

Roll No.

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B. B. A. (Fifth Semester) EXAMINATION, Dec., 2013 (New Course) Paper Third

INCOME TAX LAWS AND ACCOUNTING

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt all the five questions. All questions carry equal marks.

1. Distinguish between tax planning and tax evasion. What are the objectives and advantages of tax planning ?

Or

Following are the particulars of taxable income of Mr. Harish Sureka for the previous year ending on 31st March, 2013 :

- (i) Income from House property in Canada ₹ 10,000 which was deposited in a bank in Canada. Out of this ₹ 4,000 were remitted to India.
- (ii) Royalty received in India ₹ 24,000.
- (iii) Income from business in Sri Lanka ₹ 25,000 of which ₹ 15,000 were received in India. The business is controlled from India.
- (iv) Income from investment in Paris ₹ 10,000.

- (v) Interest received from a non-resident ₹ 5,000 against a loan given to him to run a business in India.
- (vi) Royalty received from A, a resident, for technical services given to run a business outside India ₹ 20,000.
- (vii) Income from business in India ₹ 40,000. This business is controlled from America.
- (viii) Income from sale of house property in Gwalior ₹ 30,000.

Calculate the total income of Mr. Harish Sureka for the assessment year 2013-14, if he is (a) Resident, (b) Non-ordinarily resident and (c) Non-resident in India.

2. How is residence of assessee determined for income tax purposes ? Explain the incidence of residence on tax liability.

Or

Mr. T. N. Kapoor is an employee of a Textile Company of Indore since 1999. He has submitted the following particulars of his income for the financial year 2012-13 :

- (i) Net basic salary ₹ 80,000 after deduction of tax at source ₹ 5,000, contribution to recognized provident fund ₹ 9,500 and rent of bungalow @ 10% of salary.
- (ii) D. A. ₹ 1,000 per month (₹ 200 p. m. enters into retirement benefits).
- (iii) Education allowance for two children at ₹ 150 p. m. per child.
- (iv) Commission on sales ₹ 10,000.
- (v) Entertainment allowance ₹ 700 p. m.

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- (vi) Travelling allowance for his official tours ₹ 30,000. Actual expenditure on tour amounted to ₹ 22,000.
- (vii) He resides in the bungalow of the company. Its fair rent is ₹ 3,000 p. m. A watchman and cook have been provided by the company at the bungalow who were paid ₹ 400 p. m. each.
- (viii) He has been provided with a large motor-car for his official as well as personal use. The running and maintenance costs are borne by the company.
- (ix) Employer's contribution to R. P. F. is ₹ 9,500 and the interest credited to this fund at 10% rate amounted to ₹ 10,000.

Compute income from salaries for the A. Y. 2013-14.

3. Define annual value and state the deductions that are allowed from the annual value in computing the income from house property.

Or

Mr. Suresh Gautam is the owner of two houses which he uses for his residential purposes. He submits the following information in respect of these houses for the previous year 2012-13 :

	House I ₹	House II ₹
Municipal value	4,000	10,000
Fair rent	5,000	12,000
Municipal taxes paid	500	1,500
Fire insurance premia	100	200
Interest on loan taken for the construction of the house	3,000	15,000

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His other incomes are ₹ 2,50,000. Advise Mr. Gautam which house he should opt for self-occupation concession.

4. What do you mean by set off and carry forward of losses ? Explain the provisions regarding set off and carry forward of losses under Income Tax Ac, 1961.

Or

The investments of Mr. P. N. Agarwal on 1st April, 2012 were as given below :

- (a) ₹ 20,000, 10% U. P. Govt. Loan.
- (b) ₹ 12,500, 10% Improvement Trust Debentures purchased at par on 1st Nov., 2011.
- (c) ₹ 7,500, 10% Debentures of a Jute Mill Company.
- (d) ₹ 1,000 interest on debentures of a Co-operative Society.

On 1st October, 2012 he sold his Improvement Trust Debentures for ₹ 11,625 and purchased ₹ 20,000, 12% Port Trust Bonds, for which he took a loan of ₹ 10,000 @ 15% per annum. The bank commission for buying and selling securities was 1% on face value and for collecting interest ₹ 20. During the year he inherited ₹ 5,000, 12% Mumbai Govt. Loan from his father who died on 1st December, 2012. Such interest being payable in each case on 1st January and 1st July. Find out his income under the heads 'Capital Gains' and 'Income from Other Sources' for the assessment year 2013-14.

5. Write short notes on any two of the following :
- (a) Agricultural income

- (b) Perquisites
- (c) Depreciation
- (d) Exempted incomes
- (e) Deduction in respect of donations

Or

Mr. Manohar Jaiswal purchased 800 equity shares of ₹ 10 each for ₹ 55 per share on 1st Jan., 1989 and paid brokerage ₹ 1,000 and transfer fees ₹ 500. On 1st Sept., 1991 the company issued 200 bonus shares to him. In November, 2011 the company issued 500 right shares at the rate of ₹ 30 per share to him. On 1st October, 2012 he sold 200 bonus shares and 300 right shares @ ₹ 120 per share. On 1st January, 2013 he sold the total remaining holding @ ₹ 200. Compute his taxable capital gains for the assessment year 2013-14 if computation is based on :

- (i) Index cost
- (ii) Original cost of acquisition

Also point out that which option is better ?

Cost inflation indices are 1988-89—161; 1991-92—199; 2011-12—785; 2012-13—852. He has not paid securities transaction tax.

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