



**B.Com II Year (Pass)**  
**Income Tax**  
**Model Paper I**

**Max. Marks: - 100**

**Durations: - 3 Hrs.**

**Attempt all the questions. All Questions are compulsory, each question carry 20 marks.**

Q.1 Define agricultural income. Give examples of such incomes which are related to land, but are not agriculture incomes.

Or

How is residential status of an assessee determined for Income Tax purpose? Explain the relationship between residence and tax liability

Q.2 Mr. Chatterjee is Asstt. Manager of a Textile Company of Jaipur, since 1988. He has submitted the following particulars of his income for the previous year.

1. Net Salary Rs. 80,000 after deduction of tax at source Rs. 6,000, contribution to Recognised Provident Fund Rs. 9,000 and rent of bungalow @ 5% of salary.
2. Dearness Allowance Rs. 1000 per month (Rs. 200 p.m. enters into retirement benefits)
3. Education allowance for two children at Rs. 150 p.m. per child.
4. Commission on sales Rs. 10,000.
5. Entertainment Allowance Rs. 700 per month.
6. Travelling Allowance for his official tours Rs. 30,000. Actual expenditure on tours amounted to Rs. 22,000.
7. He was given cloth worth Rs. 5,000 by his employer free of cost.
8. He resides in the bungalow of the company. Its fair rent is Rs. 1,500 p.m. A watchman and a cook have been provided by the company at the bungalow who are paid Rs. 400 per month each.
9. He has been provided with a motor car of 1.8 liter (c.c) for his official as well as personal use. The running and maintenance costs are born by the company.
10. Employer's contribution to R.P.F. is Rs. 7,000 and the interest credited to this fund at 13% rate amounted to Rs. 16,250.
11. His employer paid for his medical treatment in France Rs. 80,000, Rs. 15,000 for travelling in this connection and Rs. 25,000 for stay there.

Compute income from Salaries for the assessment year 2015-16 assuming that his taxable income from other sources for this assessment year is Rs. 1,50,000. Assume also that the population of Jaipur city as per census of 2001 is 26 lacs.

Or

Sunny Deyol and Bobby Deyol having equal share are co-owners of a house property consisting of four identical units. Both of them occupied one unit for his residence and the other two units are let out at rent of Rs. 5,000 per month per unit. The municipal value of the house property is Rs. 2,00,000 and the municipal taxes are 10% of such municipal value, which were paid during the year. The other expenses were as follows :

Repair Expenses	Rs. 15,000
Collection Charges	Rs. 4,000
Insurance Premium Paid	Rs. 8,000
Rent of Land	Rs. 2,000
Interest on loan taken for house for the year	Rs. 80,000

Out of the let out units one unit remained vacant for five months during the previous year.

Compute the income from house property for both person for the assessment year 2015-16.

- Q. 3 Explain the provisions of the Income-tax Act pertaining to the deduction of following expenses.
1. Expenditure on Scientific Research
  2. Expenditure on accounting technical know-how
  3. Capital expenditure for purchasing patent right.
  4. Preliminary expenses
  5. Expenditure to obtain telecommunication License (Sec. 35AAB)

Or

Compute the taxable income under the head 'Capital Gain' arising from the following transactions in respect of various capital assets of Shri Niranjana during the year ended 31<sup>st</sup> March, 2015.

1. Sold Jewellery on 5<sup>th</sup> June, 2014 for a consideration of Rs. 1,21,000. Rs. 1,000 were paid for brokerage. The jewellery was purchased by him on 1<sup>st</sup> June, 1989 for Rs. 17,200. Out of the net consideration received Rs. 40,000 were invested on 15<sup>th</sup> November, 2014 in purchasing a residential house and Rs. 20,000 in purchasing a residential flat. The assessee owns one residential house.
2. He had 500 shares of Rs. 100 each of the Bharat Company Limited which he had purchased in April, 1983 for Rs. 23,300. He commenced the business of dealing in shares on 1<sup>st</sup> May, 2014 and treated these shares as stock-in-trade of this business. The fair market value of these shares on that day was Rs. 150 per share. He sold these shares on 1<sup>st</sup> November, 2014 at Rs. 160 each.
3. He had purchased second-hand motor car for Rs. 75,000 on 28<sup>th</sup> October, 1988 for the purpose of his business. He sold the car on 15<sup>th</sup> January, 2015 for Rs. 37,000. It was the only asset with him in this block, with written down value of which was Rs. 44,000.
4. He had purchased 1000 Equity Shares of Rs. 100 each of G Ltd. on 23<sup>rd</sup> July, 1991 for Rs. 1,50,000. The company issued him 500 bonus shares in December, 2014. He sold 1000 shares on 12<sup>th</sup> February, 2015 including all the bonus shares at Rs. 1,200 each. The Stock Exchange charged Rs. 20,000 Securities Transaction Tax on this transaction.
5. Niranjana purchased the 5,000 units of Unit Trust of India under "Units Scheme 64" on 01-03-1989 for Rs. 78,000. These units are sold on 01-06-2014 at Rs. 3,40,000.

- Q. 4 Shri Om who is resident in India, has submitted the following particulars of his income for the assessment year 2015-16.

1. Share of profit from a firm	Rs. 1,800
2. Profit from Radio Business	Rs. 81,400
3. Loss from Self-occupied house	Rs. 500
4. Income from let-out house	Rs. 15,000
5. Loss in Gambling	Rs. 3,000
6. Loss from owing and maintaining horse race	Rs. 7,000
7. Long-term Capital Gain	Rs. 8,500
8. Short-term Capital Gain	Rs. 3,200
9. Speculation Income	Rs. 1,900

The following items have been brought forward from the assessment year 2014-15.

Losses of two wheeler business for the previous year 2010-11 which was closed in the previous year 2012-13	Rs. 3,000
Share of loss from a partnership firm	Rs. 2,700
Loss from Radio Business	Rs. 1,900
Unabsorbed Depreciation	Rs. 3,700

Unabsorbed family planning expenses	Rs. 2,600
Speculation losses	Rs. 3,200
Short-term Capital loss for the assessment year 2009-10	Rs. 14,100
Loss of house property for the assessment year 2014-15	Rs. 5,000
Current year depreciation	Rs. 1,000

Compute the Gross Total Income of Shri Om for the assessment year 2015-16 and Express the losses he is entitled to carry forward.

Or

Following are the particulars of income etc. Of Mr. Sudarshan for the previous year ending on 31<sup>st</sup> March, 2015 :

1. Income from House Property (Taxable)	Rs. 10,000
2. Long – Term Capital Gain (Computed)	Rs. 80,000
3. Received from Lottery	Rs. 31,500
4. Dividend from Unit Trust of India	Rs. 10,000
5. Short – term Capital gain from shares u/s 111 A	Rs. 40,000
6. Donation to National foundation for communal harmony	Rs. 10,000
7. Donation to approved educational institutions	Rs. 15,000
8. Purchased N.S.C. (VIII issue)	Rs. 10,000
9. Interest on Saving Bank Account	Rs. 12,000
10. Premium paid on policy of Rs. 2,00,000 taken in the previous year	Rs. 22,000

Compute the total income and net tax payable by Shri Sudarshan for the assessment year 2015-16.

- Q. 5 There were two partners in M/s Agrwal & Co. (a partnership firm) – Shri Bansal and Shri Kansal. During the previous year, Shri Goyal also joined this firm on 1<sup>st</sup> January, 2015. Shri Bansal and Shri Kansal shared profits & losses equally. They gave ¼<sup>th</sup> share of profit to Shri Goyal. Their capitals are Rs. 80,000, Rs. 40,000 and Rs. 20,000 respectively. They are entitled to get integrates @ 24% per annum on their capitals. Shri Bansal and Shri Kansal are entitled to a salary of Rs. 6,000 per month and Rs. 5,000 per month respectively while Shri Goyal is entitled to a salary of Rs. 4,000 per month. The firm is engaged in professional activities and its profit and loss account revealed a net profit of Rs. 60,000 after making the above payments.
- Compute the total income of the firm and tax payable by the firm for the assessment year 2015-16.

Or

What do you understand by partition of HUF? How is the assessment made on such family after partition?



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Q. 1 "Income earned during the previous year is taxed in the assessment year." Explain this rule and state its exceptions.

Or

Following are the particulars of taxable income of Shri Madhusudan Garg for the previous year ended 31<sup>st</sup> March, 2015 :

- (a) Income from House Property in England Rs. 2,00,00 which was deposited in a bank in England and then Rs. 80,000 was remitted to India.
- (b) Income from business earned in Pakistan Rs. 50,000 of which Rs. 30,000 were received in India. The business is controlled from India.
- (c) Income from Sale of House Property in Rajasthan Rs. 60,000. Half of this amount was received in Canada.
- (d) Gift (Mobile set) in foreign currency Rs. 40,000 from a friend received in India.
- (e) Royalty received from Govt. of India Rs. 48,000.
- (f) Interest received from Shri Manish Agrawal, a non-resident against a loan provided to him to run a business in India Rs. 10,000.
- (g) Income from Investment in Japan Rs. 20,000. This amount was received in Japan by his authorised representative and sent to India through bank draft.
- (h) Income from business in India Rs. 80,000. This business is controlled from England Rs. 40,000 were remitted to England.
- (i) Royalty received from Shri Manoj Kumar a resident for technical service provided to run a business outside India Rs. 40,000.
- (j) Past untaxed foreign income which was brought in India Rs. 40,000.

Q.2 From the following information of Shri Paras Jain, calculate taxable income from salary for the Assessment Year 2015-16.

1. He joined service in 'P' Ltd. since 1<sup>st</sup> August, 2001 and he is getting Rs. 15,000 p.m. As basic pay and Rs. 5,000 p.m. as dearness allowance. 'P' Ltd. is a company in which 49 employees are working. He was retrenched from service as on 01.02.2015.
2. Before joining in this company he was serving in 'A' Limited from where he received Rs. 1,00,000 as gratuity, Rs. 90,000 as commuted pension, Rs. 50,000 as compensation and Rs. 1,10,000 as lump sum amount from leave encashment. These all were exempted in his hands.
3. He is entitled to get 10% commission on sales. The Company's sales during the previous year was Rs. 12,00,000.
4. He got Rs. 4,00,000 as gratuity at the time of retrenchment.
5. His per month pension was decided equal to full amount of basic salary and 60% of dearness allowance. He received commuted pension of Rs. 1,80,000 for 60% of his pension.
6. He was entitled for 45 days leave in each year. At the time of retirement he received Rs.

1,80,000 for his leave balance of 12 months.

7. No notice was given to him for his retrenchment so, Rs. 60,000 was given to him as salary of notice period and he received Rs. 4,50,000 as compensation also.
8. In Nov., 2014 he received leave travel concession of Rs. 50,000 equal to Deluxe Class Air – Fare. His wife, dependent sister and nephew also travelled with him in this journey. If his Journey was from economic class air ticket then expenses would have been Rs. 30,000 while 1<sup>st</sup> class AC fare through railway would have been Rs. 20,000 only. He availed such facility in March, 2014 and not any time earlier to it.

Or

What is meant by annual value of house property? How is it determined? What deduction are allowed from annual value in computing taxable income from house property?

- Q.3 Shri Ram Prasad is registered medical practitioner who keeps his books on cash basis. Summary of Cash Account for the year ended 31<sup>st</sup> March, 2015 is given. You are required to find out taxable income from different heads for the Assessment Year 2015-16.

Cash Account for the A.Y. 2015-16

To Balance b/d	5,850	By Cost of medicines	12,000
To Loan from Bank for business	10,000	By Books purchased	6,000
To Sales of medicines	26,500	By General expenses	450
To Consultation fee	16,000	By Motor Car expenses	6,000
To Visiting fees	9,000	By Salaries	1,200
To Rent from House Property	8,000	By Rent of dispensary	2,400
To Gift from mother	8,600	By Telephone expenses	500
		By Insurance Premium of Car	700
		By Personal expenses	1,600
		By Life Insurance Premium	2,500
		By Interest on loan from bank	200
		By Insurance of house	500
		By Local Taxes of house	800
		By Travelling Exp. (personal)	1,000
		By Charity	100
		By Balance c/d	48,000
	83950		83950

**Following additional information are also available :**

1. One-half of motor car expenses are in respect of his personal use.
2. He constructed a house on 1<sup>st</sup> April, 2014 at a cost of Rs. 5,00,000. Half-portion of house was let out from 1<sup>st</sup> August, 2014 at a rent of Rs. 1,000 p.m. and remaining half-portion of house was used for his own business.
3. Rent of dispensary for 4 months Rs. 1,200 and Telephone bill of one month Rs. 280 was outstanding on 31<sup>st</sup> March, 2015.
4. Consultation fees include a receipt of Rs. 6,000 as advance for attending a medical camp on 10<sup>th</sup> April, 2015.
5. One motor car was purchased after 31<sup>st</sup> March, 1990, written down value of which as on 01.04.2014 was Rs. 21,200.

Or

What do you mean by Capital Gain? Explain the Capital Gains which are exempted from income tax?

Q.4 Explain the provision for set-off and carry forward of losses under the head house property.

Or

The particulars of income of Shri M.L. Gupta for the previous year 2014-15 are as under -

1	Business Income (including profits of Rs. 60,000 of new industrial undertaking established on 01-04-1996)	Rs. 80,000
2	Income from House Property	Rs. 10,000
3	Short-term Capital Gain from shares u/s 111A	Rs. 15,000
4	Long-term Capital Gain (computed)	Rs. 2,40,000
5	Interest on Govt. Securities	Rs. 8,000
6	Dividend from UTI	Rs. 5,000
7	Interest received from Saving Bank Deposits	Rs. 13,000
8	Dividend from Indian Companies	Rs. 7,000

He has made the following payments out of the above mentioned incomes during the previous year -

1	Life Insurance Premium for policy taken in Dec., 2014. For himself and children (sum assured Rs. 1,00,000)	Rs. 28,000
2	Deposited in Public Provident Fund	Rs. 70,000
3	Medical insurance premium on health of his wife by cheque	Rs. 16,000
4	Donations to approved institutions	Rs. 20,000

Compute the amount of tax payable by Shri M.L. Gupta for the Assessment Year 2015-16.

Q. 5 Compute the total income and the tax payable by a Hindu undivided family for the assessment year 2015-16 from the following particulars:

1. Profits from an industrial undertaking established in Special Economic Zone during the financial year 2014-15 Rs. 40 lacs. Total sales of the undertaking was Rs. 200 lacs which includes Rs. 180 lacs from export sales. Money brought to India in convertible foreign exchange up to 30<sup>th</sup> September, 2015 from export sale was Rs. 140 lacs.
2. Interest credited on Saving Bank Deposits of a bank Rs. 30,000.
- During the previous year the family purchased NSC IX issue for Rs. 40,000.
- Business profits Rs. 60,000 from as industrial undertaking established on 1<sup>st</sup> July, 2004 in a backward state.
- Donation to an approved charitable institutions Rs. 40,000.

Or

Explain the provisions of the Income Tax Act in respect of deduction for interest and remuneration paid to the partners.