

VI Semester B.B.M. Examination, April/May 2015
(Semester Scheme) (Fresh) (2014-15 and Onwards)

BUSINESS MANAGEMENT

Paper – 6.3 : Income Tax

Time : 3 Hours

Max. Marks : 100

Instruction : Answers should be written **only in English.**

SECTION – A

1. Answer **any eight** sub-questions. Each sub-question carries **two** marks. **(8×2=16)**
- Define the term vocation.
 - What do you mean by block of assets ?
 - What is a casual income ?
 - What is indexed cost of acquisition ?
 - State any two allowable expenses under business income.
 - What are long term specified asset U/S 54 EC ?
 - What are tax free commercial debentures ?
 - Mention any 2 incomes taxable at flat rate.
 - How do you treat the cost of property acquired under will ?
 - State any four tax free perquisites.

SECTION – B

Answer **any three** questions. Each question carries **eight** marks. **(3×8=24)**

2. Mr. Kaylan a citizen of West Indies was appointed as sales manager in India on 1st April 2006 at Mumbai. On 25th January 2009 he went to Uganda on deputation for a period of 3 years, but left his wife and children in India. On 1st May 2010 he came to India and took with him, his family to Uganda on 30th June, 2010. Returned to India and joined his original job on 24th January 2014. Determine his residential status for the A.Y. 2014-15.



3. Sri Kalyan retired on 31-03-2014 after serving in a company for 32 years and 10 months. He received Rs. 78,000 as gratuity. His average monthly salary in the immediately preceding 10 months was Rs. 2,800. Compute his exempted and taxable gratuity for the assessment year 2014-15 (employee is not covered under gratuity act).
4. Determine the annual value of the house property from the following details :
 - a) Municipal value Rs. 90,000
 - b) Standard rent Rs. 1,00,000
 - c) Fair rent Rs. 1,10,000
 - d) Actual rent Rs. 1,12,000
 - e) Municipal tax 10%
 - f) Municipal tax paid in the previous year Rs. 6,000.
5. Compute the taxable income from salary of Mr. Murugesh a government employee for the A.Y. 2014-15.
 - a) Basic pay Rs. 1,44,000 p.a.
 - b) Dearness pay-50% of basic pay
 - c) Bonus Rs. 14,400 p.a.
 - d) Contribution to statutory provident fund Rs. 2,000 p.m.
 - e) Entertainment allowance Rs. 1,000 p.m.
 - f) He has been provided with a rent free unfurnished accommodation. The value of accommodation as per government rates is Rs. 1,500 p.m. the cost of the furniture provided is Rs. 20,000.
 - g) He has been sent for treatment in a government hospital, the cost treatment is 10,000 which is been re-imbursed by the employer.



SECTION - C

Answer Question No. 10 and any 3 of the remaining questions. Each question carries 15 marks. (4×15=60)

6. Mr. X is an employee in H.M.R. Bangalore. He gives the following information for the previous year 2013-14.
- a) Basic salary Rs. 10,000 P.M.
 - b) D.A. Rs. 6,000 P.M.
 - c) Family allowance Rs. 600 p.m..
 - d) City compensatory allowance Rs. 800 p.m.
 - e) Education allowance for two children at Rs. 350 P.M. per child.
 - f) Entertainment allowance Rs. 750 P.M.
 - g) House rent allowance Rs. 1,600 p.m. But he pays Rs. 3,000 P.M. as actual rent.
 - h) Company has provided a telephone at his residence, which amounts to Rs. 6,000 for the year.
 - i) Company has paid his income tax of Rs. 6,420 during the previous year.
 - j) Conveyance allowance of Rs. 8,000 for visiting the branches (fully spent).
 - k) He and company contribute 14% of salary towards R.P.F.
 - l) Interest on R.P.F. was Rs. 15,000 at 15% P.A.

Compute income from salary for the A.Y. 2014-15.

7. Sri Yadav owns three houses, X, Y and Z. Houses X and Y are used for residential purpose and Z is let out on a monthly rent of Rs. 7,000. Following are the other particulars of these house properties.

Particulars	X	Y	Z
Municipal valuation	50,000	20,000	80,000
Fair rent	75,000	22,000	85,000
Standard rent	55,000	26,000	75,000



Municipal taxes paid	10% of MV	10% of MV	10% of MV
Vacancy period			2 months
Loss due to vacancy	-	-	6,000
Interest on capital borrowed for construction of house (Rs. 9,44,000) @ 15% per annum on April 10, 2009 construction is completed on March 10, 2011 and loan is yet to be repaid.			1,21,600

Sri Yadav could not occupy house - Y for months commencing from December 1, 2013. The particulars given above are related to financial year 2013-14, compute his income from house property for the A.Y. 2014-15.

8. Sri Dhoni is the owner of a business. His profit and loss account for the year ending 31-3-2014 was as follows :

Particulars	Rs.	Particulars	Rs.
To Salaries	5,000	By Gross profit	55,000
" Rent rates and taxes	2,900	" interest on investments	5,000
" Printing and stationery	750	" Rent received	6,000
" Personal expenses	3,000		
" Commission	2,000		
" Discount on allowance	450		
" Provision for bad debts	1,200		
" Postage and telegram	270		
" Law charge	450		
" Advertisement	1,550		
" Gifts and presents	150		
" Fire insurance premium on stock	500		



" Sales tax	1,250	" Winning from lottery	10,000
" Repair and renewal (not for business)	480		
" Loss on sale of machinery (used for private purpose)	1,800		
" Life insurance premium	1,700		
" Wealth tax	740		
" Interest on capital	730		
" Audit fee	300		
" Interest on bank loan	1,380		
" Provision for depreciation	2,500		
" Provision for income tax	3,900		
" Net profit	43,000		
Total Rs.	76,000	Total Rs.	76,000

Other information :

- a) Actual bad debts were Rs. 500.
- b) Actual amount of income tax paid during the year Rs. 4,000.
- c) Allowable depreciation as per I.T. rules Rs. 1,500.
- d) Advertisement expenses include Rs. 450 spent on special advertisement campaign to open a new shop.
- e) He carried out the business in a rented house, 40% of which is used for his residence.
- f) Rent, rates and taxes include Rs. 2,400 paid as rent of the property during the year.

Compute his taxable income from Business for the A.Y. 2014-15.



9. Following is the Receipts and Payments of Doctor Hariprasad for the year ending 31-3-2014.

Particular	Rs.	Particular	Rs.
To Balance b/d	1,20,000	By Clinic rent	25,000
" Consultation fees	65,000	" Staff salary	80,000
" Visiting fees	80,000	" Rent and taxes	25,000
" Sale of medicine	45,000	" Electricity and water charge	14,000
" Operation theater rent	25,000	" Purchase of medical books (annual publication)	14,000
" Dividend	25,000	" Purchase of surgical equipments	40,000
		" Motor car expenses	10,000
		" Medical association members fees	5,000
		" Audit fees	20,000
		" Staff welfare expenses	12,000
		" Diwali expenses	6,000
		" Entertainment expenses	12,000
		" Medicine purchase	30,000
		" Balance c/d	67,000
Total Rs.	3,60,000	Total Rs.	3,60,000

- Gift from patient Rs. 4,000 was given to him by a patient not included in the account.
 - 1/4 of motor car expenses relate to personal use.
 - The rate of depreciation on surgical equipment is 15%.
 - Interest received on bank deposits.
 - Audit fee include income tax appeal expenses of Rs. 10,000.
- Compute his taxable income from profession for the A.Y. 2014-15.



10. From the following particulars of Mr. Ramachandrappa, compute his Gross Total Income for the Assessment Year 2014-15.

- a) Income from investments from Kolar Rs. 65,000
- b) Profit from business in Uganda controlled from Chennai Rs. 50,000
- c) Income from property in UK received there Rs. 35,000
- d) Income from poultry in Bangalore but received in Delhi Rs. 45,000
- e) Salary received in England for services in Srilanka Rs. 40,000
- f) Interest on a Private company securities Rs. 25,000
- g) Profit from business in India controlled Africa (1/2 received in India)
- h) Salary received in India for services rendered in Singapore Rs. 25,000
- i) Past untaxed foreign income brought into India during the previous year Rs. 45,000
- j) Dividend from Indian company Rs. 12,000
- k) Interest on bank deposits Rs. 5,000
- l) Income from Agriculture in Haryana Rs. 25,000
- m) Agricultural income from Bangladesh Rs. 15,000
- n) Gift in cash from father Rs. 30,000
- o) Interest received in Japan later on remitted to India Rs. 10,000
- p) Share of income from HUF Rs. 55,000.