

**PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)**

**BCom DEGREE EXAMINATION DECEMBER 2025
(Third Semester)**

Branch – **COMMERCE (COST & MANAGEMENT ACCOUNTING)**

DIRECT TAXATION – I

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Which of the following is not deductible while computing taxable income? a) Repairs to machinery b) Depreciation on fixed assets c) Capital nature d) Salary paid	K1	CO1
	2	For Assessment Year 2025–26, rebate under Section 87A (New Tax Regime) is available to a resident individual if the total income does not exceed – a) Rs.2,50,000 b) Rs.5,00,000 c) Rs.7,00,000 d) Rs.10,00,000	K2	CO2
2	3	Which of the following is treated as Profits in lieu of salary under the Income Tax Act? a) Bonus received by employee b) Leave encashment at resignation c) Fully exempt gratuity u/s 10(10) d) House rent allowance	K1	CO2
	4	Maximum deduction allowable for repairs and interest on borrowed capital in the case of self-occupied house property is – a) Rs.30,000 b) Rs.50,000 c) Rs.1,50,000 d) Rs.2,00,000	K2	CO1
3	5	Any cash payment to a person in a single day exceeding _____ is disallowed under Section 40A(3). a) Rs.5,000CO2 b) Rs.10,000CO1 c) Rs.20,000 d) Rs.25,000	K1	CO1
	6	IT act Section 43B allows deduction of specified expenses only – a) On accrual basis b) On payment basis c) On deferred basis d) On provisional basis	K2	CO2
4	7	Which of the following is include in the exemption under Section 54D? a) Compensation on compulsory acquisition of land/building used for industrial undertaking b) Long-term capital gain on sale of residential house c) Transfer of agricultural land in rural area d) Transfer of shares of an Indian company	K1	CO1
	8	Interest on Post Office Savings Bank Account is exempt up to – a) Rs.2,500 b) Rs.10,000 c) Rs.3,500 for individual & Rs.7,000 for joint account d) Fully exempt	K2	CO2
5	9	The maximum period for which capital gain loss can be carried forward and set off is – a) 4 years b) 8 years c) 10 years d) Indefinite	K1	CO2
	10	Relief for double taxation under Section 90/91 is provided in the form of – a) Exemption from filing return b) Credit against Indian tax liability c) Deduction from gross total income d) Refund of foreign tax paid	K2	CO1

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SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks

(5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Define agricultural income. Explain how it is treated under the Income Tax Act, 1961.	K2	CO1
		(OR)		
	11.b.	Who is called a Resident and Ordinarily Resident (ROR) under the Income Tax Act, 1961?		
2	12.a.	Compute the exempted amount, if: (a) he also received gratuity, (b) he did not receive gratuity for the following transactions. Mr. Suresh is getting a pension of Rs. 12,000 per month from a company. During the previous year he got his two-third pension commuted and received Rs. 7,38,000.	K3	CO2
		(OR)		
	12.b.	Compute the amount of interest deductible in computing the income from house property for the Assessment Year 2025-26 if the house is (i) let out, (ii) self-occupied. If Mr. Ram took a loan of 16 lakh @ 10% p.a. on 1.7.2022 for constructing a house. The construction of the house was completed in the Previous Year 2024-25.		
3	13.a.	Explain with reasons whether the following items are admissible under the Indian Income Tax Act, 1961: (a) Commission of Rs. 500 paid in order to secure orders for the business. (b) The assessee was carrying on money-lending business and in the course of this business, he acquired certain property in lieu of debts owing from a debtor which he kept as stock-in-trade. The property so acquired was destroyed in the war, the assessee claimed this loss as a deduction in computing his taxable income under the head "Profit and Gains of Business or Profession". (c) Loss of Rs. 1,000 which were snatched away from the khazanchee's possession while going to the bank to deposit the amount. (d) Loss due to embezzlement by an employee. (e) Brokerage paid for raising loan for the business.	K3	CO3
		(OR)		
	13.b.	Explain the provisions of Section 44AD of the Income Tax Act related to the Presumptive Taxation Scheme for small businesses.		
4	14.a.	Calculate the capital gains chargeable to tax during the Assessment year 2025-26. CII for 2001-02 is 100, for 2024-25 is 363. Mr. Suresh, a resident Indian, sold gold for Rs. 30,00,000 on May 20, 2024, which he acquired on April 16, 1977 at a cost of Rs. 1,70,000. The Fair market value of gold on April 1, 2002 was Rs. 1,50,000. He has invested Rs. 4,00,000 in buying a residential house on June 15, 2025.	K4	CO5
		(OR)		
	14.b.	Mr. Babu received the following income compute taxable income under the head other sources. CASE A a. Winning Received from Sikkim Lottery Rs. 70,000 b. Winnings from horse races Rs. 2,000 c. winnings from crossword puzzles Rs. 4,000 CASE B a. winnings from lottery Rs. 2,000 b. winnings received from horse races Rs. 56,000		
5	15.a.	Explain Advance tax and state who is liable to pay it and the due dates for payment.	K2	CO2
		(OR)		
	15.b.	Outline the Tax Deducted at Source (TDS) and Tax Collected at Source (TCS).		

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SECTION -C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks

(3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	List and explain major exemptions available under Section 10 of the Income Tax Act, 1961.	K2	CO1
2	17	<p>Compute taxable salary of Mr. X for the Assessment Year 2025-26:</p> <p>(a) Salary.60,000 p.m.</p> <p>(b) D. A. ₹10,000 p.m.</p> <p>(c) Entertainment Allowance ₹ 1,000 p.m.</p> <p>(d) Employer's contribution to Recognised Provident Fund ₹ 88,800. His own contribution was 88,800. (e) Interest @ 10% p.a. on credit balance of recognised P.F. amounted to 50,000.</p> <p>(f) City compensatory allowance ₹ 500 p.m.</p> <p>(g) Medical Allowance ₹ 1,200 p.m.</p> <p>(h) He has been provided with a large Car for both official and personal use. Employer bears all the expenses of the car.</p> <p>(i) He is provided an unfurnished house by the employer in a city (population 12 lakh). The fair rental value of the house is ₹90,000 p.a. Employer charges ₹2,000 from him per month as rent.</p>	K3	CO2
3	18	<p>The particulars of a residential house are given below for the Assessment Year 2025-26:</p> <p>Municipal value Rs. 44,000</p> <p>Fair rent Rs. 48,000</p> <p>Standard rent Rs. 36,000</p> <p>Actual rent Rs. 37,200</p> <p>Municipal taxes paid Rs. 8,800</p> <p>Ground rent payable Rs.60</p> <p>Interest on money borrowed for construction Rs.5,000</p> <p>Collection charges actually paid Rs. 300</p>	K2	CO2
4	19	Mr. Jayaprakash sells agricultural land located within the municipal limits of Chennai city for Rs. 50,00,000 on August 4, 2024, which was purchased by him on February 2, 2009 for Rs. 3,00,000. On June 2, 2025, he purchases agricultural land outside the municipal limits of Chennai city for Rs. 5,00,000 and deposits Rs. 5,00,000 in a deposit account for availing deduction under section 54B. Determine the amount of capital gains (1) If he purchases another agricultural land which is situated within Chennai city on August 3, 2026 for Rs.4,00,000 by withdrawing from the deposit account; (2) Withdraws the amount left in the deposit account on August 5, 2026; CII for 2008-09-137; for 2024-25-363.	K4	CO3
5	20	Discuss the provisions relating to set-off and carry forward of losses under the Income Tax Act, 1961.	K5	CO4

Z-Z-Z

END

