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SEAT No. :

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M.Com. (Semester - I)

ADVANCED ACCOUNTING AND TAXATION

104 : Income Tax (Group - A)

(2013 Pattern) (Special Paper) (Credit System)

Time : 3 Hours]

[Max. Marks : 50

Instructions to the candidates:

- 1) All questions are compulsory.
- 2) Figures to the right indicate full marks.
- 3) Read all the questions very carefully before attempting the questions.

Q1) Mr. A was employed in a factory in Aurangabad. He retired on 1-1-2016 after completing a service of 26 years and 4 months. He has been getting a salary of Rs. 25,000 per month and a dearness allowance of Rs. 2,000 per month (forming part of retirement benefit) for the last four years. Medical allowance Rs. 2,000 per month. He paid professional tax Rs. 1,800. His pension was determined @Rs. 10,000 p.m. and $\frac{3}{4}$ portion of it was commuted for Rs. 2,80,000. In addition to this he received a gratuity of Rs. 4,00,000 and as per entitlement of 30 days earned leave for each year of service, he also received Rs. 3,00,000 for encashment of earned leave of 12 months during the previous year. Compute income from salary of Mr. A for the assessment year 2016-17, assuming he is covered under Payment of Gratuity Act. [14]

OR

Mr. Y is the owner of three house properties in Mumbai, particulars in respect of which for the year ended 31-3-2016 are as below:

Particulars	House I	House II	House III
Construction started on	1-4-1993	1-8-1993	1-7-1988
Construction completed on	31-12-1994	31-1-1994	31-12-1989
Actual Rent Received	70,000	38,000	Self Occupied
Standard Rent	90,000	80,000	N.A.
Municipal value	1,20,000	38,000	35,000

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Municipal taxes (paid by owner)	12,000	3,800	24,000
Cost of repairs (borne by tenant)	2,000	5,000	–
Collection charges	3,000	2,600	–
<i>Insurance Premium</i>	2,000	2,400	5,200
Interest on loan taken for renovation of house	4,800	6,000	12,000
Unrealised rent allowed in the past, recovered during the year	4,000		

Mr Y resided in Nagpur for three months during the previous year in connection with his business and for all these months the house remained vacant. During the period of his stay in Mumbai he did not occupy any other house of his own. Compute Mr. Y's Income from house property for the Assessment Year 2016-17.

Q2) Profit & loss A/c for the year ended on 31-3-2016 of R G & Sons a partnership firm is as follows: **[14]**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Establishment and other expenses	3,50,000	Gross profit	7,67,000
Interest on capital to partners @ 24%	60,000	Rent from house property	90,000
Interest on loan to partners @ 20%	24,000	Dividend from units	24,000
Interest on loan to Mrs. R @ 15%	36,000		
Municipal taxes of let out house property	12,000		
Repairs of the house property	6,000		
Donation to National Fund	12,000		
Remuneration to partners	2,20,000		
Interest on money borrowed for investment in units	11,000		
Sales tax	30,000		
Net Profit	1,20,000		
Total	8,81,000	Total	8,81,000

Other Information:

- a) Sales tax includes a sum of Rs. 10,000 payable on 31-3-2016; Rs. 6,000 was paid on 31-7-2016 and Rs. 4,000 was paid on 30-11-2016, although the due date for filing the return of income is 31st July 2016.
- b) **Compute:**
- the book profit
 - the maximum amount of remuneration deductible u/s. 40(b)
 - Income of a partnership firm from business

OR

Dr R L Kothari is renowned medical practitioner who maintains books of account on cash basis. The following is the receipts and payments A/c for the financial year 2015-16:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/f	44,000	Office expenses	3,000
<u>Consultation fees</u>		<u>Rent of Clinic</u>	
2014-15	5,000	2015-16	24,800
2015-16	1,35,000	2016-17	1,200
Visiting fees	30,000	Water & Electricity bills	2,000
Loan from bank	1,25,000	Purchase of professional books	40,000
Sale of medicines	60,000	Household expenses	47,800
Gifts and presents	5,000	Collection charges for dividend income	100
Royalties for articles published in various journals	6,000	Motor car purchased	1,30,000
Dividend	10,000	Surgical equipment purchased	24,800
Interest on Govt. securities	7,000	Income tax	7,000
		Salary to staff	15,000
		Life Insurance Premium	15,000
		Gift to son	5,000
		Interest on loan	11,000
		Car expenses	15,000
		Purchase of medicine	40,000
		Balance c/f	45,300
Total	4,27,000	Total	4,27,000

Compute his income from profession for the Assessment Year 2016-17 after taking into account the following information:

- 1) Books worth Rs. 25,000 were purchased on 15-5-2015, which were annual publication and the balance on 5-2-2016 which were books other than annual publication.
- 2) Car was purchased on 1-1-2016 and the surgical equipment on 4-9-2015.
- 3) It is estimated that 1/3rd of the use of car is for his personal purpose.
- 4) Gifts and presents include Rs. 2,000 from patients in appreciation of his medical service and Rs. 3,000 received as birthday gifts.
- 5) Rate of deprecation
 - a) Books of annual publication - 100% p.a.
 - b) Other than annual publication - 60% p.a.
 - c) Surgical equipments - 15% p.a.
 - d) Car - 15% p.a.

Q3) A) Mr. S purchased a house property for 36,000 on 10-5-1964. [7]

He gets the first floor of the house constructed in 1968-69 by spending Rs. 50,000. He died on 12-9-1978. The property is transferred to Mrs. S by his will. Mrs. S spends Rs. 35,000 and Rs. 45,000 during 1979-80 and 1985-86 respectively for reconstruction of the property. Mrs. S sells the house property for Rs. 35,00,000 on 15-3-2016, brokerage paid by Mrs. S is 25,000. The fair market value of the house on 1-4-1981 1,80,000. Find out the amount of capital gain chargeable to tax for the assessment year 2016-17.

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OR

Mr. R furnished the following particulars of his incomes and losses for the assessment year 2016-17. Compute his gross total income for the Assessment Year 2016-17.

Particulars	Amount (Rs.)
Interest on securities (gross)	14,000
Income from house property (computed)	30,000
Profit from paints business	64,000

Speculation profits	15,000
Share of profit from a firm	23,000
Long term capital gain	30,000
Short term capital gain	18,000
Following are the brought forward items of the assessment year 2015-16	
Loss from Hardware business (discontinued)	15,000
Unabsorbed depreciation allowance of paints business	11,000
Speculation loss	27,000
Loss from short term capital assets	21,000
Loss from long term capital assets	31,000

- B) Explain the provisions of determination of residential status for an Hindu Undivided Family. [7]

OR

State the difference between Capital expenditure and Revenue expenditure.

Q4) Write short notes (any two): [8]

- Previous year and assessment year
- Indexed cost of acquisition and improvement
- Exempt Income
- Clubbing of income
- Entertainment allowance

