

V. G. VAZE COLLEGE
T.Y.BCOM- PRELIMINARY EXAM
JANUARY, 2011
DIRECT & INDIRECT TAX

INSTRUCTIONS:- SECTION-I- DIRECT TAX

1. Q.1 & Q.2 are compulsory
2. Attempt any one Question out of Q.3 TO Q.5
3. **BOTH THE SECTIONS TO BE TIED SEPEARTELY**

Q.1 From the following Profit and Loss Account of Mr. Sonawane, compute his total taxable income for Assessment Year 2010-11

Profit and Loss Account for the Year Ended 31.3.2010

	Rs.		Rs.
To Opening Stock	3,34,000	By Sales	10,40,000
“ Purchase	9,00,000	“ Closing Stock	3,05,000
“ Office Salaries	71,000	“ Income Tax Refund	15,000
“ Bad Debts written off	25,000	(including Interest Rs. 2,000)	
“ Advertisement	10,500	“ Dividend from U.T.I.	50,000
“ Fire Insurance Premium	4,500	By Lottery Prize Received	1,10,000
“ Conveyance	6,000		
“ Interest on Proprietor’s Capital	25,000		
“ General Expenses	55,000		
“ Wealth Tax	5,000		
“ Sales Tax Penalty	4,000		
“ Depreciation	30,000		
“ Net Profit	50,000		
	15,20,000		15,20,000

Additional Information :

- 1) General Expenses include Advance Income Tax Rs. 10,000 and Rs. 500 for purchase of lottery tickets.
- 2) Depreciation allowable as per Income Tax Rules Rs. 25,000
- 3) Purchases include Rs. 80,000 paid for cash purchases exceeding the limit of Rs. 20,000 prescribed under section 40 A(3) of Income Tax Act, 1961.
- 4) Office salaries include Bonus due but not paid Rs. 16500.
- 5) Mr. Sonawane who is physically handicapped person with 60% disability paid premium for LIC Pension Policy Rs. 15,000.

Q.2 a) Match the following:

Column –A	Column- B
1. Sec 10	a) Deduction for Mediclaim Premium
2. Sec 16	b) Definitions
3. Sec 80D	c) Physically Handicapped
4. Rent on Machinery	d) Standard deduction
5. Interest on Housing Loan	e) Income from other sources
6. Sec 2	f) Income Exempt from Tax
	g) Deduction for Income from House property

b) Fill in the blanks

- 1) Income tax Act extends to _____
(a) whole of India (b) whole of India except J & K
(c) whole of India except union territories
(d) whole of India except New Delhi.
- 2) Shivaji University is assessable as _____
(a) AOP (b) Local Authority (c) Company (d) Artificial Juridical Person
- 3) Residential status is to be determined for _____
(a) Assessment Year (b) Previous Year (c) Financial Year (d) Accounting year
- 4) Entertainment allowance deduction is allowed upto a maximum limit of
(a) Rs. 7500 (b) Rs. 10000 (c) Rs. 5000 (d) Rs. 25,000
- 5) Short term capital gain arise on transfer of shares and units held by the assessee for not more than
(a) 36 months (b) 12 months (c) 24 months (d) 6 months
- 6) Deduction U/s 80CCC is allowed to the extent of _____
(a) Rs. 100000 (b) Rs. 20000 (c) Rs. 10000 (d) Rs. 500000

Q.3 (a) Mr. Kanade purchased a House property for Rs. 1,25,000 on 16th August 1971. He made the following addition to the House Property. Cost of Construction of 1st floor in Financial Year 1985-86 Rs. 2,25,000. The Fair Market value of the property on 1-4-81 was Rs. 3,50,000. He sold the property on 15th September 2009 for Rs. 35 lakhs. He paid the brokerage of Rs. 25,000 for the sale transactions. The cost inflation Index for Financial Year 1981-82 is 100, for Financial Year 1985-86 is 133 and for Financial Year 2009-10 is 632. Compute the capital gain of Mr. Kanade chargeable to tax for Assessment Year 2010-11.

- (b) Mr. Avinash Vardam has earned the following income during the previous year ended 31st March 2010.

No.	Particulars	Amount (Rs.)
1.	Income from Agriculture in Bangladesh	12,000
2.	Income from Business in Australia, controlled from India	14,000
3.	Payment received in U.K. for services rendered in India	16,000
4.	Professional fees received in India for three months.	18,000
5.	Dividend from a Foreign Company received in U.K.	10,000
6.	Amount brought into India out of past untaxed profits earned in U.S.A.	18,000

Compute his total income for the Assessment Year 2010-11 assuming :

- i) He is Resident and Ordinarily Resident
- ii) He is Non Resident.

Q.4 Mr. Dutta is employed with Cybertech Ltd. He provides the following information for the Assessment Year 2010-11:

- 1) Net salary per month Rs. 9,000.
 - 2) Income tax deducted at source Rs. 900 per month.
 - 3) Professional tax deducted at source Rs. 100 per month.
 - 4) He has been employed since 1st April, 1985 and received entertainment allowance of Rs. 750 per month, since that date.
 - 5) Perquisite Value of Water, Gas and Electricity Rs. 10,000.
 - 6) Received bonus during the year in respect of earlier year Rs. 6,000.
 - 7) Received arrears of salary for 2008-09 Rs. 6,000.
 - 8) The employer paid L.I.C. Premium of Mr. Dutta amounting to Rs. 5000.
 - 9) Took advance salary of Rs. 10,000, on account of marriage of his son and loan of Rs. 6,000.
 - 10) Mr. Dutta , who is also a director in the company received Rs. 2,000 as directors' sitting fees during the year.
 - 11) Mediclaim Premium paid by the company Rs. 2,500.
 - 12) He incurred the expenses incidental to employment, such as purchase of books, car expenses etc. amounting to Rs. 12,000.
 - 13) He received Rs. 16,000 as salary from M/s Reema Perfumes (a partnership firm), where he is a partner.
 - 14) He also received an amount of Rs. 8,000 for his work as an agent for the Life Insurance Corporation of India as commission and traveling allowance.
- Compute his Total Taxable Salary for the assessment year 2010-11.

Q.5 (a) Mr. Kunal is the owner of two house properties. From the following information furnished by him for the year ending 31st March, 2010, compute his taxable income for the Assessment Year 2010-11.

Particulars	Property No. 1	Property No. 2
Nature of Occupancy	Self-occupied	Let out for business
Annual Rateable Value	Rs. 20000	Rs. 30000
Construction Commenced on	1-4-2000	1-4-99
Construction Completed on	1-4-2001	28-2-2002
Municipal tax paid for the period 1-4-2009 to 31-03-2010	Rs. 8,000	Rs. 9,600
Insurance Premium paid for the period 1-10-2008 to 30-09-2009	Rs. 2,000	Rs. 2,000
Interest on Loan borrowed for construction	Rs. 6,000	Rs. 6,000

(b) From the following information , compute the income under – “Income from other sources” , of Mr. Dilip.

1. Income from agricultural land in India Rs. 12,000.
2. Income from agricultural land in Nepal Rs. 10,000.
3. Mr. Dilip is a tenant of Mr. Sunil in respect of a bungalow in Goa. Mr. Dilip has in turn rented the Bungalow to Kapil for a rent for Rs. 1,000 per month. Dilip pays rent of Rs. 500 per month to Mr. Sunil.
4. Interest earned : (a) Interest on deposits with banks- Rs. 500 (b) Interest on public provident fund –Rs. 1,000 (c) Interest on Government Securities (Net –Rs. 12,000; Tax Deducted at source Rs. 1,200).
5. Lottery Prize (Net Rs. 50,000: Tax deducted at source Rs. 20,000). He had purchased lottery tickets worth Rs. 3,000.
6. He received a refund from the Income Tax Department pertaining to the assessment year 2005-06, amounting to Excess Income-tax Rs. 2,000 and interest Rs. 500 = Rs. 2,500.