

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

**MCom DEGREE EXAMINATION MAY 2022  
(Second Semester)**

Branch – **COMMERCE**

**DIRECT TAX - II**

Time: Three Hours

Maximum: 50 Marks

**SECTION-A (5 Marks)**

Answer **ALL** questions

**ALL** questions carry **EQUAL** marks

(5 x 1 = 5)

1. On total income of the firm the tax rate is
 

a) 40%	b) 30%
c) 25%	d) 15%
2. MAT is Calculate on
 

a) Book Profit	b) Business Income
c) Total Income	d) None of the above
3. The highest Administrative Authority for Income Tax in India is
 

a) Finance Minister	b) CBDT
c) President of India	d) Director of Income Tax
4. For tax deducted at source, employer issues to employee
 

a) Form 20	b) form 13
c) Form 16	d) Form 31A
5. Due date of filling of return by non-business assessee is
 

a) 30 <sup>th</sup> June	b) 31 <sup>st</sup> August
c) 31 <sup>st</sup> July	d) 30 <sup>th</sup> November

**SECTION - B (15 Marks)**

Answer **ALL** Questions

**ALL** Questions Carry **EQUAL** Marks

(5 x 3 = 15)

- 6 a Suresh and Ramu are working partner sharing Profit and losses in the ratio of 10:7. The firm raised the funds as under:
 

a) Suresh Contributes Rs.50,000 for Capital and Rs.25,000 for loan
b) Ramu Contributes Rs.50,000 as Capital
c) Loan from a bank Rs.1,00,000 at 24% p.a.

The firm Paid interest to Partners at 18% on loan and 12% on Capital. The partners are entitled to salary of Rs.2,000 p.m. The Profit of the firm before charging interest on the aforesaid loans and Capital and Salary to the partners of Rs.1,00,000. Compute the business income of the firm and the amount that will be include in the income of Suresh and Ramu under the head Profit and Gains of business or profession. Salary and Interest on Capital are paid as per the deed

OR

- b Ganesh ,Vasanth and Siva are members of an association of persons. They share profits of losses equally . During the PY the income of AOP is the Rs.1,20,000 and income of Ganesh, Vasanth and Siva is Rs.40,000; Rs.1,50,000 and Rs.2,60,000 respectively. Compute tax liability of AOP and Ganesh, Vasanth and Siva for the AY : 2021-22.
- 7 a Venket Ltd is incorporated in Chennai on December 10,2020. It commences production on 30.03.2021. The following expenses are incurred by the company before commencement of business.

**Cont...**

- a) Expenses on incorporation Rs.10,000
- b) Expenses on issue of shares Rs.5,000
- c) Expenses on project report Rs.10,000

Cost of project Rs.20,00,000 (Fixed asset), share capital Rs.50,00,000. Debenture Rs.10,00,000.

Determine the amount of deduction under Section 35D in AY: 2021-22.

OR

- b) From the following particulars, compute the total income of Zee Ltd., an Indian company.

	Rs
a) Interest on Securities	2,000
b) Business Income	3,00,000
c) Interest on debenture of:	
i. Indian papers Mills Ltd	50,000
ii. Another Indian Company	20,000

Compute Total Income of Zee Ltd. It has distributed dividend of Rs.50,000 only.

- 8 a) Illustrate the powers of Chief Commissioner of Income tax.

OR

- b) What is best judgment? What are the obligation in connection with this assessment u/s 144.

- 9 a) Write short note on TDS from: (i) Winning from lotteries (ii) Interest on Securities Sec 193.

OR

- b) State the law relating to 'deducted source from payments of contractors.

- 10 a) Determine any two types of filling returns.

OR

- b) What is defective return ? How can it be ratified?

**SECTION -C (30 Marks)**

Answer ALL questions

ALL questions carry EQUAL Marks

(5 x 6 = 30)

- 11 a) Dr.Alalya and Dr.Suman running a nursing home under a partnership firm sharing profits and losses equally and Rs.16,600 as profit for the PY 2019-20 after charging the following:

- Operation charges to Dr.Suman Rs.1,500 (Rs.100 per operation)
- Remuneration to Dr.Akalya Rs.6,200
- Honorarium to Dr.Suman Rs. 3,000
- Bonus to each Doctors Rs.2,000
- Donation to shelter for Hindus Rs. 3,750
- Interest on capital to each doctor @ 9% Rs. 2,000
- Purchasing of surgical equipment Rs. 12,500
- House property rent Rs. 9,600
- Bank Interest Rs. 4,000.

Compute the firm's total income and find out the income of partners taxable under the head profit and gain.

Firms deed provides for payment of operation charges, honorarium, bonus and interest on capital

OR

Cont...

- b. The Profit and losses account of the firm of M/s A and B sharing profit and loss in the ratio of 3:2 for the previous year ending 31<sup>st</sup> March, 2021 is as follows:

Particular	Rs	Particular	Rs
Cost of goods sold	5,05,000	Sales	9,50,000
Remuneration to Partners	3,00,000	Dividend	30,000
Remuneration to employees	1,70,000	Long term capital gain	1,90,000
Interest to Partners:		Interest on drawing:	
A	40,000	A	10,000
B	40,000	B	10,000
Other Expenses	1,00,000		
Sales tax outstanding	10,000		
Net Profit	75,000		
	11,90,000		11,90,000

Additional information is given below:

1. Other expenses include the following:
    - i. Entertainment expenses Rs. 20,000
    - ii. VIP Bags, costing Rs.1,500 each, given to ten dealers who exceeded the sales target under the sales promotion scheme.
    - iii. Employer contribution amounting to Rs. 10,000 was paid on 10.03.2019 while the due date was 07.03.2019.
    - iv. Rs.30,000 paid in cash to a supplier who refused to accept payment by a cheque.
  2. Outstanding Sales Tax was paid on 14<sup>th</sup> September, 2019
  3. Other incomes of Partners : A : Rs. 40,000; B: Rs.30,000
- You are required to compute for the assessment year 2021-22:
- I. Total Income of the AOP
  - II. Tax Liability of the AOP

- 12 a. Given below is the profit and loss account of Shri. Durga Mills Ltd., for the year ended 31<sup>st</sup> March 2021:

Particulars	Rs	Particulars	Rs
To Opening stock	5,50,000	By Sales	81,69,000
To Purchase	55,60,000	By Rent of Staff Quarters	37,500
To Railway Freight, Octroi ect.	6,00,000	By Closing Stock	8,49,500
To Salary and Wages	4,50,000		
To Director's fees	3,000		
To Audit fee ( Paid in Cash)	25,000		
To Legal expenses	32,000		
To Repairs to Building and Machinery	13,000		
To Welfare expenses	10,000		
To General charges	25,000		
To Interest paid	2,00,000		
To Under writing Commission for issue of share capital	10,000		
To Reserve for bad debts	7,000		
To Bad debts written off	40,000		
To Depreciation	10,000		
To Managing agent's remuneration	30,000		
To Annual contribution to Debentures Sinking fund	25,000		
To Provision for Taxation	5,0,000		

Cont...

To Contribution of staff welfare fund	1,00,000		
To General Reserve	1,00,000		
To Proposed dividends	6,00,000		
To Balance to Balance sheet	1,66,000		
	<b>90,56,000</b>		<b>90,56,000</b>

You are required to compute company's taxable income from business for the assessment year 2021 -22 after taking into account the following information:

- a) A sum of Rs.5,000 on account of liability foregone by a creditor has been carried to a special reserve. The said sum was charged by the company in the revenue account of the preceding year.
- b) General charges include:
  - i. Rs.7,000 Emergency insurance Risk Premium
  - ii. Rs. 1,000 Donation to Chief Minister's flood relief fund
  - iii. Rs. 2,000 Family planning expenditure amongst company employees.
- c) Welfare expenses include Rs.1,500 being cost of Pucca well-built for used by company workers
- d) Legal expenses include Rs.500 paid to a chartered accountant for conducting income tax appeal and Rs. 2,000 (paid to an advocate) in connection with prosecution of managing agents for smuggling goods from Pakistan. The company made a profit of Rs. 20,000 on these smuggled goods.
- e) Repairs to building include Rs.10,000 being cost of additions to business premises
- f) Depreciation (including additions to building) is Rs.27,500.

OR

- b Calculate the tax payable by Suresh Ltd. for the Assessment year 2021-22
  - i. Total Income is Rs.3,00,000 and book profit is Rs.18,00,0000
  - ii. Total Income is Rs.14,00,000 and book profit is Rs.18,00,0000

- 13 a Analyze the various Income tax Authorities.

OR

- b Elucidate the role of CBDT.

- 14 a Survey the law relating to deduction of tax at source.

OR

- b Assess the provision of law regarding DTS in respect of income from salaries.

- 15 a Predict the provisions regarding the filling of return of Salary employees U/S 139.

OR

- b Determine the Income tax return forms.

Z-Z-Z

END