

QP Code : 23784

[Time : 2½ Hours]

[Total Marks : 75]

- N.B :**
1. All questions are **compulsory** with internal options.
  2. Each question carries 15 marks.
  3. Working notes form part of answer.
  4. Use of simple calculator is allowed.

1. (A) Match the following (any eight and rewrite the sentences) :—

8

Column I	Column II
(a) An Indian Company	1. Business Income
(b) Expenditure incurred by Employer for medical treatment of dependent mother-in-law of employee	2. Not a Business Income
(c) Standard Deduction from Net Annual Value	3. Capital Asset
(d) Arrears for Rent Received during the year	4. Not a Capital Asset
(e) Voluntary Gift from Customer	5. Ordinarily Resident
(f) Residential House	6. Non Resident
(g) Interest Received	7. Taxable Perquisite
(h) Stock in trade	8. Tax Free Perquisite
(i) If set up of a company outside India	9. 30% of Net Annual Value
(j) Subsidised lunch	10. 33 1/3 of Net Annual Value
	11. Standard Deduction Allowed
	12. No standard Deduction Allowed

- (B) State whether the following are true / false (any **seven**) :—

7

- (a) An association of person consists of all 7 persons.
- (b) Residential status depends only on nationality.
- (c) Income earned in India is not taxed in the hands of Non Resident Assessee.
- (d) If the business is commence on 1-9-16, the first previous year will end on 31-8-2016 for the assessment year 2017-18.
- (e) GAV for SOP in NIL.
- (f) The owner is not allowed to occupy more than one house for residence.
- (g) Municipal taxes are deductible on payment basis.
- (h) An assessee is defined under section 10.
- (i) Interest on borrowed capital is deductible on due basis.
- (j) Assessment includes reassessment.

[TURN OVER]

2. Binod is working in a limited company since 1st Nov 08 on a salary scale ₹5,000-15,000-10,000-2,000-20,000 he is also entitled to D.A. of 60% of basic pay and CCA of 40% basic. He received a bonus of ₹ 30,000 and salary in lieu of Leave ₹20,000. Salary of one month becomes due on 5th of next month. He has following other incomes :

**Particulars**

	₹
Interest on Deposits under National Deposit Scheme	7,000
Interest on Deposits with Y Ltd.	6,000
Interest on Units of UTI	2,500
Interest on deposit with State Housing Board	1,500
Interest on 9 per cent Relief Bonds	2,200
Interest on deposits with IDBI	1,000
Dividend from RCC Inc. USA	5,000
Interest on Deposits under National Savings Scheme, 1993	4,300
He has deposited ₹14,000 in pension fund set up by LIC of India and he has paid medical insurance premium of ₹ 4,000.	

You are required to calculate his Total Income and tax liability for A.Y. 2017-18.

**OR**

2. Mrs. Lisa aged about 66 years is a Finance Manager of M/s. Lakme & Co. based at Calcutta. She is in continuous service since 2004 and receives the following salary and perks from the company during the year ending 31-3-2017 **15**
- Basic Salary  $(50,000 \times 12) = ₹ 6,00,000$
  - DA  $(20,000 \times 12) = ₹ 2,40,000$
  - Bonus – 2 months Basic Pay
  - Commission 0.1% of the turnover of the Company. The turnover for the financial year was ₹ 15.00 crores.
  - Contribution of the Employer and employee to the PF Account ₹3,00,000 each.
  - Interest credited to P. F. Account at 8.5% – ₹ 60,000.
  - Rent free unfurnished accommodation provided by the company for which the company pays a rent of ₹ 70,000 per annum.
  - Entertainment Allowance – ₹ 30,000
  - Children's education allowance to meet the hostel expenditure of the children – ₹ 15,000 (Exempt ₹ 7,200)
  - Profession Tax paid ₹ 2,500
- She makes the following payments and investments :
- Premium paid to insure the life of her major son – ₹ 15,000
  - Medical Insurance Premium for self – ₹ 22,000 and spouse ₹ 5000.
  - LIC Pension Fund – ₹ 18,000
- Determine the Net Taxable income for the A.Y. 2017-18.

**[TURN OVER]**



3. Following is the receipts and payments of Dr. Rajiv for the year ended 31-3-17.

15

Particulars	₹	Particulars	₹
To Balance b/f		By Salaries	24,000
Cash-in-hand 1,500			
Cash-in-bank 3,000	4,500		
To Consulting fees	4,08,100	By Bonus to staff	2,400
To Visit fees	14,500	By Printing and Stationary	3,600
To Gift from patients	40,000	By Rent of Clinic	12,000
To Rent from Subletting	95,000	By Electricity	11,150
To Fees form Air India	1,00,000	By Car Expenses	30,000
To Interest on Bank FD	17,900	By Int. on car loan	15,000
(TDS ₹ 2,100)		By Drawings	48,000
		By Contribution to an app. College for Donation	8,000
		By Purchases	3,36,000
		By Misc. Expenses	2,850
		By Balance c/d	
		Cash in hand 54,000	
		Cash with bank 1,00,000	
		FD with Bank 33,000	1,87,000
<b>Total</b>	<b>6,80,000</b>		<b>6,80,000</b>

Additional Information :

(1) **Purchases represent** : Medicines ₹ 50,000, Motor Car ₹ 2,56,000 and Books ₹ 30,000 .

(2) **Depreciation allowable** : Motor Car ₹25,600, Books ₹ 25,000 and Equipments ₹23,000.

You are asked to calculate his total income for A.Y. 2017-18.

[TURN OVER

3. Shri Babu Bhai submits the following P & L A/c of his business : 15

Particulars	₹	Particulars	₹
To Salaries & Wages	1,65,000	By Gross Profit	5,23,000
To Printing Charges	25,500	By Income from Company Deposit Scheme (Net) (T. D. S 20%)	8,000
To Travelling & Conveyance	16,000	By Interest on Bank Fixed Deposits	6,000
To Repairs	3,000	By Income from State Government Securities	5,000
To Life Insurance Paid	12,000	By Income tax refund	500
To Bank charges for collection of Income of Company Deposit Scheme	1,500		
To Bad Debts	32,000		
To Income Tax Paid	14,000		
To Donations	12,000		
To Provision for doubtful debts	11,500		
To Interest on loan taken for Company Deposit scheme	7,000		
To Depreciation	1,09,000		
To Net Profit	1,34,000		
	<b>5,42,500</b>		<b>5,42,500</b>

Note :

1. Depreciation allowed as per Income Tax Rules is ₹ 88,000.
2. Printing includes ₹2,500 paid for printing marriage invitation cards of his daughter.
3. Mr. Babu bhai has paid life insurance premium on the life policy ₹ 1,15,000 taken on the life of his wife.
4. Repayment of interest on loan taken for higher education is ₹ 60,000 and principal repayment is ₹ 25,000 for his son.

You are required to compute the Taxable Income of Mr. Babu Bhai for the A.Y. 2017-18.



4. Ms. Tanuja submits the following details for the A.Y. 2017-18.  
Details of Income from House property.

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Particulars	House I	House II
Fair Rent	30,000	30,000
Rent Received	39,000	36,000
Municipal Valuation	30,200	36,000
Municipal Taxes paid	5,000	4,000
Repairs	10,000	2,000
Insurance	9,000	3,000
Land Revenue	8,000	—
Ground Rent	7,000	4,000
Interest on Capital borrowed by mortgaging		
House I (Funds utilised for construction of House II)	4,800	—
Unrealised Rent		
F.Y. 2016-17	2,000	—
F.Y. 2015-16	—	8,000
Nature of Occupation	Let out for Residence	Let out for Residence

She invested ₹ 70,000 in PPF A/c, ₹ 10,000 in NSC and ₹ 20,000 as LIC premium paid for self and spouse. She also paid Medical Insurance Premium of ₹ 29,000 for self and spouse and ₹ 29,000 dependent parents.

OR

4. (A) Raghavan owned a residential house at Madurai, the original cost of which was ₹1,00,000. It was acquired on 1-9-2000. He sold the house on 1.6.2012 for ₹ 18,00,000 and purchased another house and 30-5-2014 at Tiruchi for ₹ 6,00,000. The second house at Tiruchi was sold by him for ₹ 18,00,000 on 30-6-2016. Discuss the impact of these transactions with regard to assessment to capital gain.

8

Cash inflation index :

2000-01	406
2012-13	852
2015-16	1081
2016-17	1125

- (B) Mr. Sandeep has earned the following income during the previous year ended 31st March, 2017. 7

	₹
Professional fees received in India for three months	18,000
Payment received in UK for services rendered in India	16,000
Income from business in Australia, controlled from India	14,000
Income from Agriculture in Bangladesh	12,000
Dividend from a foreign company received in UK	10,000
Amount brought into India out of the past untaxed profits earned in USA	18,000

Compute his total income assuming :

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

5. (A) Write any eight exempted Income U/s 10 of Income Tax Act 1961. 8

- (B) Enumerate any seven expenses not allowed in computing income from business under Income Tax Act 1961. 7

**OR**

5. Write short notes (any **three**) :— 15

- (i) Short term capital gain.
- (ii) Gross Annual Value of House Property
- (iii) Exemption U/S 10 (10AA) for leave salary
- (iv) Residential status of an individual
- (v) Person.