

QP Code : 22483

[Time : 2½ Hours]

[Total marks : 75]

- N.B :** (1) All questions are **compulsory**.
 (2) Each question carries 15 marks.

Q1. (A) Multiple choice questions : (Any 8)

8

- (1) Deduction u/s. 54 is available to :
 - (a) Individual
 - (b) HUF
 - (c) Individual and HUF
 - (d) All assessee
- (2) Payment received by an employee in respect of encashment of earned leave during service is :
 - (a) Taxable as Salary
 - (b) Taxable as Income from Other Sources
 - (c) 50% is exempt and balance taxable as salary
 - (d) Fully exempt under section 10
- (3) For non-government employee governed by the Payment of Gratuity Act, 1972, the maximum monetary limit for exemption is :
 - (a) ₹ 5,00,000/-
 - (b) ₹ 3,50,000/-
 - (c) ₹ 10,00,000/-
 - (d) Limitless
- (4) For the purpose of claiming higher deduction u/s. 24(b) while computing income of a self-occupied property assessee is required to take :
 - (a) Loan on or before 1.4.1999
 - (b) Loan on or after 1.4.1999
 - (c) Loan after 1.4.1998
 - (d) Loan on 1.4.1998
- (5) The maximum quantum of deduction by way of interest on money borrowed for construction of self-occupied house property is :
 - (a) ₹ 1,50,000/-
 - (b) ₹ 30,000/-
 - (c) ₹ 2,00,000/-
 - (d) ₹ 1,00,000/-
- (6) A sum of ₹ 50,000 was written off as bad debt in the books, in the assessment year 2013-14 and was disallowed. During the financial year 2016-17 ₹ 20,000/- as recovered. Out of the recovery how much is taxable ?
 - (a) ₹ 20,000/-
 - (b) NIL
 - (c) ₹ 30,000/-
 - (d) ₹ 70,000/-

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- (7) AJ Pvt. Ltd makes a payment of ₹35,000/- in cash to a labour contractor for repair job, in a single day. The disallowance under section 40A(3) will be :
- ₹ 35,000/-
 - ₹ 7,000/-
 - ₹ 10,500/-
 - NIL
- (8) A Ltd. had an opening WDV balance of ₹2,00,000/- on 1.4.16, for a block of plant and machinery (15% depreciation). During the year it purchased a machinery, falling in the block, on 1.11.2016 for ₹ 50,000/-. Depreciation admissible on the block for the financial year 2016-17 is :
- ₹ 37,500/-
 - ₹ 18,750/-
 - ₹ 33,750/-
 - ₹ 30,000/-
- (9) The maximum amount of standard deduction in case of family pension is :
- ₹ 5,000/-
 - ₹ 2,000/-
 - ₹ 15,000/-
 - ₹ 20,000/-
- (10) Amount of deduction in case of a person with severe disability under section 80U will be :
- ₹ 50,000/-
 - ₹ 75,000/-
 - ₹ 1,25,000/-
 - ₹ 1,50,000/-
- (B) State whether the following statements are true or false (Attempt any 7) :
- Municipal taxes paid by tenant is allowed as deduction u/s 16.
 - Any expenditure incurred on winning from lottery is allowed u/s 57.
 - Lunch facility is fully exempt.
 - Penalty for breach of law is allowed as deduction.
 - Income of minor is exempt.
 - Dividend from Co-Operative society is taxable.
 - Maximum limit of deduction under section 80C and 80CCC is ₹ 2,00,000.
 - Only Reducing Balance method is allowed for depreciation in case of Business.
 - Gross Annual Value of Deemed to be let out property is to be considered as NIL.
 - Gift from friend is fully taxable.

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2. (a) Ajay purchased 100 equity shares XYZ Ltd. on 1st January, 2003 for ₹ 500 per share and incurs expenditure on brokerage of ₹ 0.50 per ₹ 100. On May 1st, 2015 he gets bonus of 100 shares. On August 1st, 2016 he gets on 200 rights shares for ₹ 540 per share. On 31st January, 2017 he sells 300 shares for ₹ 800 per share and incurs an expenditure of ₹ 480 on brokerage. 7

Compute his taxable income for A.Y. 2017-18, he does not have any other source of income. (Assume FIFO Method)

The Cost inflation index for the F.Y. 2002-03 is 447; for the F.Y. 2015-16 is 1081; for F.Y. 2016-17 is 1125.

- (b) Mr. Z sells a residential house at Mumbai for ₹ 90,00,000/- on 1st January, 2017. 8
The house was acquired by him for ₹ 4,00,000/- on 1st June, 1993. The value of the house as on 1.4.1981 was ₹ 90,000/- and the previous owner bought the house for ₹ 75,000/- in the year 1975-76.

Z pays brokerage @2% at the time of sale of the house. He had carried out major repairs and renovation of his Mumbai house in April 2012, which amounted to ₹1,00,000/-. In March 2017 from the sale proceeds of Mumbai house he invests ₹35,00,000/- in a residential house in Mumbai.

Compute the capital gains taxable in the hands of Mr. Z for the assessment year 2017-18.

The cost inflation index for the year 1981-82 is 100; for 1993-94 is 244; for 2012-13 is 852; for the F.Y. 2015-16 is 1081; for F.Y. 2016-17 is 1125.

OR

2. Mr. Panchal is a Finance Manager of K Private Ltd. During the year, he voluntary retired from the company on 31-12-2016 as per the terms and conditions offered by the company. On voluntary Retirement he received ₹ 6,50,000 and was also entitled to a pension of 20,000 p.m. for next 10 years. He commuted 80% of his pension for ₹ 16,00,000. 15

His other emoluments during the year ended 31st March, 2017 were as follows :

(a) Net salary up to 31-12-2016	₹ 60,800 p.m.
(b) Entertainment allowance	₹ 2,500 p.m.
(c) House Rent Allowance (taxable portion)	₹96,000
(d) Medi claim permium paid by the Employer	₹5,200
(e) Leave salary encashment for the year 2016-17 during service	₹50,700
(f) D.A. in terms	20% of basic salary
(g) Children Education allowance for 3 children	₹ 1000 p.m.

The following were deducted from his salary every month till his retirement.

(a) Tax deducted at source	₹ 4000/-
(b) Professional Tax	₹ 200/-

Compute taxable Salary for Mr. Panchal for the previous year 2016-17. Assuming he is covered under Payment of Gratuity Act, 1972.

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3. Vijay furnishes the following information relevant for the P.Y. 2016-17.

Profit and Loss Account for the year ended 31st March, 2017

Particulars	₹	Particulars	₹
Other expenses	35,000	Gross Profit	3,03,000
Sundry expenses	29,000	Sundry receipts	34,000
Entertainment expenses	5,000	Bad debts recovered	
Audit fees	12,000	(₹5000 not allowed as a	
		Deduction earlier)	8100
Legal charges	14,000	Rent received	30,000
Extension of building	16,000	Income tax refund from	12,500
Depreciation on plant	29,000	Govt. (including interest	
		500)	
Salary to staff		Interest from PPF	9,000
• Salary	63,000		
• Bonus	26,000		
Sales tax	38,000		
Advertisement	25,000		
LIC Premium (Self)	19,000		
General Expenses	24,000		
Net Profit	75,600		
	3,96,600		3,96,600

Other Information :

- Depreciation on plant & machinery and extension of building as per income tax provision is ₹ 25,000.
- Sales tax of ₹ 38,000 includes (i) interest for late payment of sales-tax ₹ 1800 (ii) penalty for evading sales-tax ₹ 5000
- Advertisement expenditure was paid by bearer cheque (single payment)
- Salary to staff includes a payment of ₹ 5000 to the relative.

Ascertain the income of Vijay chargeable under the head Income from Profits & gains of Business and net taxable income for the Assessment year 2017-18.

OR

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3. Mr. Srikumar, a practicing Chartered Accountant, gives you the following Receipts and 15
Payment Account for the year ended 31st March, 2017.

Receipts	Amounts ₹	Payments	Amounts ₹
To Balance b/d	9,000	By Salary to Staff	80,000
To Professional Fees	1,50,000	By Printing and Stationary	5,500
To Gift from father	15,000	By Household expenses	22,400
To Gift from Client	15,000	By Conveyance expenses	9,000
To Salary from College as a lecturer	45,000	By General expenses	20,000
To Loan from a Bank for Purchase of Car	50,000	By Purchase of Car in July 2011	100,000
		By Motor Car expenses	20,000
		By Mediclaim Insurance Premium	6,500
		By Interest on Bank Loan	5,000
		By Income Tax	8,500
		By Professional Tax	800
		By Balane c/d	6,300
	2,84,000		2,84,000

Other Information :

- (1) Depreciation allowable on Motor Car, as per Income Tax rules is 15%.
- (2) It is considered that 25% of the car expenses are for personal use.
- (3) Household expenses include ₹1,000 given as a marriage gift to an employee.
- (4) Salary includes ₹12,000 paid to son, who is commerce graduate (seems to be reasonable).
- (5) General expenses include donation given ₹10,500.

Compute the Net Taxable Income of Mr. Srikumar for the A.Y. 2017-18.

4. A owns two houses, both of which are occupied by him for residential purpose. The 15
details are given below :

Particulars	House I ₹	House II ₹
Fair Rent	7,20,000	6,30,000
Municipal Value	5,00,000	5,00,000
Standard Rent	6,00,000	6,00,000
Date of completion of construction	01.02.2002	01.07.2010
Municipal Tax Paid	12%	15%
Date of Loan	01.07.1997	01.05.2006
Interest on Loan for the financial year 2016-17	1,10,000	1,70,000

Compute his income from house property and advice which house should be opted by him as self occupied.

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OR

4. Y a foreign citizen (not being the person of Indian origin) comes to India, for the first time in the last thirty years on 20th March, 2016. On September 1st, 2016, he leaves India for Nepal on a business trip. He comes back on February 26th, 2017. Determine his residential status and based on the additional information on his income, compute his total income under the Income Tax Act, 1961. **15**

Sr. No.	Particulars	₹
1.	Rental Income from property in Sri Lanka remitted by the tenant to Y in India.	2,10,000
2.	Loss from business in Sri Lanka (whose control and management of business wholly remained in India)	80,000
3.	Profit from business in India.	1,00,000
4.	Dividend received from shares in foreign companies received outside India.	1,20,000
5.	Dividend from a Korean company received in France.	50,000
6.	Rent from property in Sri Lanka but latter remitted to India through approved banking channel.	1,00,000
7.	Profit of financial year 2012-13 which was not taxed in Sri Lanka now remitted to India.	2,00,000
8.	Profit on sale of shares of an Indian company, sold in Sri Lanka and the proceeds were received in France.	30,000

5. (a) Discuss the concept of 'Gross Annual Value'. Also discuss the impact of Vacancy Loss on the 'Gross Annual Value'. **8**
- (b) Discuss the major salient features of 'Depreciation' u/s. 32 of Income Tax Act, 1961. **7**

OR

5. Write short notes on (any **three**) :— **15**
- (a) Assessee
- (b) Deemed Owner
- (c) Chargibility of Capital Gains on Compulsory Acquisition of Asset
- (d) Resident and Ordinarily Resident
- (e) Deduction u/s. 80 D.