$</th>
<th>$H_3$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal value</td>
<td>1,80,000</td>
<td>2,40,000</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Fair rent p.m.</td>
<td>16,000</td>
<td>22,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Standard rent</td>
<td>2,00,000</td>
<td>3,00,000</td>
<td>3,50,000</td>
</tr>
<tr>
<td>Actual rent p.m.</td>
<td>20,000</td>
<td>22,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Municipal tax (10%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(50% paid by the tenant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(of municipal value)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair charges</td>
<td>5,000</td>
<td>10,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Collection charges</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
</tr>
<tr>
<td>FIP</td>
<td>2,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Interest on loan for constr.</td>
<td>12,000</td>
<td>18,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

11. From the P/L A/c for the relevant A/Y compute Income from business of Sri Babu.

<table>
<thead>
<tr>
<th>To Salaries</th>
<th>Rs.</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Salaries</td>
<td>88,000</td>
<td>By Gross profit</td>
</tr>
<tr>
<td>Rent</td>
<td>42,000</td>
<td>&quot; Sundry receipts</td>
</tr>
<tr>
<td>Gen. expenses</td>
<td>20,000</td>
<td>&quot; Dividends</td>
</tr>
<tr>
<td>Advertisement</td>
<td>25,000</td>
<td>&quot; Commission</td>
</tr>
<tr>
<td>Legal expenses</td>
<td>15,000</td>
<td>&quot; Bad debts recovered</td>
</tr>
<tr>
<td>Sales-tax</td>
<td>10,000</td>
<td>(allowed earlier)</td>
</tr>
<tr>
<td>Wealth tax</td>
<td>20,000</td>
<td>&quot; Rent of building let-out</td>
</tr>
<tr>
<td>Telephone expenses</td>
<td>12,000</td>
<td>&quot; Gratuity paid</td>
</tr>
<tr>
<td>Gratuities paid</td>
<td>30,000</td>
<td>&quot; Provision for bad debts</td>
</tr>
<tr>
<td>Advance income tax</td>
<td>20,000</td>
<td>&quot; Depreciation</td>
</tr>
<tr>
<td>&quot; Office expenses</td>
<td>12,000</td>
<td>&quot; Municipal taxes of property let-out</td>
</tr>
<tr>
<td>&quot; Contribution to employees PF</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>N/P</td>
<td>1,66,000</td>
<td>5,24,000</td>
</tr>
</tbody>
</table>

Adjustments:
1) Legal expenses were found to have been incurred for the registration of a business asset.
2) Advertisement expenses were paid in cash.
3) Allowable depreciation as per I.T. rules Rs. 46,000.
VI Semester B.B.M. Examination, May/June 2018
(Semester Scheme)
(Repeaters) (2014 – 15 & Onwards)
BUSINESS MANAGEMENT
Income Tax

Time : 3 Hours  Max. Marks : 100

Instruction : Answers should be written in English only.

SECTION – A

1. Answer any eight sub-questions. Each sub-question carries 2 marks. (8×2=16)
   a) Define the term Income.
   b) What is meant by direct tax ?
   c) Who is a deemed assessee ?
   d) List any four deductions U/S 80 C.
   e) Expand CBDT.
   f) What are the different heads of Income ?
   g) What is long term capital asset ?
   h) Who is an assessee in default ?
   i) State any two taxable allowances.
   j) What are capital expenses ? Give example.

SECTION – B

Answer any three questions. Each question carries eight marks. (3×8=24)

2. Miss Kavitha who was born and bought up in India. Went for further studies to Australia on 1st March 2015 and came back to India on 1st October 2016 early in the morning. What is her residential status for the Assessment Year 2017-18 ?

P.T.O.
3. Mr. Singh works as a manager of a company. He retires on 30th June 2016 after rendering 38 years of continuous service. He received a gratuity of ₹3,20,000 in August 2016. His salary was ₹8,000 per month for the year 2015 – 16. And from 1st April 2016 onwards he has received ₹8,600 p.m. Compute his taxable gratuity for the Assessment Year 2017 – 18.

4. Mr. Rajesh resides in Chennai during the P.Y. 2016-17. He gets 12,000 rupees per annum as basic salary. He gets 20% DA on basic salary (enter in to retirement benefits). He also received a commission of ₹15,000 (calculated at 2% on turnover achieved by him). He received HRA of Rs. 11,800 p.a. But rent paid in Rs. 14,800 p.a. Calculate taxable HRA for the A.Y 2017 – 18.

5. From the following, compute annual value of House Property for the A.Y. 2017 – 18.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal value</td>
<td>30,000</td>
</tr>
<tr>
<td>Fair rental value</td>
<td>36,000</td>
</tr>
<tr>
<td>Standard Rent</td>
<td>30,000</td>
</tr>
<tr>
<td>Actual rent received</td>
<td>32,000</td>
</tr>
</tbody>
</table>

Municipal tax paid by the owner at 20% on Municipal value. Fire insurance paid 2,000 rupees.

**SECTION – C**

Answer Question No. 10 and 3 from the **remaining** questions. Each question carries 15 marks.

6. Rekha furnishes the following details of her income for the previous year 2016 – 17.

   a) Income from agriculture in Kerala received in Mumbai Rs. 20,000.
   b) Profit from sale of land in India received in Pakistan Rs. 25,000.
   c) Income accrued in Bengaluru but received in Singapore Rs. 16,000.
   d) Income from self grown grass Rs. 10,000 in Doddaballapura.
e) Profit from business in Sri Lanka deposited in a bank there, the business is controlled from India Rs. 15,000.

f) Profit from business in Nepal received in India Rs. 5,000.

g) Profit from business in England received there Rs. 10,000.

h) Agricultural Income in India Rs. 12,000.

i) Income from House property situated in U.K. Rs. 10,000.

j) Profit from Delhi business Rs. 12,000.

Compute gross total income of Ms. Rekha for the Assessment Year 2017-18 if she is

1) Resident
2) Not ordinarily Resident
3) Non resident.

7. Mr. Praveen owns 2 houses in Bengaluru. Compute his income from House Property for the Assessment Year 2017 – 18.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>House I</th>
<th>House II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Rent</td>
<td>38,000</td>
<td>–</td>
</tr>
<tr>
<td>Municipal value</td>
<td>40,000</td>
<td>1,30,000</td>
</tr>
<tr>
<td>Actual Rent</td>
<td>4,000 p.m.</td>
<td>12,000 p.m.</td>
</tr>
<tr>
<td>Fair Rental value</td>
<td>36,000</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Municipal Tax</td>
<td>10% of Municipal Value</td>
<td>10% of Municipal value</td>
</tr>
<tr>
<td>Repairs</td>
<td>4,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Ground Rent</td>
<td>–</td>
<td>4,000</td>
</tr>
</tbody>
</table>
8. Miss Radha who is working in ABC Co. gives the following particulars:
   a) Basic Salary ₹ 16,000 p.m.
   b) DA ₹ 1,000 p.m. (60% enters into retirement benefits).
   c) HRA ₹ 5,000 p.m. (Rent paid in Bengaluru is ₹ 7,000).
   d) Conveyance allowance ₹ 800 p.m. (₹ 600 used for official purpose)
   e) CCA ₹ 150 p.m.
   f) Motor car of 1600 CC with driver provided used partly for official and personal purpose.
   g) Payment of her LIC premium by the Company Rs. 8,000.
   h) Children education allowance of ₹ 200 p.m. each for 2 children.
   i) She contributes 14% of her salary to RPF and the company makes equal contribution. Interest credited to RPF is ₹ 6,875 @ 12.5%.

Compute her income from salary for Assessment Year 2017 – 18.

9. Mr. Manjunath is a leading advocate, who maintains books of accounts on cash basis. He furnished the following Receipts and Payments Account for the year ended 31st March 2017.

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Rs.</th>
<th>Payments</th>
<th>Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Balance b/d</td>
<td>25,600</td>
<td>By Staff salary</td>
<td>28,600</td>
</tr>
<tr>
<td>To Consultation fees</td>
<td>75,400</td>
<td>By Office rent</td>
<td>12,000</td>
</tr>
<tr>
<td>To Special Commission</td>
<td>60,000</td>
<td>By Purchase of</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Professional body</td>
<td></td>
</tr>
</tbody>
</table>
To Presents from Clients 25,000 By Furniture purchased 30,000
To Loan from Bank 1,30,000 By Car expenses 18,000
To Remuneration from articles published 45,000 By Computer purchased 60,000
To Share of Income from HUF 20,000 By Interest on loan 18,600
To Arbitration fees 46,500 By House hold expenses 25,000
To Income from betting 60,000 By Medical Insurance Premium paid by cheque 15,000
By Purchase of Car 2,00,000
By Balance c/d 36,800

4,87,500 4,87,500

**Additional information:**

a) Loan is borrowed for professional purpose.

b) Depreciation allowable as per Income Tax rules as follows:
   Professional books at 100% p.a.
   Furniture @ 10% p.a.
   Car at 15% p.a.
   Computer @ 60% p.a.

c) Out of the car expenses ₹ 4,500 relates to use of car for personal purpose.

Compute his professional income for the Assessment Year 2017-18.
10. From the following Profit and Loss A/c of Mr. Perumal for the year ending 31st March 2014. Ascertain his business income for the A.Y. 2017 – 18.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Dr.</th>
<th>Amount</th>
<th>Cr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Office salaries</td>
<td>30,000</td>
<td>1,58,000</td>
<td></td>
</tr>
<tr>
<td>To Proprietor’s salaries</td>
<td>5,000</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>To Interest on Capital</td>
<td>2,000</td>
<td></td>
<td>5,000</td>
</tr>
<tr>
<td>To General expenses</td>
<td>5,000</td>
<td></td>
<td>4,000</td>
</tr>
<tr>
<td>To Bad debts</td>
<td>2,000</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>To Advertisement</td>
<td>4,500</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>To Fire insurance Premium</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Depreciation</td>
<td>4,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Sales Tax due</td>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Income Tax on last assessment</td>
<td>4,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Advance Income Tax paid</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To Payment to Punjab University 1,000
To Legal expenses for defending breach of trading contract 1,000
To Motor Car expenses 500
To Net Profit 1,18,000

1,91,000

Additional information:

a) General expenses include Rs. 4,000 paid as compensation to an old employee whose services were terminated in the interest of the business and Rs. 200 by way of help to a poor University student.

b) Depreciation is found to be in excess of Rs. 1,800.

c) Motor car expenses include Rs. 250 relating to Private use of car.

d) Payment to Punjab University is in respect of expenditure incurred by the assessee on approved scientific research related to the business of assessee.
VI Semester B.B.A. Examination, May 2017
(CBCS) (Freshers) (2016-17 and Onwards)
BUSINESS ADMINISTRATION
Income tax

Time : 3 Hours
Max. Marks : 70

Instruction: Answer should be written only in English.

SECTION – A

Answer any 5 sub-questions. Each sub-question carries 2 marks. \((5 \times 2 = 10)\)

1. a) Define person.
b) Define assessee.
c) What do you mean by profits in lieu of salary?
d) Define perquisites.
e) What do you mean by composite rent?
f) Define vocation.
g) What do you mean by financial assets?

SECTION – B

Answer any three questions. Each question carries six marks. \((3 \times 6 = 18)\)

2. Determine the residential status of Mr. Tejas for the A.Y. 2016-2017 who was in India as follows:

<table>
<thead>
<tr>
<th>Previous Year</th>
<th>Presence in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>192 days</td>
</tr>
<tr>
<td>2014-15</td>
<td>75 days</td>
</tr>
<tr>
<td>2013-14</td>
<td>60 days</td>
</tr>
<tr>
<td>2012-13</td>
<td>30 days</td>
</tr>
</tbody>
</table>

3. Mr. Y is an employee at Mysore population 20 lakhs, compute income from salary for the A.Y. 2016-17, Basic salary ₹ 12,000 p.m.
   D.A. ₹ 8,000 p.m. (50% enters for retirement benefits)
   CCA ₹ 500 p.m.
   E. A. ₹ 600 p.m.
   Bonus ₹ 10,000 p.a.
   He is provided with rent free accommodation and the cost of furniture is ₹ 80,000/-.

P.T.O.
4. Mr. A is the owner of a house. The particulars of which are as follows:

- Municipal value: ₹ 1,80,000
- Fair rental value: ₹ 1,95,000
- Standard rent: ₹ 1,90,000
- Actual rent: ₹ 15,500 p.m.
- Vacancy period: 1 month
- Municipal tax paid by owner: ₹ 20,500
- Municipal tax paid by tenant: ₹ 2,500

Determine the taxable income from house property for the A.Y. 2016-17.

5. Mr. Ramesh is the owner of a business. His P and L a/c for the year ending 31-3-2016 is as follows compute income from business.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Rent</td>
<td>60,000</td>
</tr>
<tr>
<td>To Establishment charges</td>
<td>50,000</td>
</tr>
<tr>
<td>To General charges</td>
<td>20,000</td>
</tr>
<tr>
<td>To Household expenses</td>
<td>6,500</td>
</tr>
<tr>
<td>To Commission</td>
<td>1,500</td>
</tr>
<tr>
<td>To Reserve for bad debts</td>
<td>5,000</td>
</tr>
<tr>
<td>To Advertisement</td>
<td>10,000</td>
</tr>
<tr>
<td>To Repair house property</td>
<td>15,000</td>
</tr>
<tr>
<td>To Income tax</td>
<td>20,000</td>
</tr>
<tr>
<td>To Depreciation</td>
<td>10,000</td>
</tr>
<tr>
<td>To Net profit</td>
<td>4,02,000</td>
</tr>
<tr>
<td></td>
<td>6,00,000</td>
</tr>
</tbody>
</table>

Adjustments:
1) Actual bad debts amounts to ₹ 2,000.
2) Depreciation for the year amounted to ₹ 6,000.

6. Mr. M furnishes the following incomes:

- Compute taxable income.
- Income from salary: ₹ 4,50,000 p.a.
- Income from house property: ₹ 2,00,000 p.a.
- Income from other sources: ₹ 3,00,000 p.a.
- His other informations are as follows LIC premium paid: ₹ 6,000 p.m.
- Medical insurance paid: ₹ 30,000 p.a.
- Donation to
  1) P.M. National relief fund: ₹ 20,000
  2) University of national eminence: ₹ 10,000.
SECTION – C

Answer any three from the following. Each question carries 14 marks. (3×14=42)

7. From the following particulars of Mr. P compute his gross total income for the A.Y. 2016-2017 if he is
   a) Resident  b) Not ordinary resident and  c) Non resident of India.
   a) Income from business in Hassan ₹ 2,50,000
   b) Income from POSB A/c ₹ 1,000
   c) Salary received in India for services rendered in Canada ₹ 1,00,000
   d) Agricultural income earned in New York ₹ 60,000
   e) Gift from friend received in cash ₹ 40,000
   f) Past untaxed income of U.K. brought to India during the P.Y. 2015-16 ₹ 25,000
   g) Income from business in Sri Lanka, received in Bangalore ₹ 6,00,000.

8. Compute income from salary of Smt. Shantha for the A.Y. 2016-17 Basic salary ₹ 50,000 p.m.; Bonus ₹ 1,50,000
   D.A. ₹ 12,000 p.m. (40% enters for retirement benefits)
   Both employer and employee contributes 14.5% of salary for R.P.F.
   Conveyance allowance ₹ 4,000 p.m. (70% spent for official purposes)
   Childrens education allowance ₹ 600 p.m. for only son.
   LIC premium paid by the Co., ₹ 2,500 p.m.
   Leave travel concession ₹ 25,000. (First time in the current p.y.)
   She was provided with a 800 CC. Motor car with Driver for both official purposes and personal.
   Profession tax paid by her ₹ 400 p.m.

   Basic pay ₹ 15,000 p.m.
   Bonus 2 months basic,
   Company pays 15% of salary to RPF.
   Fee’s ₹ 60,000 p.a.
   Commission at 5% on a turnover of ₹ 20 lakhs.
   Advance salary 3 months basic
   Arrears salary at ₹ 2,000 p.m. for 30 months
   Fixed medical allowance ₹ 3,000 p.m.
   Warden allowance ₹ 600 p.m.
   Entertainment allowance ₹ 1,000 p.m.
   Children hostel allowance at ₹ 1,500 p.m. per child for his 3 children.
   Transport allowance at ₹ 2,500 p.m., services of sweeper paid by the Co., ₹ 800 p.m.
10. Mr. U is the owner of three houses compute income from house property for the A.Y. 2016-2017.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>House 1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal value p.m.</td>
<td>15,000</td>
<td>20,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Fair rent p.m.</td>
<td>16,000</td>
<td>22,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Standard rent p.m.</td>
<td>15,500</td>
<td>21,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Actual rent p.m.</td>
<td>17,000</td>
<td>22,500</td>
<td>24,500</td>
</tr>
<tr>
<td>M. Tax</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Repair charges</td>
<td>5,000</td>
<td>10,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Collection charges</td>
<td>1,000</td>
<td>2,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Fire insurance premium</td>
<td>2,000</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Interest on loan for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction for the P.Y. 2015-16</td>
<td>12,000</td>
<td>15,000</td>
<td>20,000</td>
</tr>
</tbody>
</table>

The house remained vacant for 2 months in respect of house number-2.


P and L A/c as on 31-3-2016

<table>
<thead>
<tr>
<th>Particulars</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Office expenses</td>
<td>40,000</td>
</tr>
<tr>
<td>To General expenses</td>
<td>16,000</td>
</tr>
<tr>
<td>To Interest on bank loan</td>
<td>4,000</td>
</tr>
<tr>
<td>To Audit fees</td>
<td>4,000</td>
</tr>
<tr>
<td>To Interest on capital</td>
<td>12,000</td>
</tr>
<tr>
<td>To Rent</td>
<td>20,000</td>
</tr>
<tr>
<td>To Income tax</td>
<td>16,000</td>
</tr>
<tr>
<td>To Charity</td>
<td>8,000</td>
</tr>
<tr>
<td>To Legal expenses</td>
<td>4,000</td>
</tr>
<tr>
<td>To compensation to</td>
<td></td>
</tr>
<tr>
<td>retrenched employee</td>
<td>20,000</td>
</tr>
<tr>
<td>To Extension of building</td>
<td>20,000</td>
</tr>
<tr>
<td>To Net profit</td>
<td>5,36,000</td>
</tr>
</tbody>
</table>

\[ Adjustments: \]

1) Rent includes ₹ 12,000 relates to assesses house in which he lives.
2) Depreciation allowable as per IT. ₹ 20,000.
3) Legal expenses include 3,000 as penalty of Income tax.
VI Semester B.B.M. Examination, May 2017
(Repeaters) (2014-15 and Onwards)
BUSINESS MANAGEMENT
Income Tax

Time : 3 Hours
Max. Marks : 100

**Instruction**: Answer should be written in English only.

**SECTION – A**

1. Answer any eight sub-questions. Each sub-question carries 2 marks. (8x2=16)
   
   a) Define the term person.
   
   b) Expand ‘CBDT’ and ‘CIT’.
   
   c) Write the two basic conditions of Residential status.
   
   d) List any four deductions U/s 80C.
   
   e) Who is a specified employee?
   
   f) What is gross total income and why is it computed?
   
   g) What are the deductions allowed U/s 24 of the I.T. Act?
   
   h) State whether the following are admissible deductions or not?
      
      i) Donations to a religious institutions.
      ii) Penalty paid for violation of customs regulations.
   
   i) What is long term capital asset?
   
   j) What is zero coupon bond?

P.T.O.
SECTION – B

Answer any three questions. Each question carries eight marks.  

(3x8=24)

2. Sri. Ramesh was born and brought up in India went for further studies to U.S.A. on 1st March 2014 and came back to India on 1st October 2015. What is his residential status for the assessment year 2016-17?

3. Mr. Bhaskar received Rs. 2,40,000 on his retirement on 30th September, 2015 as gratuity from his employer with whom he has served for 29 years and 7 months. Compute the taxable amount of gratuity if he is working in a commercial office at Bangalore which is not covered under payment of Gratuity Act, 1972. If his salary during the calender year 2014 was Rs. 8,000 p.m. During the year 2015 the salary was Rs. 9,600 p.m. He had worked earlier with a limited company for 6 years and received Rs. 92,000 as gratuity which was fully exempted under Section 10(10).

4. Ms. Bhoomika resides in Kolkata, during the P.Y 2015-16. She gets Rs. 12,000 p.a. as basic salary. She gets DA at 20% of basic salary (enters for all retirement benefit). She has also received a commission of Rs. 15,000. (calculated at 2% on turnover achieved by her). H.R.A. received by her is Rs. 11,800 p.a., but rent paid is Rs. 14,800 p.a. Calculate the taxable H.R.A. for the AY 2016-17.

5. From the following, compute the annual value of house property:
   Municipal value 3,00,000
   Fair rental value 3,60,000
   Standard rent 3,20,000
   Actual Rent 40,000 p.m.

   Municipal tax paid by the owner at 20% of municipal value.

   Unrealised rent Rs. 80,000, the conditions of rule 4 are satisfied.
SECTION C

Answer question No. 10 and any 3 of the remaining questions. Each question carries 15 marks. (4x15=60)

6. Following are the particulars of incomes of Mr. Naresh for the previous year 2015-16:
   a) Profit from business in England, received in India Rs. 12,000.
   b) Income from house property in Pakistan received there and brought to India Rs. 20,000.
   c) Profit from business in Iran received in India Rs. 5,000.
   d) Income from house property in Bangladesh deposited in a bank there Rs. 4,000.
   e) Profit from business in Indonesia deposited in a bank where the business is controlled from India Rs. 15,000.
   f) Profit from software business in Bangalore controlled from U.S.A. Rs. 15,000.
   g) Income accrued in Chennai but received in Singapore Rs. 16,000.
   h) Past untaxed foreign income brought to India during the previous year Rs. 20,000.
   i) Income from agriculture in Punjab received in Mumbai Rs. 25,000.
   j) Profit from sale of building in India received in Sri Lanka Rs. 15,000.

Compute Gross total income of Mr. Naresh for the assessment year 2016-17 if he is
   1) A resident
   2) Not ordinarily resident
   3) Non-resident.
7. Mrs. Sahana is an officer in a multinational company having its head office at Hong Kong. She looks after the Bangalore branch of the company. She gives you the following particulars:

   a) Basic pay Rs. 12,500 p.m.

   b) DA 30% of basic pay which enters retirement benefit.

   c) Children hostel allowance Rs. 500 p.m. per child for 2 children.

   d) Tax on employment paid by her Rs. 250 p.m.

   e) Services of sweeper, watchman and a cook were provided by the employer on a monthly salary of Rs. 750, Rs. 950 and Rs. 1,050 respectively.

   f) The company provides her a large car. A driver is also provided. All the expenses, including salary of driver were met by the employer. The car is used for both official and personal purpose.

   g) The company during the year requisitioned her for a refresher course, in Hong Kong and cost of travel, stay expenses amounting to Rs. 56,500 were met by the company.

   h) She is provided with rent free furnished accommodation. Fair rental value of the accommodation is Rs. 10,000 p.m. Rental charges paid by the company for the use of furniture amounts to Rs. 9,800 p.a.

She contributes 14% of her salary to RPF maintained by the company, the employers makes a matching contribution.

The interest credited to RPF account during the year is Rs. 6,875 @ 12.5% p.a. Compute her income from salary for the Assessment Year 2016-17.

8. Mr. Ramachandran owns 2 houses at Chennai. Compute his income from house property for Assessment Year 2016-17.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>House I</th>
<th>House II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair rental value</td>
<td>36,000</td>
<td>1,20,000</td>
</tr>
<tr>
<td>Municipal value</td>
<td>40,000</td>
<td>1,30,000</td>
</tr>
<tr>
<td>Standard rent</td>
<td>38,000</td>
<td>—</td>
</tr>
<tr>
<td>Description</td>
<td>Amount 1</td>
<td>Amount 2</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Actual rent</td>
<td>4,000 p.m.</td>
<td>12,000 p.m.</td>
</tr>
<tr>
<td>Municipal tax</td>
<td>10% of MV + 2% of municipal tax as cess</td>
<td>10% of M.V. + 2% of municipal tax as cess</td>
</tr>
<tr>
<td>Actual repairs</td>
<td>4,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Ground rent</td>
<td>2,000</td>
<td>2,500</td>
</tr>
<tr>
<td>Collection charges</td>
<td>500</td>
<td>1,200</td>
</tr>
<tr>
<td>Interest on loan</td>
<td>12,000</td>
<td>48,000</td>
</tr>
<tr>
<td>Vacancy period</td>
<td>3 months</td>
<td>–</td>
</tr>
<tr>
<td>Unrealised rent for the year</td>
<td>–</td>
<td>36,000</td>
</tr>
</tbody>
</table>

Construction of 2nd house started on 1-09-2011 and he borrowed Rs. 4,00,000 at 12% on 1-7-2012 for construction of house. It was completed on 30th November, 2014 and since then it is let out.

9. Following is the Profit and Loss A/c of Mr. Ajay, a jewellery merchant for the year ending 31st March 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Rent</td>
<td>60,000</td>
<td>By Gross profit b/d</td>
<td>5,23,000</td>
</tr>
<tr>
<td>To Rates</td>
<td>6,000</td>
<td>By Interest from Debtors</td>
<td>28,000</td>
</tr>
<tr>
<td>To Salary to staff</td>
<td>54,000</td>
<td>By Rent from house property</td>
<td>34,000</td>
</tr>
<tr>
<td>To Diwali expenses</td>
<td>2,000</td>
<td>By Sundry business income</td>
<td>16,000</td>
</tr>
<tr>
<td>To Interest on loans</td>
<td>1,25,000</td>
<td>By Commission received</td>
<td>27,000</td>
</tr>
<tr>
<td>To Sundry expenses</td>
<td>55,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To Bad debts</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To Charity  
To Reserve for doubtful debts  
To Entertainment expenses  
To less by theft  
To Net profit  

6,28,000

a) Rent paid includes Rs. 12,000 relating to shop belonging to assessee himself.
b) Salary to staff includes Rs. 24,000 given to his son who casually helps in the business.
c) Loan of Rs. 60,000 @ 15% p.a. is taken from his wife out of funds advanced by him and interest is included in interest on loans.
d) Sundry expenses include Rs. 9,000 incurred on a pilgrimage to Haridwar.
e) Rates include land revenue on house properly let out Rs. 4,000/-
f) The earned Rs. 40,000 in Gold smuggling not shown in books.

Compute taxable income from business of Mr. Ajay for the AY 2016 and 17.

10. Smt. Jyothi, a doctor keeps her books on cash basis for the year ended 31st March 2016. Her Cash A/c is as under.

To Balance c/d  
To Bank loan  
To Sale of medicines  
To Consultation fees  
To Visiting fees  
To Interest on investments  
To Rent from property  
By Cost of medicines  
By Surgical equipment  
By Motor car  
By Car expenses  
By Salary  
By Rent of dispensary  
By General expenses  

20,000  
6,000  
12,000  
1,800  
1,200  
1,200  
600
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>To Sale of building</td>
<td>15,000</td>
<td>By Personal expenses</td>
<td>3,600</td>
</tr>
<tr>
<td>To Sale of furniture</td>
<td>5,000</td>
<td>By Life Insurance premium</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Interest on bank loan</td>
<td>360</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Property insurance</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Fixed deposit in bank</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>By Closing balance</td>
<td>14,240</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>93,400</td>
</tr>
</tbody>
</table>

Keeping in view the following additional information compute her income from profession for the previous year 2015-16.

a) $\frac{1}{3}$ rd car expenses are for personal use.

b) WDV of furniture was Rs. 4,000 on 1st April 2015. There are no other assets in these blocks.

c) Rate of depreciation on car and surgical equipment is 15% p.a.