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Sr. No. of Question Paper : 2556

Roll No.....

Unique Paper Code : 101503

Name of the Course : Bachelor of Financial and Investment Analysis 2013

Name of the Paper : Direct Taxation

Semester : V

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any five question including Question No. 1 which is compulsory.
3. All questions carry equal marks.

1. (a) Mrs. X is employed with ABC Ltd. in Delhi. She submits the following particulars of her income for the financial year 2012-13 :
 - (i) Basic salary Rs. 25,000 p.m.
 - (ii) Dearness allowance (50% of which forms a part of salary) Rs. 10,000 p.m.
 - (iii) Entertainment allowance Rs. 1000 p.m.
 - (iv) Commission @ 1% of turnover of Rs. 25,00,000 achieved by her during the financial year.
 - (v) Education allowance for 3 children @ Rs. 500 p.m per child.
 - (vi) Transport allowance Rs. 1,000 p.m.
 - (vii) Rent free accommodation (Owned by company).
 - (viii) Club bills paid by company Rs. 10,000.
 - (ix) Leave encashment during the year Rs. 60,000.
 - (x) Interest on bank deposits Rs. 25,000 (gross).
 - (xi) Winning from lotteries Rs. 50,000 (gross).

P.T.O.

She made the following payments during the year :

- (a) She contributed 15% of her salary to the recognized provident fund and her employer contributed the same amount.
- (b) She paid Rs. 20,000 insurance premium on the life policy of her major son.
- (c) She paid Rs. 10,000 as health insurance premium for her own health.
- (d) She donated Rs. 5,000 to National Defence Fund and Rs. 6,000 to an approved institution for family planning.

Compute her total income and tax liability for the assessment year 2013-14. (10)

(b) Indicate whether the following statements are True or False :

- (i) Share of profit from a partnership firm is chargeable to tax.
- (ii) Dividend from a foreign company is tax free.
- (iii) Loss from one speculation business can be set off against profits of other speculation business only.
- (iv) An Indian company is always resident in India.
- (v) Long term capital gain is chargeable to tax @ 30%. (5)

2. (a) "Income of previous year is chargeable to tax in the immediately following assessment year" Is there any exception to this rule ? Discuss. (8)

(b) Government of Egypt appoints A, an Indian citizen, as senior taxation officer. He leaves India, for the first time, on September 1, 2012 for joining his duties in Egypt. During the previous year 2013-14, he comes to India on November 2, 2013 for 200 days. Determine his residential status for the assessment year 2013-14 and 2014-15. (7)

3. (a) Define Capital Asset. Explain the term 'Transfer' as used in connection with the capital gains. (8)

(b) B is the owner of following capital assets :

	Year of purchase	Cost	F.M.V on 1.4.1981 (Rs.)
Gold	1976-77	70,000	91,000
Shares in A Ltd.	1978-79	2,73,000	1,82,000

B sells these assets on 10 June 2012 for a total consideration of Rs. 31,00,000 (gold: Rs. 24,00,000 and shares Rs. 7,00,000). Find out the amount of capital gain chargeable to tax for the assessment year 2013-14 assuming that shares were sold through a recognized stock exchange and securities transaction tax was paid on such sales.

The relevant cost inflation index are: 1981-82 : 100; 2012-13 : 852 (7)

4. (a) Explain the provision relating to set-off and carry-forward of 'business losses' and 'capital losses'. (8)

(b) R furnishes the following particulars in respect of a house property owned by him in Delhi.

Municipal value	Rs. 3,00,000
Standard rent	Rs. 3,05,000
Municipal taxes paid	Rs. 40,000
Period of occupation for own residence	3 months
Actual rent for 9 months @ 35,000 p.m	Rs. 3,15,000

He borrowed Rs. 20,00,000 @12% p.a from LIC housing finance on June 1, 2010 and the house property got completed on February 28, 2012.

Compute his income from house property for the assessment year 2013-14. (7)

5. (a) When is an individual assessable in respect of income of his or her minor child? (8)

(b) Profit and loss account of a trader shows Net Profit of Rs. 1,52,000 after debiting following items. Find out income from business for the assessment year 2013-14 :

- (i) Payment of income tax Rs. 28,000 and income tax proceeding expenses Rs. 44,000.
- (ii) Interest on loan taken for payment of income tax Rs. 4,000.
- (iii) Sales tax Rs. 7,200 and penalty Rs. 16,000 for delay in payment of sales tax.
- (iv) Cash payment to a creditor Rs. 1,12,000.
- (v) Municipal tax Rs. 7,200, 1/3 portion of the house is used for business and half portion is used for self residence and remaining is let out.
- (vi) Income of Rs. 3,000 accrued during the year is not recorded in P/L A/c.

Aforesaid net profit includes Rs. 12,000 for recovery of old bad debts, which were disallowed by Income Tax Officer in past. (7)

6. (a) What do you understand by 'Income from other sources' ? State the five specific incomes which are chargeable to tax under this head. (8)
- (b) The gross total income of a person with disability for the assessment year 2013-14 consists of the following :
- (i) Income from other sources Rs. 45,000 and
 - (ii) Long Term Capital Gain Rs. 3,20,000
- Compute his tax liability. (7)

7. Explain any **three** of the following :

- (i) Due dates of filing return of income tax
- (ii) Return of loss u/s 139(3)
- (iii) Belated return u/s 139(4)
- (iv) Partial integration of agriculture income with the Total income
- (v) Assessee in default (15)

(100)

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1. (a) "Income earned during a previous year is normally charged to Tax in the financial year next following it". What are the exceptions to this rule? (8)
 - (b) Mr. Border, an Australian Cricketer has been coming to India for 100 days every year since 1999-2000.
 - (i) Determine his residential status for the assessment year 2012-13.
 - (ii) Will your answer be different if he has been coming for 110 days instead of 100 days every year? (7)
-
2. (a) Define Capital Asset. Discuss the procedure of computation of Capital Gain. (8)
 - (b) X sells a residential house property on 15 April 2011 for Rs. 14,00,000 (cost of acquisition on 23 April 1981: Rs. 1,20,000). On 14 February 2012, he purchases a residential house property for Rs. 2,00,000. He incurred a capital loss amounting to Rs. 20,000 during the year 2011-12. Assuming that his income under the head 'Profit and gains from business and profession' is Rs. 1,90,000. Determine the total income of X for the assessment year 2012-13.
Cost inflation index for year 1981-82=100; 2011-12=785. (7)

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3. X (age 58 years) is the general manager of ABC Ltd, Delhi. He has retired on 31-12-2011 after 20 years of service. He submits the following particulars of his income for the previous year 2011-12 :

- (i) Salary @ Rs. 20,000 p.m. from 01-01-11.
- (ii) Dearness allowance Rs. 2,000 p.m. 50% of which is for retirement benefits.
- (iii) Pension @ Rs. 5,000 p.m.
- (iv) House Rent Allowance @ Rs. 3,000 p.m. (Actual rent paid by him Rs. 4,000 p.m.)
- (v) A car of 1.8 liters engine capacity. All expenses including salary of driver are paid by the company.
- (vi) He contributes 20% of his salary towards a recognised provident fund. The company contributes 12% of salary to this fund.
- (vii) The company paid Rs. 8,000 towards his gas bill.
- (viii) He received Rs. 1,50,000 as gratuity.
- (ix) He received Rs. 1,67,500 for encashment of 10 months' unutilised earned leave. He is entitled to one month's leave p.a. During his service he has availed 10 months' leave.
- (x) He has invested Rs. 10,000 in unit linked plan of UTI, Rs. 12,000 in PPF A/c and Rs. 15,000 towards life insurance premium on the life of his major son (sum assured Rs. 60,000).
- (xi) The company deducted Rs. 500 as tax at source.

Compute his taxable income and tax liability for the assessment year 2012-13.

(15)

4. (a) Discuss the provisions relating to inclusion of the income of minor child and spouse of an assessee in his/her total income. (8)
- (b) Mr. Lal owns a big house. 50% of the floor area is let out on a monthly rent of Rs. 22,500. 25% of the floor area is used by the owner for the

purpose of his profession and remaining 25% of the floor area is utilised for the purpose of his residence. Other particulars of the house are as follows :

(i) Municipal value	Rs. 6,00,000
(ii) Fair Rent	Rs. 7,00,000
(iii) Municipal taxes paid	Rs. 80,000
(iv) Interest on capital borrowed for repairs	Rs. 2,00,000
(v) Ground rent	Rs. 8,000

Compute the taxable income from house property of Mr. Lal for A.Y 2012-13. (7)

5. Explain **any three** of the following :

- (i) Partial integration of agriculture income.
- (ii) Provisions relating to set-off and carry-forward of capital losses.
- (iii) Provisions relating to the deduction in respect of repayment of loan taken for higher studies.
- (iv) Provisions relating to deduction allowed to a person with disability (sec 80 U)
- (v) Give five examples of incomes which are fully exempt u/s 10. (15)

6. (a) What do you understand by 'Income from other sources' ? Give five items of income which are taxed under this head. (7)
- (b) A and B are partners in a firm. They share profits and losses in the ratio of 5 : 3. From the following Profit and Loss account, compute the total income and tax liability of the firm and amount which will be included in the income of A and B. The firm fulfils the conditions of Sec, 184.

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Profit and Loss account

	Rs.		
Interest @ 15%		Business Profit	3,16,800
A 30,000		Income from house property	20,000
B 18,000	48,000	Long term capital gain	40,000
Remuneration to working partners:			
A 1,60,000			
B 1,60,000	3,20,000		
Profit:			
A 5,500			
B 3,300	8,800		
	3,76,800		3,76,800

The remuneration and interest on capital are as per partnership deed.

(8)

7. Answer the following :

- (i) What is the time limit of carry-forward of business losses ?
- (ii) When does a company become non-resident in India ?
- (iii) When does the 'Gross Total Income' become 'Total income' for income tax purpose ?
- (iv) Who will enjoy exemption from Long Term Capital Gain resulting from the transfer of residential building u/s 54.
- (v) Can deduction u/s 80 C be claimed against Long Term Capital gain ?

(15)