

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2023  
(Third Semester)

Branch – COMMERCE WITH COMPUTER APPLICATIONS

INCOME TAX LAW & PRACTICE

Time: Three Hours

Maximum: 50 Marks

SECTION-A (5 Marks)

Answer ALL questions  
ALL questions carry EQUAL marks

(5 x 1 = 5)

1. Income tax is levied as a \_\_\_\_\_.  
(i) Direct tax (ii) Indirect tax  
(iii) Local tax (iv) Wealth tax
2. Maximum deduction of interest on loan borrowed after 1-4-99 in case of self-occupied house is:  
(i) Rs.30,000 (ii) Rs.1,50,000  
(iii) Rs.2,00,000 (iv) Rs.3,00,000
3. Scope of income which can be taxed under the head profit and gains of business or profession is defined in I.T. Act 1961 \_\_\_\_\_.  
(i) Sec.28 (ii) Sec.36  
(iii) Sec.41 (iv) Sec.44
4. Income from other sources is a \_\_\_\_\_.  
(i) Residuary head of income (ii) Major head of income  
(iii) Income from a single source (iv) Constant and regular income
5. The highest 'Administrative Authority' for income tax in India is \_\_\_\_\_.  
(i) Finance Minister (ii) CBDT  
(iii) President of India (iv) Director of Income Tax

SECTION - B (15 Marks)

Answer ALL Questions  
ALL Questions Carry EQUAL Marks

(5 x 3 = 15)

6. a) Ascertain the residential status of the assessee in the following cases for the assessment year 2023-2024:  
i) Raja is a citizen of India. He left for Iran on 18<sup>th</sup> April 2022 and could not return to India till end of the financial year 2022-2023.  
ii) Sundar left for U.S.A. on 10<sup>th</sup> March, 2020 after having lived in India for 20 years. He returned to India on 10<sup>th</sup> September 2022.  
OR  
b) State whether the following are capital or revenue receipts:  
(i) Compensation received for compulsory vacation of place of business.  
(ii) Bonus shares received by a dealer of shares.  
(iii) Dividend and interest for investment.
7. a) Compute the taxable amount of annual accretion to R.P.F. if following information is provided by assessee:  
(i) Pay @ Rs.40,000 p.m.  
(ii) Commission received by him on the basis of turnover achieved by him Rs.1,36,000.  
(iii) Employer's contribution to R.P.F. @13% of salary.  
(iv) Interest credited during the year to R.P.F. balance @12% p.a. is Rs.64,000.  
OR  
b) Calculate net annual value let-out for residential purpose of a tenant:  
MRV Rs.1,60,000 p.a.  
FRV Rs.1,40,000 p.a.  
Actual rent received at Rs.20,000 p.m. is Rs.2,40,000 p.a.  
Municipal taxes Rs.16,000 p.a.

Cont...

8. a) Mr.Rajan submits the following particulars of his business from which you calculate the income from business:  
 Net profit as per P/L account (after charging the following) Rs.1,25,000  
 (i) Sales tax Rs.20,000 and Income tax Rs.55,000  
 (ii) Bad debts provision Rs.3,000  
 (iii) Commission to procure business order Rs.8,000  
 (iv) Interest on capital Rs.38,000  
 (v) Depreciation Rs.4,000 (but as per income tax rules Rs.2,000 only).

OR

- b) Discuss in briefly the tax on capital gain.
9. a) From the following information compute the income from other sources for the assessment year 2023-2024:  
 (i) Card games loss Rs.12,000  
 (ii) From the activity of owing and maintaining horses for race purposes:  
 1. Loss at Bombay Rs.40,000  
 2. Profit at Bangalore Rs.20,000  
 (iii) Dividend (Gross) from Indian Companies Rs.6,000.  
 (iv) Betting in horse races Rs.4,000.

OR

- b) Compute taxable income and loss to be C/F:  
 (i) Business profit for the previous year 2022-23 is Rs.20,000  
 (ii) B/F business loss of 2020-21 is Rs.10,000.  
 (iii) Capital loss on shares Rs.60,000.  
 (iv) Loss from self-occupied house (u/s 24) is Rs.5,000.
10. a) Discuss in briefly the aggregation of income under IT Act.  
 OR  
 b) Who is an Assessing officer? – Justify.

**SECTION -C (30 Marks)**

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

11. Show how the following incomes are to be assessed in the hands of an assessee who is  
 (a) resident (b) non-resident and (c) not ordinarily resident.  
 (i) Salary drawn during the year for employment outside India from Government of India Rs.93,500  
 (ii) Salary drawn for employment in London office of an Indian Company for three months Rs.18,000  
 (iii) Profits earned abroad & received in India Rs.25,000  
 (iv) Profit earned from business transactions outside India & kept in Bank there Rs.18,000  
 (v) Dividend received from an Indian company Rs.3,000.
12. Mr.G, an employee of Madurai (population 18 lakhs) based company provides the following particulars of his salary income. Compute income under the head salary for the assessment year 2023-24:  
 (a) Basic Salary Rs.12,000 p.m.  
 (b) Profit bonus Rs.12,000  
 (c) Commission on turnover achieved by Mr.G is Rs.42,000  
 (d) Entertainment allowance Rs.2,000 p.m.  
 (e) Club facility Rs.6,000  
 (f) Transport allowance Rs.1,800 p.m.  
 (g) Rent free house provided by employer, lease rent paid by employer Rs.6,000 p.m.  
 (h) Free education facility for three children of the employee (bill issued in the name of employee) Rs.22,500  
 (i) Gas, electricity and water bill issued in the name of employee but paid by employer Rs.16,800.

13. From the following profit and loss account of Mr. Krishna for the previous year 2022-23. Compute the taxable business income for the assessment year:

Particulars	Rs.	Particulars	Rs.
To Salaries	25,650	By Gross profit	80,000
To Rent	1,000	By Bank interest	450
To Commission on sales	100	By Bad debts recovered	
To Income tax	2,600	(last year allowed)	2,000
To Entertainment expenses	600	By Rent from house property	4,800
To Commission paid to collect interest on securities	25	By Interest on commercial securities	2,000
To Embezzlement by cashier	1,000		
To Municipal tax of House Property	600		
To Bad debts (allowed)	450		
To Repairs to house	1,625		
To Office expenses	9,180		
To Depreciation	5,000		
To L.I.C. Premium	1,320		
To Net Profit	40,100		
	89,250		89,250

**Additional information:**

1. Depreciation on the assets is Rs.4,500.
14. **Compute income from other sources from particulars given below:**
- (i) Interest on deposits with a company Rs.10,000
  - (ii) University remuneration for working as examiner Rs.6,000
  - (iii) Royalty for writing books Rs.60,000, he claims to have spent Rs.20,000 on writing these books.
  - (iv) Dividend declared by R. Co. on 1-3-2023 but paid on 1-5-2023 Rs.6,000
  - (v) Interim dividend paid on 1-5-2022 Rs.3,000.
  - (vi) Stake money on race horses Rs.1,50,000. Horses are maintained by him and expenses on maintenance of these horses are Rs.2,40,000.
  - (vii) Family pension received Rs.36,000.
15. Explain the provision regarding the deduction u/s 80G.