

**Sixth Semester B.Com. Degree Examination****August / September - 2024****(CBCS-NEP-SCHEME)****COMMERCE****PAPER : NCF 0220 : Income Tax Law & Practice - II****Time: 2 Hours****Max. Marks : 60****Instruction to Students:**

1. The students should legibly write Section number along with question numbers within the margin only.
2. The answers without Section number and question numbers will not be valued.
3. Section - I Multiple Choice Questions should be answered in the first page of main answer book and same questions shall not be answered repeatedly.
4. Any identifications like marking, ticking, dots etc., in the options of MCQ Questions (Section-I) on the question paper is strictly prohibited. Do not write anything (except register number) on the question paper. **Ordinary calculator can be used.**

**SECTION - I**

- I. Select the most appropriate answer from the options provided. One mark each.  $10 \times 1 = 10$
- I-1. Vikas purchased a house for his residential purposes after taking a loan in May 2021. During the Previous Year 2022-23 he paid interest on loan Rs. 2,10,000. In computing Income from House Property interest is allowable to the extent of:  
a) Rs. 2,10,000      b) Rs. 75,000      c) Rs. 1,00,000      d) Rs. 2,00,000
- I-2. Maanvi received Rs. 60,000 as arrears of rent during the previous year 2022-23. The amount taxable under section 25A would be:  
a) Rs. 60,000      b) Rs. 42,000      c) Rs 40,000      d) Rs. 18,000
- I-3. Amount paid to an approved university for social research. The deduction shall be allowed in respect of payment:  
a) 100%      b) 125%      c) 150%      d) 200%
- I-4. Out of the following, which expense is not an admissible expense:  
a) Bad Debts      b) GST      c) Income Tax      d) Excise Duty
- I-5. An individual sold a residential house. Under which section the firm can get exemption on Long-Term Capital Gains?  
a) Sec 54      b) Sec 54D      c) Sec 54EC      d) Sec 54F
- I-6. Capital Gain arises on:  
a) Transfer of Capital assets      b) Stock in trade  
c) Business Capital      d) All of these
- I-7. Dividends declared by Unit Trust of India is \_\_\_\_\_  
a) Partially Taxable      b) Fully Taxable  
c) Taxable but a deduction is allowed u/s 80L      d) Fully Exempt in the hands of Unit holders

## SECTION II

**II Answer/write short notes on any FIVE of the following. THREE Marks each:**

$$5 \times 3 = 15$$

II-1. Define the term "Business".  
II-2. What is meant by grossing up of interest?  
II-3. State the rate of income tax for individual-super senior citizen for the A. Y 2023-24.  
II-4. Determine the Annual value of house of Mr. Shreyas in the following case  
Expected Rent Rs. 1,00,000  
House Let-out t Rs. 10,000 per month.  
House Tax paid by owner Rs. 9,000 (10% of municipal value)  
House remains vacant for 3 months.

II-5. Mr. Sharma sells his residential house in Mangaluru on 26th August 2022 for Rs. 55,00,000 and incurs on expenditure of Rs. 1,00,000 in connection with the transfer. Cost of acquisition of the house for him in 1998 was Rs. 1,80,000 and on 1st April 2001 the fair market value was Rs. 8,00,000. On 16th January 2023 he purchased a residential flat in Mangaluru for Rs. 17,00,000 and deposits Rs. 5,00,000 in the capital gain account scheme, 1988. Compute the taxable capital gains for the assessment year 2023-24. The cost inflation index for 2001-02 was 100 and for 2022-23 it was 331.

II-6. Compute income from other sources of Mr. Rudra Nandeesh from the information given below:

- Winnings from lottery Rs. 1,00,000
- Amount received from race winnings Rs. 35,000
- Received Rs. 20,000 as gift from his friend.
- Received Rs. 1,00,000 as a gift from his elder brother.
- Received Rs. 80,000 as a gift from his NRI friend.
- Another gift of Rs. 18,000 was received from his friend.

II-7. The particulars of income of Smt. Tanushree for the previous year ended 31st March 2023 are as under:

- Taxable income from the house property Rs. 27,000
- Profits and gains of business Rs 9,80,000
- Capital gains in respect of Short-term Capital Assets Rs. 5,000
- Capital loss in respect of Long-term Capital Assets being Buildings Rs 20,000. Compute the total income for the assessment year 2023-24.

II-8. Mr. Virat sold the following assets during the year ending 31-03-2023

- Self-generated goodwill sold for Rs. 4,00,000 on 01-01-2023 which were acquired on 01.04.2016.
- He sold jewellery on 1-7-2022 for Rs. 3,00,000 which was acquired by him on 1-4-2010 for Rs. 60,000.
- House hold refrigerator costing Rs. 30,000 purchased in 2018 sold in February 2023 for Rs. 50,000.

Compute Taxable Capital Gain for the Assessment Year 2023-24.  
The Cost Inflation Index for 2010-11 was 167, for 2016-17 was 264, for 2018-19 was 280 and for 2022-23 it was 331.

## SECTION - III

**III Answer any THREE questions from the following. FIVE Marks each:****3x5=15**

III-1. Write a note on Bond Washing Transaction.

III-2. Write a note on Unrealised Rent.

III-3. CA Nagarjun is a practising Chartered Accountant. The following is his receipt and payment A/c for the year ended 31-3-2023

Receipts	Amount	Payment	Amount
To Balance b/d	10,000	By Office Rent	25,000
To Audit Fees	70,000	By Salaries	65,000
To Income from other accounting work	50,000	By Household Expenses	25,000
To Fees for conducting Income tax appeal	15,000	By Books on Tax Law Journals	3,000
To Gift from father	25,000	By Motor car expenses	7,000
To Gift from clients	20,000	By Membership fee	5,000
To Interest on Bank deposits	3,000	By Interest on Bank loan	15,000
To Interest on Government Securities	7,000	By office telephone bill	10,000
		By Travelling expenses (Personal)	15,000
		By Balance c/d	30,000
	2,00,000		2,00,000

Other Informations:

- Membership fee includes Rs. 2,000 paid to a sports club and remaining amount relates to Chartered Accountant Institute.
- The car is used equally for profession and personal purpose and depreciation allowed for Professional work is Rs. 1,000.
- Bank Loan has been taken to purchase a house for his self-occupation.

Compute Professional Income of CA Nagarjun for the Assessment Year 2023-24.

III-4. From the following information compute tax liability of Mr. Ram for the assessment year 2023-24.

1. Income from House Property (Computed)	Rs. 80,000
2. Interest on Government Securities	Rs. 10,000
3. Income from Business	Rs. 10,55,000
4. Long Term Capital Gains	Rs 50,000
5. Agricultural Income	Rs. 1,00,000
6. Amount withdrawn from PPF	Rs. 50,000
7. Purchased N.S.C. VIII Issue	Rs. 30,000
8. Deposited in PPF	Rs. 60,000
9. Subscription to eligible issue to capital	Rs. 30,000

III-5. Mr. Shiva Kumar submits the following information. Compute Capital Gains for the assessment year 2023-24.

Particulars	House No. 1	House No. 2
Date of Purchase	May 1997	Dec 2000
Cost of Acquisition	1,90,000	2,50,000
Cost of additional construction in 2000	10,000	25,000
Fair Market value on 1-4-2001	1,75,000	3,50,000
Cost of additional construction in 2004-05	51,800	77,700
Selling Expenses	20,000	40,000
Brokerage paid at the time of purchasing house	30,000	50,000
Sale Proceeds of property in 2022-23	18,00,000	23,00,000

The Cost Inflation Index for 2001-02 was 100, for 2004-05 was 113 and for 2022-23 it was 331.

## SECTION - IV

IV Answer any TWO questions from the following. TEN Marks each:

2x10=20

IV-1. What do you mean by Securities? Explain the types of Securities.

OR

Mr Jayanth has four houses in Mysore, the municipal valuations of which are Rs. 10,000, Rs. 8,000, Rs. 6,000 and Rs. 6,000 respectively. He lives in the first house. In the second house, he runs his business. The third house is let out for Rs. 400 per month. A loan was taken on 1st April, 2017 for the construction of the fourth house, the construction of which began 1st May, 2017 and ended on 31st January 2019. The house was let out on 1st February, 2019 at Rs. 600 per month. For the previous years 2022-23 interest paid by him in respect of the loan amounted to Rs. 800 and for the previous years 2017-18 and 2018-19 the interest paid has been Rs. 1,500 and Rs. 1,400 respectively. Municipal taxes were assessed and paid at 10% of the municipal valuation. Compute his income from house property for the assessment year 2023-24.

IV-2. Explain the provisions regarding set-off of losses while computing the total income.

OR

On basis of Trading and P& L A/c of Mr Shyam, Compute his Income from Business for the Assessment Year 2023-24.

Particulars	Amount	Particulars	Amount
To Purchases	2,35,000	By Sales less returns	5,72,700
To Salaries and wages	1,50,000	By Bad debts recovered (allowed earlier)	2,000
To Trade expenses	1,500	By Capital gain	1,000
To Rent	6,000	By Agricultural income	23,000
To Household expenses	2,500	By Gaushala receipt	10,000
To Preliminary expenses	12,000	By L.I.C. maturity	5,000
To Depreciation	15,100	By Interest on F. D.	5,000
To Contribution to trust	1,000		
To Lakshmi Pooja Expenses	7,200		
To Donation	2,500		
To Interest on Capital	2,500		
To Patent purchased	5,000		
To Gift Tax	16,500		
To Entertainment Expenses	30,000		
To Fire Insurance Premium	4,400		
To Provision for bad debts	2,000		
<b>To Reserve for future losses</b>	<b>6,000</b>		
To Advertisement bill paid in cash	30,000		
To Income tax	13,500		
<b>To Net Profit</b>	<b>76,000</b>		
	6,18,700		6,18,700

**Additional Information:**

1. Salaries and wages include a salary to Shyam at Rs. 5,000 per month.
2. Trade Expenses include Rs 500 paid towards association to call of strike.
3. Donation includes Rs. 1,000 to Evening College Rs. 500 to Lion Club and Rs. 1,000 paid to trade association.
4. Depreciation allowed by the department Rs. 10,100.

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