



SAIVA BHANU KSHATRIYA COLLEGE
(Aruppukottai Nadargal Uravinmurai Pothu Abi Viruthi Trustuku Pathiyapattathu)
ARUPPUKOTTAI
QUESTION BANK

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| Name of the Department: | Commerce with Computer Application | UG/PG: | B.Com C.A., |
| Semester(UG-III&V;PG-III): | V | Subject Code: | CCAJC53 |
| Name of the Subject: | INCOME TAX LAW AND PRACTICE - I | | |

Section – A (Multiple Choice Questions)

Unit 1: Introduction of Income Tax Act,1961.

1. Income from rent of agricultural lands is----- a) Agricultural Income b) Business Income c) Casual Income d) House Property Income
2. Under the Income Tax Act, the incidence of taxation depends on----- a) the citizenship of the tax-payer b) the age of the tax-payer c) the residential status of the tax-payer d) None of the above.
3. A university teacher is ----- a) Government Employee b) Semi Government Employee c) Private sector employee d) None of the above
4. Income Tax Act is applicable to ----- a) Whole of India b) Whole of India except State of J&K c) Whole of India except the State of Sikkim d) None of the above
5. Income Tax is ----- a) Personal and direct tax b) Indirect tax c) VAT d) None of the above

Unit 2: Incomes Exempted From Income Tax u/s10.

6. Income from sale of household furniture is ----- a) Taxable Income b) Exempted Income c) Casual Income d) House Property Income
7. The amount of exemption for running allowance is----- a) 70% of such allowance or Rs.3,000 p.m b) 70% of such allowance or Rs.10,000 p.m whichever is less c) Fully exempted d) None of the above
8. Subsidy received from Government under scheme for promotion of industry is a ----- a) Revenue receipt b) Capital receipt c) Profit and loss account d) None of the above
9. The term cash credits under income tax is----- a) Refund of tax b) Deemed income c) Short term bank credit d) None of the above
10. Compensation for cancellation by the government of a licence resulting in cessation of business is----- a) a casual receipt b) a revenue receipt c) a capital receipt d) none of the above.

Unit 3: Computation of Taxable Income from Salaries and House Property.

11. Salary paid by Indian Company to its employee working in one of its branches outside India is ----- a) Salary accruing in India b) Salary deemed to accrue in India c) Salary accruing outside India d) None of the above
12. A deduction regarding rented house property u/s24 shall be allowed as under----- a) Actual amount spent on repairs b) 30% of Net Annual Value c) 50% of Net Annual Value d) None of the above
13. Salary received by a Member of Parliament is ----- a) exempt from tax b) taxable as salary income c) taxable as income from other sources d) None of the above
14. Value of rent free accommodation in case of Government employee shall be taxable upto ----- a) 20% of the employee's salary b) 15% of the employee's salary c) 30% of the employee's salary d) License fee fixed by Government
15. Dearness allowance is taxable in case of ----- a) All employees b) Government employees c) Employee of the private sector d) Semi Government employee

Unit 4: Computation of Taxable Income from Business or Profession.

16. Consultancy fee received by a lawyer is----- a) Taxable b) Non-Taxable c) Taxable if used as a hotel d) none of the above
17. Embezzlement of cash in a money lending business shall be treated as -----a) Business expenditure b) Revenue loss incidental to business c) Capital Expenditure d) None of the above
18. The entire amount of following payments can be claimed as deduction from business income in the same year ----- a) Purchase of annual publications for Rs.6,000 b) Purchase of calculator for Rs.1,000 c) Purchase of equipment for Rs.5,200 d) None of the above
19. Deduction in respect of expenditure on advertisements through articles for presentation will be allowed on the value of each article upto a limit of ----- a) Rs.2,000 per item b) Rs.1,000 per item c) Rs.1,500 per item d) Fully exempted
20. Unabsorbed depreciation can be carried forward for set off----- a) for a period of 4 years b) for a period of 8 years c) for a period of 5 years d) for an unlimited time

Unit 5: Computation of Taxable Income from Capital Gains and Income from Other Sources.

21. Dividend declared by Indian company during F.Y.2022-23 are assessable under the head----- a) Income from other sources b) Business Income c) Capital gains d) None of the above

22. A short term capital asset (except financial assets and immovable property) is the one held for not more than----- a) 48 months b) 36 months c) 60 months d) none of the above
23. Donation for family planning is allowed as deduction at the rate of ----- a) 50% b)40% c)100% d) Nil
24. Capital gains arising from the transfer of agricultural land owned for five years in a rural area are----- a) Taxable as STCG b) Taxable as LTCG c) Exempted d) none of the above
25. An assessee is holding shares as his stock in trade. Dividend received by him is treated under the head----- a) profits and gains of business b) income from other sources c) income from house property d) none of the above

Section – B (7 Mark Questions)

Unit 1: Introduction of Income Tax Act,1961.

26. Explain the following questions are to be answered in not more than 4 lines:
a) Ordinary Assessee b) Deemed Assessee c) Assessee in default
27. What are the basic conditions relating to an Ordinary Resident?
28. Distinguish between Capital Receipts and Revenue Receipts.
29. Mr. Ram, an Indian citizen leaves India for the first time on 31st May 2018 and comes back on 15th May 2021. He again leaves India on 10th June 2022 to come back on 14th January 2023. He is living in India since then. Determine his status for the previous year 2012-23.
30. From the following particulars of income, compute taxable income when the residential status of Mr. K. Umesh is :
- (a) Resident.
 - (b) Not Ordinarily Resident and
 - (c) Non-Resident.
- (i) Income accrued in Canada but received in India Rs. 2,000.
 - (ii) Rs. 5,000 were earned in Africa and received there but brought to India.
 - (iii) Rs. 5,000 earned in India but received in Canada.
 - (iv) Rs. 10,000 earned and received in Srilanka from a business controlled from India.
 - (v) House property income (computed) from Srilanka Rs. 2,000.
 - (vi) Rs. 4,000 was past untaxed foreign income which was brought to India during the previous year.

(vii) Profit earned from Kanpur Rs. 10,000. a business.

Unit 2: Incomes Exempted From Income Tax u/s10.

31. What do you mean by exempted income?
32. Why are certain incomes exempt?
33. What is exempt income in ITR?
34. How can one avail of exempt income?
35. Write short note on interest income exempted u/s10(15).

Unit 3: Computation of Taxable Income from Salaries and House Property.

36. From the following particulars, find out the taxable salary of Mrs. S. Kumari working at Madurai (Population 11 lakhs) for A.Y 2023-24.
- (a) Salary Rs. 12,000 p.m.
 - (b) D.A. Rs. 1,500 p.m.
 - (c) Employer's contribution to Employee's RPF 14% of basic salary:
 - (d) Rent-free accommodation - fair rental value is Rs. 80,000 pa. Expenses on maintenance of garden met by employer Rs. 3,000.
 - (e) Interest on Provident Fund balance @ 13% p.a. Rs. 3,900.
 - (f) A car (1.4 Lt. Capacity) is provided by employer.
 - (g) She paid professional tax of Rs. 200.
 - (h) She received Rs. 500 p.m. as fixed medical allowance.

37. Mr. Babu retired on 30.11.2023 from a coal mine after putting a service of 28 years and 10 months. At the time of his retirement he was getting a salary of Rs.16,000p.m. and he used to get an increment of Rs.500p.m. on 1st April every year. His D.A. was Rs.2,000p.m. Gratuity received Rs. 3,40,000. Find out his taxable gratuity, if he is covered under Gratuity Act,1972.

38. What are the perquisites taxable for all employees under the head salaries?

39. Calculate ARV from the particulars given below:

MRV Rs. 60,000 p.a. FRV Rs. 66,000 p.a.

Standard Rent is Rs. 63,000 p.a.

Actual Rent Rs. 6,000 p.m.

During previous year 2022-23 assessee could not realize rent for two months.

40. What is sub letting? Give examples.

Unit 4: Computation of Taxable Income from Business or Profession.

41. What is treatment of capital expenditure on scientific research?

42. How would you treat income from speculation?

43. Explain the provisions relating to claim of expenses on scientific research.

44. The following is the profit and loss account of a merchant for the year ending 31-3-2023.

| Expenses | Amount (Rs.) | Incomes | Amount(Rs.) |
|-------------------------------|--------------|----------------------------------|-------------|
| To office salary | 2,06,500 | By gross profit | 4,36,750 |
| To bad debts written off | 1,700 | By commission | 1,250 |
| To provision for bad debts | 3,000 | By discounts | 500 |
| To advertisement | 53,800 | By sundry receipts | 200 |
| To fire insurance premium(HP) | 550 | By rent of building | 3,600 |
| To general expenses | 52,750 | By profit on sale of investments | 3,000 |
| To Depreciation | 1,200 | | |
| To Interest on Bank loan(due) | 1,300 | | |
| To Net profit | 1,22,500 | | |
| Total | 4,45,300 | Total | 4,45,300 |

Compute the taxable profits from business. The amount of depreciation is Rs.1,000. Interest on Bank loan was paid on 1-8-2023. Due date of filing of return is 31-7-2023.

45. Mr. R. James is a film producer. During the previous year he sold a film projector of Rs. 1,70,000 which had cost him Rs. 1,50,000 and in respect of which Rs. 40,000 had been allowed as depreciation during last two years. Besides, his total income from business was Rs. 75,000. Expenses on sale amounts to Rs. 5,000. Compute Mr. James's total income during the year.

Unit 5: Computation of Taxable Income from Capital Gains and Income from Other Sources.

46. Discuss the procedure for computation of capital gains under Income Tax Act.

47. What are exempted capital gains?

48. Explain the types of capital gains?

49. The following investments are held by Mr.Laxman on 1.4.2022.

- (a) Rs.40,000 10% U.P Government Loan
- (b) Rs.35,000 8% Debentures of a Sugar Mill Co. Saharanpur.
- (c) Rs.50,000 12% Debentures of Ugly Trading Co.

On 1.9.2022, he sold the Debentures-cum-interest of Ugly Trading Co. and purchased Rs.60,000, 15% Debentures-cum-interest of Beauty Trading Co. Interest on investments is received half yearly on 1st July and 1st January every year. Calculate income from securities for the previous year 2022-23.

50. Find out the Indexed cost in following cases (separately for each case) for the Assessment year 2023-24.

- a) Cost of plot acquired in 2006-07 for Rs.80,000
- b) Cost of house purchased in 1998-99 for Rs.90,000
Fair market value on 1-4-2001 being Rs.1,50,000
- c) Cost of house purchased in 1996-97 for Rs.2,00,000 but F.M.V.
on 1-4-2001 Rs. 4,00,000
[C.I.I. for 2001-01=100, for 2006-07=122, and for 2022-23=331]

Section – C (10 Mark Questions)

Unit 1: Introduction of Income Tax Act,1961.

51. What is Agricultural Income? How is it treated under Income Tax Act?

52. The following are the incomes of Shree Rupak for the previous year 2022-23.

- 1. Dividend from Indian company Rs.10,000
- 2. Profit from business in Japan received in India 1,20,000
- 3. Profit from business in Pakistan deposited in a bank there. This business is controlled from India Rs.2,00,000.
- 4. Profit from business in Indore (controlled by London Head Office) Rs. 1,10,000.
- 5. Interest received from a non-resident Mr. Rahim on the loan provided to him for a business carried on in India Rs. 50,000.
- 6. Income was earned in America and received there, but brought in India Rs. 80,000.
- 7. Share of income from Indian partnership firm Rs. 1,50,000.
- 8. Income from house property in India received in America (computed) Rs.62,000.
- 9. Interest on debentures of an Indian company received in Dubai Rs. 25,000.
- 10. Capital Gain on sale of agricultural land situated at Ajmer Rs. 48,000.

Compute Shree Rupak taxable income if he is i) a resident ii) a not ordinary resident, or iii) a non-resident.

Unit 2: Incomes Exempted From Income Tax u/s10.

53. Discuss the provisions of Income Tax Act dealing with the exemption of income of political parties U/S 13A.

54. State any ten incomes that are totally exempt from income tax.

Unit 3: Computation of Taxable Income from Salaries and House Property.

55. From the following information, calculate salary for the purpose calculation of value of rent free accommodation.

Basic salary Rs. 60,000p.m

Dearness allowance Rs.10,000p.m (60%enters)

Dearness pay Rs.2,000 p.m.bv(Not part of salary for calculation of pension)

Bonus-one month's basic salary

Commission – Employee earned Rs.1,00,000 commission during the year on the basis of turnover achieved by him.

Income tax of employee paid by employer Rs. 66,500

Education allowance @Rs.300 per child for 3 children.

Advance salary – salary of 2 months received in advance.

Lunch allowance @ Rs.250 per day for 300 days.

Arrears of salary Rs. 2,00,000. Arrears of salary belong to an earlier year when there was a dispute regarding fixation of his salary.

56. Mr. B owns a house property at Cochin. It consists of 3 independent units and information about the property is given below: UNIT 1 : Own residence UNIT 2 : Let out Unit 3 : Own business

MRV Rs.1,20,000p.a; FRV Rs.1,32,000p.a; Standard Rent Rs.1,08,000p.a; Rent Rs. 3,500p.m; Unrealised rent for 3 months ; Repairs Rs.10,000; Insurance Rs.2,000; Interest on money borrowed for the construction of property Rs. 96,000; Municipal taxes Rs. 14,400; Date of completion 1-11-2017.

Unit 4: Computation of Taxable Income from Business or Profession.

57. What are the expenses that are admissible in determining the income from business?

58. Profit and Loss Account of M/s Raju & Company

| | | | |
|------------------|----------|--------------|----------|
| General Expenses | 1,07,000 | Gross Profit | 5,40,000 |
|------------------|----------|--------------|----------|

| | | | |
|--|----------|---|----------|
| Fire Insurance Premium | 2,000 | Bad debts, recovered but disallowed earlier | 4,000 |
| Bad Debts | 1,000 | Interest from Govt. Securities | 4,000 |
| Salaries | 1,65,000 | Rent received from employees | 12,000 |
| Advertisement (in cash) | 22,250 | Interest from debtors for delayed payment | 6,000 |
| Proprietor's Salary | 1,12,500 | | |
| Interest on capital | 2,000 | | |
| Income tax | 1,000 | | |
| Depreciation | 2,000 | | |
| GST (due) | 5,000 | | |
| Advance income tax paid | 1,000 | | |
| Donations | 500 | | |
| Motor car expenses | 750 | | |
| Municipal taxes of quarters let to employees | 5,000 | | |
| Net Profit | 1,39,000 | | |
| | 5,60,000 | | 5,60,000 |

General expenses include Rs.4000 paid as compensation to an old employee whose services were terminated in the interest of the business and Rs.2,200 by way of help to a poor student. Deprecation calculated according to the rates comes to Rs.2,900 GST was paid on 1.5.2021. Date of filing of return is 31.7.2021. 50% of motor car expenses are for Proprietor's personal use.

Compute business income for the Assessment Year2023-24.

Unit 5: Computation of Taxable Income from Capital Gains and Income from Other Sources.

59. Mr.H submits the following particulars about sale of assets during the year 2022-2023:

| Particulars | Jewellery (Rs.) | Plot (Rs.) | Gold (Rs.) |
|---------------------|-----------------|------------|------------|
| Sale price | 5,00,000 | 20,74,000 | 2,50,000 |
| Expenses on sale | NIL | 24,000 | NIL |
| Cost of acquisition | 1,50,000 | 7,00,000 | 80,000 |

| Year of acquisition | 2007-08 | 2004-05 | 2009-10 |
|---------------------|---------|---------|---------|
| C.I.I | 129 | 113 | 148 |

He has purchased a house for Rs.12, 00,000 on 1-3-2023. Calculate the amount of taxable capital gain if C.I.I. for 2022-23 is 331.

60. Determine the items of deductions allowable in computing income from other sources.