

Business Taxation
2010 December
Commerce SYBCom
Semester 3
University Exam
Mangalore University

shaalaa.com

Reg. No.

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BCMCMC 205



Credit Based Third Semester B.Com. Degree Examination,
November/December 2010

(Credit Based Semester Scheme) (Optional)

COMMERCE

Business Taxation – I (Elective)
Common to Freshers and Repeaters

Time : 3 Hours

Max. Marks : 80

Instruction : Provide working notes wherever necessary.

SECTION – A (4 marks each)

(4×4=16)

Answer any four questions :

1. Define and explain the term previous year. Mention the rule of previous year and bringout the exceptions to the rule.
2. State the provisions for the treatment of medical facilities and free education, as perquisites.
3. Write an explanatory note on 'assessee' and 'person'.
4. Mr. Jagdeesh retired on 30th November 2009 and received Rs. 3,00,000 as earned leave encashed. He had credit of 7 months approved earned leave. His last drawn basic was Rs. 25,000 and D.A. Rs. 5,000 (20% taken for retirement benefit).
Compute leave encashment exempt u/s 10(10AA).
5. Mr. Manohar came to India from U.K. for the first time on 30th September 2003 to join American concern as personnel manager. After reporting for duty he went to U.S.A. on 5th October 2003. He returned to India on 14th October 2003 and stayed in India till 3rd July 2008 when he went back to U.K. He came back to join for duty on 13th November 2009. Find out his residential status for the Previous Year 2009-10.

P.T.O.



6. Find out taxable house rent allowance from the following :

- * Basic pay Rs. 10,000 p.m.
- * Dearness pay @ 10% of basic pay.
- * Commission based on fixed percentage of turnover Rs. 12,000. for the whole year, at 1% (Turn over Rs. 12-lakh)
- * House rent allowance Rs. 3,000 p.m.
- * Actual rent paid by the assessee Rs. 2,000 p.m.
- * House situated at Mysore.

SECTION – B (8 marks each)

(4×8=32)

Answer any four questions :

7. Write a note on agricultural income and give examples for non-agricultural incomes from land.
8. Explain rules to determine the residential status of an individual.
9. What is Income ? Bring out its characteristics.
10. Mr. Jeevan retired from service on 30th June 2009 after a service of 30 years 9 months and 23 days. His last drawn emoluments are as follows :

Basic salary Rs. 20,000 p.m.

D.A. Rs. 5,000 p.m. (15% taken for retirement benefit)

Annual increment of basic salary Rs. 1,000 p.m. falls due on 1st January every year.

Gratuity received Rs. 3,64,000

Find out taxable Gratuity.

- a) If he is covered by the Payment of Gratuity Act 1972.
- b) If he is not covered by the Payment of Gratuity Act 1972.



11. Mr. Arun employed in a company at Bangalore having population more than 25 lakh. Find out the value of rent free accommodation from the following :

- * Basic salary Rs. 20,000
- * D.A. Rs. 2,000 p.m. (10% under the terms of employment)
- * Bonus 2 months basic salary
- * Conveyance allowance Rs. 1,000 p.m. (50% official purpose)
- * Daily allowance Rs. 500 p.m.
- * Cost of furniture provided Rs. 1,00,000 W.D.V. Rs. 70,000.

12. From the following particulars compute deduction u/s 80C.

- a) Life insurance policy of Rs. 50,000 on married daughter's life premium paid Rs. 7,000.
- b) Life insurance policy premium on own life Rs. 10,000, policy amount Rs. 1,00,000.
- c) Contribution to R.P.F. Rs. 6,000.
- d) Contribution to U.R.P.F. Rs. 10,000.
- e) Repayment of housing loan Rs. 25,000 (includes interest Rs. 5,000).
- f) LIC premium on mother's life Rs. 8,000.
- g) Tuition fees paid of his 3 children Rs. 30,000.
- h) NSC VIII Issue purchased Rs. 10,000.



SECTION - C

(16×2=32)

Answer any two questions :

13. What are perquisites ? Explain the provisions for the treatment of various perquisites u/s 17(2).
14. Compute the total income of Mr. Uthappa from the following particulars, if he is
- i) O.R. ii) N.O.R. iii) N.R.
- 1) Income from assets in Srilanka received in Mysore Rs. 20,000.
 - 2) Income from business in Madikeri managed in Japan Rs. 25,000
 - 3) Income from services rendered in Mangalore, received in America Rs. 5,00,000.
 - 4) Profit from business in Pakistan, deposited in a bank there Rs. 17,000.
 - 5) Income from profession in Kenya received there. The profession was set-up in India Rs. 25,000.
 - 6) Interest on China Government securities, half of which is received in India Rs. 70,000.
 - 7) Interest on France development bonds ($\frac{1}{10}$ received in Bombay) Rs. 1,00,000)
 - 8) Income from Agriculture in Malaysia received there, but later on remitted to India Rs. 60,000.
 - 9) Income from property in Canada, received outside India Rs. 30,000.
 - 10) Income earned from business in Singapore, which is controlled from Madras (Rs. 25,000 is received in India) Rs. 70,000.
 - 11) Profit on sale of a building in India but received in Dubai Rs. 22,000.
 - 12) Income from Agriculture in Delhi Rs. 28,000.

- 13) Interest on post office savings bank a/c Rs. 5,000.
- 14) Gift from a friend Rs. 60,000.
- 15) Past untaxed income brought to India Rs. 13,000.
15. Smt. Anuradha is employed with Bharat Ltd. on a monthly salary of Rs. 15,000 p.m. Compute the taxable salary and deduction u/s 80C for A.Y. 2010-11, on the basis of the following details :
- D.A. Rs. 6,000 p.m. (enters P.F.)
 - Employer's contribution to R.P.F. is at 15% of employees salary.
 - Medical allowance Rs. 700 p.m., actual expenditure Rs. 600 p.m.
 - Education allowance for three children Rs. 400 p.m. per child.
 - She has been provided a rent-free house, the company paid a rent of Rs. 3,000 p.m. (House is not owned by the co.) She is also provided the furniture facility of Rs. 20,000 (Written-down Value Rs. 16,000) by the employer (population less than 10 lakh).
 - Company provided the benefit of servant, sweeper and watchman at a salary of Rs. 250 p.m. for each of the servant.
 - Telephone bills Rs. 5,000 for the telephone facility at the residence of Anuradha paid by employer.
 - She paid profession tax Rs. 2,000.
 - Company provided gas, electricity and water facility and paid Rs. 9,000 on these.
 - Company provided her free refreshment and food in office. She used this facility for 300 days during the previous year. The cost of food to company is Rs. 65 per day and of refreshment Rs. 15 per day.



k) She is given with 1.2 litre C.C. Car without driver and it is used for both private and official use. All expenses are borne by the company.

She has made the following payments :

- * Contribution to R.P.F. is Rs. 2,000 p.m.
- * Life insurance premium on his life Rs. 3,000 p.m., policy value Rs. 1,00,000.
- * Contribution to ULIP Rs. 15,000
- * Deposits in Home Loan account Rs. 25,000.
- * Subscription to NSC VIII Issue Rs. 11,000.
- * Tuition fees paid of his 3 sons Rs. 5,000 each.

16. Mr. Cariappa is employed in a firm at Mumbai at a salary of Rs. 24,000 p.m. He has been given Rs. 5,000 p.m. Dearness allowance (10% taken for retirement benefit) and daily allowance Rs. 500 p.m. (50% for official purpose), transport allowance Rs. 1,000 p.m. and house rent allowance Rs. 8,000 p.m. (Rent paid by him Rs. 10,000 p.m.)

He contributes 13% of salary to R.P.F. to which the employer also make equal contribution. Interest amounting Rs. 7,000 has been credited on balance 80,000 standing to the credit of his Provident Fund account.

He has been provided with a big car, which is used by him for his personal purpose also. The driver's remuneration of Rs. 1,000 p.m. and all the expenses relating to the car are borne by the employer.

The firm has paid his annual membership fee of Rs. 5,000 of Rotary Club and water bill Rs. 1,000.



Rs. 20,000 medical bill reimbursed by the firm on the treatment taken from a private hospital.

He is given hostel allowance Rs. 400 p.m. per child for 3 children.

He is provided with free lunch in office for 300 days at Rs. 80 per meal. Employer has paid medical insurance premium Rs. 3,000 and income tax Rs. 5,000 on his behalf.

The following are the contribution made during the previous year :

- * Premium paid Rs. 5,000 on life of his dependent brother.
- * Premium paid Rs. 16,000 on life of his married son, policy amount Rs. 2,00,000.
- * Contribution to P.P.F. Rs. 10,000.
- * Repayment of home loan Rs. 30,000, (includes interest Rs. 2,000)
- * Purchase of NSC VIII Issue Rs. 10,000 ; interest accrued Rs. 8,640.

Compute his taxable salary and deduction u/s 80C for A.Y. 2010-11.

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