

Roll No. 0102402

Final

BBA-503(N)

**B. B. A. (Fifth Semester)
EXAMINATION, Nov./Dec., 2018**

(New Course)

Paper Third

INCOME TAX LAWS AND ACCOUNTING

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : Attempt all questions. Each question carries 3 marks.

1. (A) Define Previous Year and Assessment Year.
- (B) How has income been defined under Income Tax Act, 1961 ?
- (C) Distinguish between tax free government securities and tax free commercial securities.
- (D) Explain the procedure regarding valuation of rent free house and valuation of concession in rent of a salaried employee.

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- (E) Mr. Dinesh Ranjan purchased a capital asset on Sep., 10, 2015 for ₹ 3,00,000. He converted this capital asset into stock-in-trade as on Aug. 8, 2017. On Aug. 8, 2017 the fair market value of the asset was ₹ 4,50,000. He sold this stock on Jan. 5, 2018 for ₹ 5,50,000. Calculate total taxable income.

- (F) Mr. Rajiv Manohar of Calcutta takes a loan of ₹ 45,000 @ 15% p.a. for constructing a house on 1-6-2012. Construction of house is completed on 20-1-2018. Date on loan repayment is 30-9-2015. Compute the duration of pre-construction period and the amount of interest.

- (G) Mr. Devesh Prabhakaran is getting a pension of ₹ 12,000 per month from a company. During the previous year he got his two-third pension commuted and received ₹ 7,38,000. Compute the exempted amount if:

(a) he also received gratuity.

(b) he did not receive gratuity.

- (H) From the following informations related to three possible situations compute the exempted amount of House rent allowance in each situation of Mr. Rishi Mohan Bansal who resides at Kanpur :

	I (₹)	II (₹)	III (₹)
Salary per month	45,000	60,000	60,000
H. R. A. received per month	5,250	3,000	10,500
Rent paid per month	3,000	9,600	7,500

- (I) How is income from business or profession calculated under Income Tax Act, 1961 ?

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- (J) Explain the treatment regarding taxability of income from interest, earned on less tax securities under Income Tax Act, 1961.

Section—B

(Long Answer Type Questions)

Note : Attempt any two questions. Each question carries 10 marks.

- How will you determine residence of an assessee under Income Tax Act, 1961 ? What is the incidence of tax on total income of an assessee according to his residence ?
- What do you mean by exempted incomes ? Give examples of any ten exempted incomes.
- Following are the incomes of Shri Vishnu Narayan Seth for the Financial Year 2017-18 :

₹

- | | |
|---|--------|
| (i) Interest on Saving Bank Deposit in Allahabad Bank, Delhi | 1,200 |
| (ii) Income from agriculture in Africa invested in Nepal | 10,000 |
| (iii) Dividends received in U. K. from an American Company, out of which ₹ 2,000 were remitted to India | 10,000 |
| (iv) Salary income for three months for working in Indian Embassy's Office in Australia and salary received there | 72,000 |

(C-89) P. T. O.

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House was self-occupied. It contains two units. But one unit of the house was let out @ ₹ 1,500 p. m. from 1-10-2017. In respect of the house of the following expenses were incurred :

(i) Fire Insurance Premium	800
(ii) Ground Rent	1,000
(iii) Land Revenue	1,200

A loan of ₹ 40,000 was taken on April 1, 2013 @ 15% p.a. for the construction of this house. The house was complete on 31-5-2015 and only half the loan was repaid till 31-3-2017.

7. Define "Capital Gains". Explain the provisions of Income Tax Act, 1961 related to exempted capital gains.

Or

Mr. Munesh Pradhan sold a long-term capital asset (listed securities) for ₹ 16,50,000 in August, 2017. It was purchased in August, 2001 for ₹ 1,20,000. In October, 2017 he purchased bonds redeemable after three years issued by the NHAI for ₹ 7,50,000; Equity share for ₹ 1,00,000 and a residential house in Mumbai for ₹ 5,50,000. In August 2017 he did not own any other residential house, though he owned a big house property in Delhi. Compute Taxable Capital Gains of the assessee.

8. What do you mean by set off of losses in the same assessment year and carry forward of losses to future assessment years ? Explain the provisions of Income Tax Act, 1961 relating to set off of losses and carry forward of losses.

(C-89)

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9. What do you mean by "Income from other sources" ? Give examples of any *ten* incomes which are included under the head "Income from other sources".

Or

Mr. Marohar Saraswat had the following investments during the year 2017-18 :

(i) 6% Tax-free debentures of a Sugar Company	₹ 30,000
(ii) 5% U. P. Govt. Loan	30,000
(iii) 6% Debentures of Agra Development Authority	15,000
(iv) 15% Tax-free Debentures of Maruti Ltd.	15,000
(v) 7% Port Trust Bonds	10,000

Bank charged ₹ 150 commission on collection of amount of interest. Calculate his taxable income from interest on securities under the head income from other sources for the Assessment Year 2018-19.

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1,700

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- (v) Income from house property (The building is situated in Pakistan, out of which ₹ 10,000 deposited in a bank in Pakistan and the balance remitted to India)

15,000

- (vi) Pension income in Belgium for services rendered in India with a limited company 20,000

You are required to compute his gross total income for the Assessment Year 2018-19 if he is :

- (a) Resident
(b) Not ordinarily resident
(c) Non-resident

5. What are the various provident funds of which a salaried employee can become member ? Explain the provisions of Income Tax Act, 1961 relating to each type of provident fund.

Or

Mr. Paritosh Verma is an employee of a Textile Company of Indore since 2004. He has submitted the following particulars of his income for the Financial Year 2017-18 :

- (i) Net basic salary ₹ 80,000 after deduction of contribution to recognized provident fund ₹ 14,500 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 @ 1% ₹ 10,000.

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- (v) Entertainment allowance ₹ 700 p.m.

- (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 of 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 assessment year 2018-19.

Section—C

(Long Answer Type Questions)

Note : Attempt any two questions. Each question carries 10 marks.

6. How is annual value of house property determined ? What are the deductions allowed from annual value of house property under Income Tax Act, 1961 ? Explain.

Or

For the Assessment Year 2018-19, compute income from house property of Mr. Rajiv Lochan Sharma on the basis of the following information :

Municipal value of the house	₹
Municipal taxes paid	40,000
	8,000

(C-89) P. T. O.