

VPM's
Programme: PGP (2014-15)
Second Semester Examination July 2015 (Finance)

Subject	Taxation		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	18.07.2015

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory)

1 a) (5marks)

Following are the details of Salary received by Mrs. Suniti Shah for AY 2014 – 15 per month. She owns flat at kharghar, Navi Mumbai and has office at Nariman Point, Mumbai. She has availed housing loan from ICICI and regularly ECS is going from her Salary.

Calculate her Salary income chargeable to tax:

Basic Salary:	Rs. 35,000
DA:	Rs. 17,500
HRA:	Rs. 18,000
Travelling:	Rs. 6,000
Fixed asset allowance:	Rs. 3,000
Telephone allowance:	Rs. 3,500
Deductions from Salary:	
Profession tax:	Rs. 200
PF contribution:	Rs. 3,750
Income tax:	Rs. 9,700
Housing loan EMI-ECS: (Int. on Housing loan Rs. 1,59,000)	Rs. 19,600

2 b) (5marks)

Mr. Anand has following income details:

Interest income on FD with HDFC bank	45,340
Interest on saving bank interest	9,430
ICICI bonds interest	4,560
Gift received from friend on attaining age of 75 years	75,000
Rent received from hiring of machinery	1,95,000
LIC annuity	45,300
Post Office MIS Interest	96,000
Pension received from LIC (pension plan)	1,12,000
PPF interest	29,550
RBI tax free bond interest	12,790

Calculate taxable income of Mr. Anand

3 c) (5marks)

Mr. X owns a soap factory at Pune. Following is the Profit and Loss Account prepared by him for the Assessment Year 2014 – 15.

Particulars	Rs.	Particulars	Rs.
To Sales Tax (incurred during year)	2,000	By Gross Profit	75,000
To Advertising		By House Property income	5,000
To Bonus	5,000		
To Commission	8,000		
To Depreciation	2,000		
To Donation to National Defence Fund	6,000		
To Embezzlement by an employee	1,000		
To General expenses	2,000		
To Salary to staff			
To office expenses	5,000		
To Discount to retailers	10,000		
To Sundry expenses	5,000		
To Net profit	3,000		
	5,000		
	26,000		
	80,000		80,000

Compute his business income for the assessment year 2014 – 15. Further particulars –

I) Sales Tax paid during the year was Rs. 400. Total bonus paid during the year was Rs.

8,000 debited in the books and Rs. 11,000 provided for in preceding year but paid in the current year.

ii) Office expenses include Rs. 1,050 paid as bribe.

iii) General expenses include Rs. 1,000 being the municipal taxes in respect of house property.

4 d) (5 Marks)

Dinesh purchased a vacant site for Rs. 3,00,000 in April 1990. He constructed a residential building during the year 2004 – 2005 in the said site for Rs. 15,00,000. Dinesh sold the residential building for Rs. 65,00,000 in January 2014. Compute his long term capital gain, for the assessment year 2014 – 15 based on the above information. The cost inflation index are as follows:

Financial Year	Cost Inflation Index
1990 – 91	182
2002 – 03	447
2004 – 05	480
2007 – 08	551
2013 – 14	939

Attempt Any FOUR from the Remaining SIX Questions

Q2) Multiple Choice Questions:

[20 marks]

- 1) **AB and Co. received Rs. 2,00,000 as compensation from CD and Co. for premature termination of contract of agency. Amount so received is _____.**
 - a) Capital receipt and taxable
 - b) Capital receipt and not taxable
 - c) Revenue receipt and taxable
 - d) Revenue receipt and not taxable

- 2) **The tax exemption limit for a resident senior citizen is _____**
 - a) Upto Rs. 2,00,000
 - b) Upto Rs. 5,00,000
 - c) Upto Rs. 1,80,000
 - d) Upto Rs. 2,50,000

- 3) **Income-tax in India is charged at the rates prescribed by _____.**
 - a) The Finance Act of the assessment year
 - b) The Income-tax Act, 1961
 - c) The Central Board of Direct Taxes
 - d) The Finance Act of the previous year

- 4) **As per section 2(31), the following is not included in the definition of ‘person’ _____.**
 - a) An individual
 - b) An hindu undivided family
 - c) A company
 - d) A minor

- 5) **X, an Indian citizen who is living in Delhi since 1980, left for Japan on 1st July, 2012 for employment. He came back to India on 1st January, 2014 on a visit and stayed for 4 months. His residential status for the assessment year 2014 – 15 would be _____.**
 - a) Resident and ordinarily resident
 - b) Not ordinarily resident
 - c) Non – resident
 - d) Resident

- 6) **According to section 2(24) definition of ‘income’ is _____**
 - a) Inclusive
 - b) Exhaustive
 - c) Exclusive
 - d) Description

- 7) **Which of the following is not included in taxable income _____**
- Income from smuggling activity
 - Causal income
 - Gifts of personal nature subject to a maximum of Rs. 50,000 received in cash
 - Income received in kind
- 8) **The following is not allowed as deduction u/s 80TTA _____**
- Interest on deposits in a savings account with bank upto Rs. 10,000
 - Interest on time deposits with bank upto Rs. 10,000
 - Interest on deposits in a savings account with post office upto Rs. 10,000
 - Interest on deposits with co-operative society engaged in carrying on the business of banking upto Rs. 10,000.
- 9) **Capital asset excludes all except _____**
- Stock-in-trade
 - Personal effects
 - Jewellery
 - Agricultural land in India
- 10) **Chandan, a handicapped employee receives Rs. 1,500 per month as transport allowance from his employer. His actual expenditure on transport is Rs. 1,000 per month. The amount of transport allowance taxable under the head income from salaries will be _____**
- Rs. 18,000
 - Nil
 - Rs. 6,000
 - Rs. 8,000

Q3) state weather the following is TRUE or FALSE. Give correct reason for a FALSE statement: (5 Marks)

- Accrual of government Expenses lie statutory dues are not allowed for claiming deductions (or benefit) unless paid.
- Flat rate of tax on lottery income is 20% in India.
- Artificial Juridical person like trust is not considered as an assesses.
- Net Taxable Income can be negative.
- Income of a minor is clubbed with parents and not taxable separately.

Q 4) Describe how payment of Advance is made by both individual and corporate assessed (describe only dates and relevant percentage of payment). (5 Marks)

Q5) Describe the provisions of 80 D. (5 marks)

Q6) Describe long term and short term Capital Assets in brief and state their tax treatment. (5 Marks)

Q7) State provisions of residential status and also state whether citizenship have any hearing on tax incidence. (5 Marks)