

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION MAY 2024
(Fourth Semester)

Branch – COMMERCE (COST & MANAGEMENT ACCOUNTING)

DIRECT TAXATION – II

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions

ALL questions carry EQUAL marks (5 x 1 = 5)

1. The rate of cess on tax is
i) 3% ii) 4% iii) 5% iv) 2%
2. MAT is calculate on
i) Book profit ii) Business income iii) Total income iv) None of the above
3. Which ITR forms is typically used by salaried individuals?
i) ITR -1 ii) ITR - 4 iii) ITR - 2 iv) ITR - 3
4. What provision in primarily related to search and seizure in income tax matter
i) Section 132 ii) Section 10 iii) Section 75 iv) Section 75
5. Significance of Accounting policies under ICDS
i) Optional for companies to adopt ii) Mandatory for all Companies
iii) Only relevant for large companies sources iv) None of these

SECTION - B (15 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks (5 x 3 = 15)

6. (a) Raheem is a writer as well as professional. His income particulars are:
(i) Royalty on Books Rs.42,000 expenses on writing these books Rs.8,000
(ii) Professional income of Rs.1,80,000
(iii) He deposits Rs.24,000 in PPF
Compute his taxable liability for AY 2023-24.

OR

- (b) Asha, Bindu and Chandrika are partner sharing profit and loss in the ratio of 2:2:1.
The firm assessed as AOP's profit and loss account period ended 31st Marh,2023
showed a net loss of Rs.40,000 after charging the following items:

	Rs.
Interest on Capital:	
Asha	1,000
Bindu	2,000
Chandrika	3,000
Salary to	
Asha	3,000
Bonus to	
Asha	2,000
Bindu	2,000
Chandrika	2,000

Asha's taxable income from other sources was Rs.25,000; while Bindu and Chandrika ha no other sources of income.

Show how the assessment of a firm assessed as AOP and of the partners will be made.

7. (a) Ocracle Ltd., is incorporated in Chennai on December 10, 2022. It commences production on 30.03.2023. The following expenses are incurred by the company before commencement of business.
- (i) Expenses on incorporation Rs.10,000
 - (ii) Expenses on issue of shares Rs.5,000
 - (iii) Expenses on project report Rs.10,000
- Cost of the project Rs.20,00,000 (Fixed cost), share capital Rs,50,00,000. Debenture Rs,10,00,000. Determine the amount of deduction under section 35D in A.Y. 2023-24.

OR

- (b) Leena Ltd., maintains books of accounts on mercantile basic. For the previous year 2022-23 interest on term loan, sales tax and excise duty are paid as follows:
- (i) Interest on loan paid on 30th June 2023 Rs.60,000 and 7th November 2023 Rs.6000.
 - (ii) Sales tax paid on 4th July 2023 Rs.20,000 and 9th November 2023, Rs.70,000
 - (iii) Excise duty paid on 31st March 2023 Rs.30,000 and 10th November 2023 Rs.50,000
- Determine the amount deductible during the previous year 2022-23.

8. (a) How does the settlement of Commission work in Income Tax?

OR

- (b) When can Penalties and prosecutions be imposed in Income Tax cases?

9. (a) What are the role of the CBDT?

OR

- (b) What are the provision relate to search and seizure in Income tax?

- 10.(a)What are principles of revenue recognition for tangible fixed assets?

OR

- (b) What does ICDS stand in the contest of Income tax and how does it relate to accounting polices?

SECTION -C (30 Marks)

Answer any Three questions

ALL questions carry EQUAL Marks (3 x 10 = 30)

11. A, B and C are Partner in a firm assessed as such sharing profit and loss in the proportion of 3:2:1 respectively. The firm's Profit and loss account for the year ending 31st March 2023 showed a net profit of Rs.1,18,000 after debiting interalia the following amounts:
- a) Salary of Rs.4,000 paid to C
 - b) Rent of Rs.19,000 paid to A for the portion of the building owned by A in which the firm's office was situated. Fair rental value of the building is Rs.10,000
 - c) Interest on capital of Rs.1,000, Rs.2,000 and Rs.3,000 to A , B and C respectively
 - d) Commission on sale paid to C Rs.10,000
 - e) Expenses on current repairs of business premises belonging to partner A Rs.1,000
 - f) Donation to approved bodies Rs.5,000
 - g) Salary to B's son Rs.25,000, B's son is a qualified management graduate and was serving another concern at Rs.20,000 p.a.
- The net profit of Rs.1,18,000 included Rs.12,000 from interest on government securities (gross)
- Compute total income of the firm for the assessment year 2023-24 assuming that it is a professional firm. Remuneration and interest is paid as per the deed.

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12. Baram Ltd. is incorporated in Chennai on Dec 6, 2021. It commences production on January 10, 2023. The following expenses are incurred by the company before commencement of business.

1. Expenses on issue of share etc., Rs. 1,00,000
2. Preparation of feasibility report and conducting Market Survey Rs. 70,000
3. Engineering services Rs. 1,80,000 out of which for Rs. 40,000 work is carried on by a concern which is not approved by the board.

Cost of fixed assets Rs. 50 Lakhs, Share capital Rs. 40 Lakhs Debenture and long term borrowing Rs. 20 lakhs.

Expenses incurred after January 10, but before 31.3.2023: Expenses on issue of share for setting up an industrial undertaking (Cost of project Rs. 12,00,000) Rs. 20,000.

Expenses on issue of share for setting up new show room at Mumbai Rs. 25,000

Determine the amount of deduction under section 35-D

13. Enumerate the types of ITR forms and their specific purpose.

14. Explain the powers of an Assessing officer.

15. Explain the significance of valuation of inventories in Income computation.

Z-Z-Z END