

**TDP (Honours) 5th Semester Exam., 2018****DIRECT TAXATION****( Honours )****FIFTH PAPER****Full Marks : 80****Time : 3 hours**

*The figures in the margin indicate full marks  
for the questions*

**Answer eight questions, selecting two from each Unit**

**UNIT—I**

1. What is meant by 'person' in the Income-tax Act? Give at least one example of 'person' from each category. What is the difference between AOP and BOI? 6+4=10
2. Mr. Rupak discloses the following particulars of his receipts during the financial year, 2016-17 :

Salary income earned at India but received in Sri Lanka	2,00,000
Profits earned from a business in Kenya which is controlled in India, half of the profits being received in India	2,20,000

Income from property situated in Canada and received there	75,000
Income from agriculture in Bangladesh and brought to India	68,000
Dividend paid by an Indian company but received in London on 15th May, 2016	22,000
Interest on the USA Development Bonds and one-half of which was received in India	44,000
Past foreign untaxed income brought to India	2,10,000
Gift from father, settled in the USA, received in India	80,000
Land sold in Delhi, consideration received in Canada, resulting in capital gain	2,50,000
Income from management consultancy service, set up in Germany, profits being received outside India	5,00,000
Loss from business in India	1,50,000

Determine his taxable income for the previous year, 2016-17, relating to the Assessment Year, 2017-18, if he is—

- (a) resident and ordinarily resident;
- (b) resident but not ordinarily resident;
- (c) non-resident.

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3. Distinguish between the following : 3+3+4=10

- (a) Heads of Income and Sources of Income
- (b) Earned income and Unearned income
- (c) Tax planning and Tax evasion

## UNIT—II

4. Mr. Subrata Mishra, a lecturer in a college, furnishes the following particulars of his income during the previous year, 2016–17 :

- (i) Basic salary @ ₹ 16,000 p.m.
- (ii) Dearness allowance @ 40% of basic salary
- (iii) Medical allowance @ ₹ 200 p.m.
- (iv) House rent allowance @ 15% of basic salary
- (v) Part-time salary @ ₹ 4,000 p.m.
- (vi) Examiner's remuneration from Tripura University—₹ 10,000
- (vii) Life Insurance Premium paid for policies taken before April 2012 :
  - On own life (policy value ₹ 80,000)—₹ 17,000
  - On sister's life (policy value ₹ 80,000)—₹ 8,000
- (viii) Purchase of notified mutual funds—₹ 40,000
- (ix) Mr. Mishra pays house rent in Agartala @ ₹ 3,000 p.m.

Compute Mr. Mishra's total taxable income. 10



5. Mrs. Aparna Sen is the owner of a two-storied house in Kolkata. The ground floor is let out to a tenant for ₹ 5,000 p.m. The first floor of the house is let out to a chartered accountant for the purposes of his profession at ₹ 4,000 p.m. and the second floor is used as her own residence.

The particulars of the house for the previous year is as follows :

	₹
Net municipal value	81,000
Municipal tax @ 10% p.a.	
Land revenue (p.a.)	2,000
Fire insurance premium for the year	4,000
Collection charges	500

Compute Mrs. Sen's income from house property for the Assessment Year, 2017-18. 10

6. Write short notes on the following :  $2\frac{1}{2} \times 4 = 10$

- (a) Annual value of a house property
- (b) House property income not taxable
- (c) Owner of a house property under the Income-tax Act
- (d) Unrealized rent and recovery of unrealized rent

## UNIT—III

7. The following is the Profit & Loss A/c of the Raj & Raj Co. for the financial year 2016-17. Compute its business income on the basis of the following information for the Assessment Year, 2017-18 :

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*Profit & Loss A/c*

	₹		₹
Office Salaries	1,50,000	Gross Profit	8,00,000
General Expenses	70,000	Profit on Sale	
Bad Debts	10,000	of Car	1,50,000
Advertising Expenses	37,000	Recovery of	
Insurance		Bad Debts	50,000
Premium (fire)	15,000	Interest on	
Depreciation	50,000	Govt. Securities	35,000
Reserve for Bad Debts	30,000	Dividends	35,000
Donation to a School	25,000	Gifts	50,000
Car Expenses	20,000		
Net Profit	7,13,000		
	<u>11,20,000</u>		<u>11,20,000</u>

*Additional Information :*

- (i) General expenses include ₹ 25,000 as compensation paid to an accountant who had to be removed from service in the interest of business
- (ii) Depreciation as regards the relevant blocks of assets under the Income-tax Act is ₹ 35,000

( Turn Over )

(iii) In the Assessment Year, 2014-15, the tax authority refused to allow deduction for the bad debts of ₹ 50,000 now recovered

(iv) Car expenses include ₹ 5,000 attributable to use of car for personal work

8. (a) Mention the conditions when expenditure on acquisition of patent rights and copyrights incurred by an assessee is allowable as deduction u/s 35A.

(b) Suggest an assessee about the admissibility or otherwise of the claims, with regard to the following items, giving reasons :

(i) Compensation paid to an employee for premature termination of his services

(ii) Amount spent in a successful suit filed against another for infringing the assessee's trademark

(iii) Legal charges paid for registration of a trademark

(iv) Penalty paid to customs authorities for importing prohibited goods which yielded a large margin of profits



- (v) Cost of erecting a medical annex to the factory for the emergency treatment of the employees
- (vi) Legal charges including lawyer's fees for raising loan from a financial institution
- (vii) Lump sum consideration paid for acquiring know-how ₹ 6,00,000

3+7=10

9. (a) What is long-term and short-term capital gain?

(b) Mr. Sivam sold the following assets during the year 2016-17. Find out taxable capital gain for the Assessment Year, 2017-18 :

- (i) Land purchased in 1981 for ₹ 28,000 sold for ₹ 2,94,000
- (ii) Machinery purchased for ₹ 12,000 in 2007 sold for ₹ 21,000 (WDV on 01.04.2016 is ₹ 6,000)
- (iii) Office furniture purchased in December 2015 for ₹ 1,080 sold on 11.08.2016 for ₹ 1,700
- (iv) Shop purchased on 1984-85 for ₹ 32,000 sold for ₹ 2,87,500

(v) Residential house purchased in 1984-85 for ₹ 60,000 sold on 15.04.2016 for ₹ 5,25,000

(vi) ₹ 10,000 towards 10% debentures purchased on 01.09.2011 sold on 16.09.2016 for ₹ 12,000 (interest payable in June and December every year). He purchased another residential house on 15.08.2016 for ₹ 4,34,000

[CII : 2016-17 = 1125, 1984-85 = 125,  
1981-82 = 100] 2+8=10

#### UNIT—IV

10. Particulars of income received by Mrs. Sumathi for the year ended 31st March, 2017 are as follows :

(i) Family pension received from the Government of Tripura—₹ 1,50,000

(ii) Royalty received from a publisher ₹ 42,700. She spent ₹ 2,700 on books, stationery, typing, etc.

(iii) Winnings from lotteries (gross)—₹ 90,000

(iv) Winnings from horse race (net)—₹ 35,000



(v) Interest on tax-free notified government bonds—₹ 10,000

(vi) Dividend received from a foreign company (net)—₹ 8,000. Nothing has been paid to the Government of India out of tax deducted at source

From the above information, compute income from other sources of Mrs. Sumathi for the Assessment Year, 2017-18.

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11. Discuss the provisions of the Income-tax Act regarding deductions u/s 80DD and 80G.

5+5=10

12. The particulars of income of Mrs. X, aged about 55 years, for the financial year 2016-17 are as under :

	₹
Gross salary received from ABC Ltd. for the year	5,00,000
Rental income received from commercial complex (₹ 12,000 per month)	1,44,000
Arrears of rent received from the complex, which were not charged to tax in any earlier years	30,000
Interest paid on loan taken for the purchase of a house from a scheduled bank for use as own residence	1,20,000
Repayment of Principal amount of loan taken from the bank for the purpose of the above property	60,000

( Turn Over )

M9/73

**Deposits in public Provident Fund :**

- |   |        |
|---|--------|
| (i) Out of an earlier loan taken from PPF A/c | 20,000 |
| (ii) Out of current year's income             | 80,000 |

**Investments made in units of a Mutual Fund**

approved by the Board under Section 80C(2)	40,000
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**Compute 'Total Income' of Mrs. X in respect of the Assessment Year, 2017-18.**

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**TDP (Honours) 5th Semester Exam., 2018****ACCOUNTING THEORY AND  
MANAGEMENT ACCOUNTING****( Honours )****SIXTH PAPER****Full Marks : 80****Time : 3 hours**

*The figures in the margin indicate full marks  
for the questions*

**Answer two questions from each Unit**

**UNIT—I**

1. (a) Name the different theoretical approaches to the development of accounting theory. 2+4+4=10
- (b) State the need for or advantages of learning accounting theory.
- (c) Explain the role of accounting theory in the development of new accounting practices.
2. (a) Distinguish between accounting concepts and accounting conventions.



- (b) How is dual aspect concept related to basic accounting equation?
- (c) Explain the role of conservatism in asset valuation.  $3+3+4=10$

3. (a) What is meant by accounting profit?
- (b) Discuss the Balance Sheet Approach and Transaction Approach of profit measurement.
- (c) State how these two are related to each other.  $2+5+3=10$

#### UNIT—II

4. (a) "Income cannot be properly determined unless capital is maintained." Explain.
- (b) Discuss the different concepts of capital maintenance in accounting.  $5+5=10$
5. (a) State the different factors that are considered relevant to the measurement of assets.
- (b) Critically examine the process of valuing intangible assets under the superprofit method.  $5+5=10$
6. (a) Why is Balance Sheet called a connecting statement?

(b) What are the different views relating to Balance Sheet?

(c) Briefly state how a Balance Sheet is related to a Profit and Loss Account.

2+3+5=10

### UNIT—III

7. Explain how the information generated by management accounting system is used by the management in planning, evaluating and controlling enterprise operations. 10

8. (a) What do you mean by working capital cycle?

(b) State the method of computing working capital cycle period.

(c) From the following particulars, compute the duration of the operating cycle for each of the two years :

	Year—1 ₹ ('000)	Year—2 ₹ ('000)
<b>Stocks :</b>		
Raw Materials	20	27
Work-in-progress	14	18
Finished Goods	21	24
Purchases	96	135
Cost of Goods Sold	140	180
Sales	160	200
Debtors	32	50
Creditors	16	18

Assume 360 days per year for computational purpose. 2+3+5=10

9. From the following information, prepare a working capital requirement forecast statement for the coming year :

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Expected monthly sales—32000 units at ₹ 10 per unit

The anticipated rates of cost to selling prices are :

Raw material—40%; Labour—30%;

Overhead—₹ 64,000 per month

Stock will include raw materials for ₹ 96,000 and 16000 units of finished goods

Materials will stay in process for 2 weeks

Credit allowed to debtors is 5 weeks

Credit allowed by creditors is 1 month

Lag-in-payment of overhead is 2 weeks

Wages will be paid on the last day of the week of the work

Cash in hand is expected to be ₹ 20,000

Assume that production is carried on evenly throughout the year and overhead accrue similarly.

#### UNIT—IV

10. (a) Discuss the limitations of accounting ratio in interpreting financial statements.
- (b) A company has the following capital :

7% Preference Shares of ₹ 100 each	₹ 6,00,000
Equity Shares of ₹ 10 each	16,00,000
	<u>22,00,000</u>

The additional information relating to its financial year ending 31.03.2018 are as follows :

- (i) Profit after tax @ 50%—₹ 5,42,000

M9/74

( Continued )



- (ii) Equity dividend—20%
- (iii) Depreciation—₹ 1,20,000
- (iv) Market price of equity shares—₹ 40
- (v) Capital commitment—₹ 2,40,000

You are required to calculate—

- (1) the dividend yield in equity shares;
- (2) the cover for the preference share and equity share dividends;
- (3) the earning yield;
- (4) the price earning ratio.  $4 + (1\frac{1}{2} \times 4) = 10$

11. From the following information, prepare a Summarized Balance Sheet as at 31st March, 2018 : 10

Stock velocity—6

Fixed assets turnover ratio—4

Capital turnover ratio—2

Gross profit—20%

Debt collection period—2 months

Creditors payment period—73 days

The gross profit was ₹ 60,000

Closing stock was ₹ 5,000 in excess of opening stock

All workings should form part of your answer.

12. From the following details, prepare a Funds Flow Statement for the year 2017 showing either decrease or increase in the working capital in a separate schedule. The Balance Sheets as on 31st December, 2016 and 2017 are given below :

Assets	2016 ₹	2017 ₹
<b>Freehold Property :</b>		
At cost	1,62,000	—
At revalued	—	2,56,000
Plant and Machinery at cost	2,58,000	3,05,000
Closing Stock	99,600	1,62,000
Sundry Debtors	78,000	86,000
Cash at Bank	12,400	10,000
Preliminary Expenses	2,000	1,000
	<u>6,12,000</u>	<u>8,20,000</u>
<b>Liabilities</b>		
Share Capital	3,00,000	3,50,000
Share Premium	40,000	50,000
Capital Reserve	—	1,09,000
Accumulated Depreciation on Plant	88,500	1,02,700
Reserve for Replacement of Plant	40,000	45,000
Profit and Loss Account	40,000	35,000
8% Debentures	40,000	60,000
Sundry Creditors	60,000	66,000
Outstanding Expenses	3,500	2,300
	<u>6,12,000</u>	<u>8,20,000</u>

**Other Information :**

- (i) The Capital Reserve include the amount arising on revaluation of the freehold properties plus profit made on sale of the property

- (ii) An item of Plant and Machinery was sold for ₹ 5,000. This item had been written down to ₹ 4,000 @ 10%. On cost over the past 8 years up to 31st December, 2016 under the fixed instalment method. The profit of this sale was transferred to Profit and Loss Account and included in the profit under review
- (iii) Debentures were issued at a discount of 5%

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**TDP (Honours) 5th Semester Exam., 2019**

**DIRECT TAXATION**

**( Honours )**

**FIFTH PAPER**

**Full Marks : 80**

**Time : 3 hours**

*The figures in the margin indicate full marks  
for the questions*

**Answer eight questions, taking two from each Unit**

**UNIT—I**

1. What do you mean by the term 'tax'? What are 'tax evasion' and 'tax avoidance'? Explain the various stages in the imposition of income tax. Mention different heads of income and the Sections lay down for every head under the Income-tax Act. 2+3+3+2=10
2. Discuss in brief about the provisions for determining the residential status of different types of assessee. What do you mean by 'gross total income' and 'total income' as per the IT Act, 1961? Draw out the meaning of casual income with an example. 5+3+2=10

3. (a) What do you mean by agricultural and partly agricultural income? Give any two examples of partly agricultural income.

(b) Are the following items agricultural incomes? Give reasons :

(i) Income from sale of flower of garden

(ii) Agricultural income from land situated in Bangladesh

(iii) Rent received by way of leasing a land for grazing of cattle required for agricultural operations

(iv) Income from sale of trees spontaneously grown in the land

4+6=10

## UNIT—II

4. Define the term 'salary'. What do you mean by 'perquisite' and 'profit in lieu of salary'? Distinguish between a Recognized Provident Fund and a Statutory Provident Fund from the viewpoint of the provisions of the IT Act, 1961.

2+4+4=10



5. Mr. Ahuja is an Indian resident and employed in a company. During the financial year, 2017-18, his particulars of salary was as under :

Basic salary @ ₹ 35,000 p.m.

Dearness allowance 40% of basic salary

The following amounts have been paid by the employer company in addition to his salary :

Rent-free unfurnished house @ ₹ 7,500 p.m. at Bengaluru

Electric bill of ₹ 8,500 (for personal consumption)

Insurance premium of ₹ 750 p.m. on assessee's life

Tuition fees for assessee's son amounting to ₹ 15,000

Car allowance amounting to ₹ 25,000 (actual expenditure on car for official duties—₹ 12,500)

Entertainment allowance amounting to ₹ 3,500 (regularly paid by the employer company since 2001)

He took a medical insurance policy under the General Insurance Corporation of India for self and family and paid a premium of ₹ 7,500 by cheque.

Find out the taxable income from his salary of Mr. Ahuja for the Assessment Year, 2018-19.



6. Mr. Jain is the owner of three house properties in Mumbai. From the following information, compute income from house property of Mr. Jain relating to the Assessment Year, 2018-19 :

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	House No. 1 Self-occupied	House No. 2 Let out	House No. 3 Let out
Date of commencement of construction	07.05.2002	01.04.2013	05.06.2006
Date of completion of construction	16.05.2008	01.04.2016	15.02.2009
Rent received (₹)	—	1,60,000	2,00,000
Gross Municipal value (₹)	80,000	1,80,000	1,00,000
Municipal tax	12%	12%	12%
Repair expenses (₹)	7,000	5,000	8,000
Vacancy period	—	2 months	—

**Additional Information :**

- (i) ₹ 7,50,000 was borrowed by Mr. Jain on 1st April, 2013 @ 10% p.m. from HDFC Bank for construction of House No. 2. The loan is still pending
- (ii) During the previous year, 2017-18, Mr. Jain recovered ₹ 10,000 as arrear rent in respect of the House No. 3. Such receipt is not included in rent received for the year

## UNIT—III

7. Sri Haridas, a resident individual furnished the following Profit & Loss A/c for the previous year ended on 31st March, 2018 :

*Profit & Loss A/c*

Particulars	Amount ₹	Particulars	Amount ₹
To Business Expenses	50,000	By Gross Profit b/d	2,10,000
▪ Household Expenses	7,500	▪ Interest on Investment	14,000
▪ General Expenses	8,600	▪ Bad Debt Recovered	6,000
▪ Purchases of Furniture	5,000	▪ Profit on Sale of Old Furniture	5,000
▪ Bad Debts	10,000	▪ Sundry Receipt	35,000
▪ Provisions for Debts & etc.	42,500	▪ Refund of Income Tax Penalty	11,100
▪ Loss of Speculative Business	4,000	▪ Rent of Staff Quarter	4,000
▪ Fines	8,000		
▪ Loss by Embezzlement	1,500		
▪ Entertainment Expenses	3,500		
▪ Medical Expenses of Prop.	3,000		
▪ Repairs of Staff Quarter	15,500		
▪ Bonus Payable to Employees	31,000		
▪ Staff Welfare Expenses	25,000		
▪ Depreciation	15,000		
▪ Net Profit	55,000		
	<u>2,85,100</u>		<u>2,85,100</u>

*Additional Information :*

- (i) The Bad Debts are allowed @ 50%
- (ii) Both Opening and Closing Stock of the year were undervalued @ 20% below cost and purchases of ₹ 60,000 is made by bearer cheque
- (iii) Business expenses include wages of domestic servant @ ₹ 500 p.m.
- (iv) Depreciated valued of Plant and Machinery on 1st April, 2017 is ₹ 1,00,000 (Rate of Depreciation @ 15%). On December 2017, the business acquires a plant which is eligible for depreciartion @ 15% for ₹ 20,000. On 1st January, 2018 the firm sells plant for ₹ 25,000 (depreciated value of the plant on 1st April, 2017 is ₹ 10,000)
- (v) Bad Debt recovered was in respect of claim ₹ 10,000 in the preceding year, out of which a sum of ₹ 7,500 was allowable in that year

Compute taxable income from business of Sri Haridas after taking into consideration of above mentioned information.



8. Mr. A. Banerjee, a medical practitioner furnished the following particular for the year ended 31st March, 2018 :

<i>Receipts</i>	<i>Amount</i>	<i>Payments</i>	<i>Amount</i>
	₹		₹
To Balance b/d	20,000	By Staff Salary	15,000
▪ Medical fees	80,000	▪ Motorcar expenses	10,000
▪ Receipts from other treatment works	13,000	▪ Coaching centre expenses	11,000
▪ Receipt from medical consultancy	10,000	▪ Fixed deposit with SBI	50,000
▪ Income from coaching classes	27,000	▪ Electricity charges	2,500
▪ Examiner's fees	2,500	▪ Office expenses	5,000
▪ Sale of residential house	1,80,000	▪ Books for the purpose of profession	2,000
▪ Bank interest	4,000	▪ Donation to Ramkrishna Mission	1,000
▪ Interest on Post Office cash certificate	800	▪ Sundry expenses	1,000
▪ Gift received on son's marriage	20,000	Legal fees incurred for sale of house property	3,000
▪ Income from other than profession	3,000	▪ Repairs to office premises	1,000
▪ Part-time salary	32,000	▪ Payment to an approved research association for carrying Scientific Research	20,000
		▪ Balance c/d	2,70,800
	<u>3,92,300</u>		<u>3,92,300</u>

**Additional Information :**

(i) As shown in the Receipt & Payment A/c ₹ 20,000 is paid to a scientific research association for the purpose of carrying an approved scientific research in natural science, not related to the

profession of Mr. Banerjee. Beside Mr. Banerjee purchases a plant of ₹ 25,000 for the purpose of carrying on scientific research related to his profession. Neither cost of plant nor depreciation thereon is debited to Profit & Loss A/c

- (ii) Depreciation on motorcar as per IT Rules works out at ₹ 5,600
- (iii) Half of the use of the motorcar is for personal purpose
- (iv) Staff salary includes ₹ 1,500 paid to domestic servant
- (v) Sundry expenses include daily puja expenses in the office ₹ 500
- (vi) The house was purchased in May 2010 for ₹ 1,00,000

Compute taxable income of Mr. Banerjee. 10

9. Mr. Nath requests you to compute his taxable capital gains for the Assessment Year, 2016-17 in respect of the following transactions : 10

- (i) Sale of residential house in January 2017 for ₹ 8,00,000. The house was purchased by him in February 2007 for ₹ 2,00,000 and expenses incurred for renovation of the house in March 2007 ₹ 12,500



- (ii) Sale of jewellery in March 2017 for ₹ 2,50,000. He inherited the jewellery from his mother in August 2011 but his mother acquired them in 1981 for ₹ 30,000. The fair market value of the jewellery on 1st April, 1981 was ₹ 40,000.
- (iii) Sale of gold and silver coins in December 2016 for ₹ 1,00,000. He acquired these assets in April 2016 for ₹ 75,000.
- (iv) Sale of imported Motorcycle used for personal purpose ₹ 50,000. The Motorcycle was acquired in January 2008 for ₹ 2,15,000.

[CII : 1981-81 = 100; 2006-07 = 519;  
 2007-08 = 551; 2011-12 = 785;  
 2016-17 = 1125]

#### UNIT—IV

10. Mr. Saha attains the age of 60 years of 31st December, 2017. From the following informations, compute his total taxable income relating to the previous year, 2017-18 :

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- (i) Pension—₹ 75,000 per month
- (ii) Dividend from Reliance Co. Ltd.—₹ 45,000



- (iii) Agricultural income from Bangladesh—  
₹ 1,75,000
- (iv) Interest on Savings Bank A/c—  
₹ 2,00,000
- (v) Interest on Savings Certificate—  
₹ 50,000
- (vi) Interest on Govt. securities—₹ 1,00,000
- (vii) Winning from lottery (net) ₹ 75,000 [Tax  
deducted at source @ 30%]
- (viii) Salary as part-time worker in a  
firm—₹ 65,000

Mr. Saha has made the following payments  
during the previous year, 2011-12 :

- (i) Premium of LIC paid ₹ 40,000 (Policy  
value ₹ 2,50,000)
- (ii) Paid ₹ 25,000 to Ramkrishna Mission
- (iii) Paid ₹ 10,000 to PM Relief Fund
- (iv) Deposit in PPF Account—₹ 25,000
- (v) Incurred ₹ 45,000 for treatment of  
dependent mother aged 80 years old  
suffering from cancer

11. Mr. X furnishes the following particulars of his income and losses during the previous year, 2017-18 :

Particulars	₹
Income under the head 'salaries' (computed)	70,000
Income from house property in Chennai	45,000
Loss from self-occupied house property in Bengaluru	55,000
Income from garments business	60,000
Loss from computer business	30,000
Income from speculation business	25,000
Loss from speculation business	30,000
Short-term capital business on sale of shares	20,000
Short-term capital loss on sale of shares	28,000
Long-term capital gain on sale of land	30,000
Income from card games	15,000
Loss from card games	7,500
Casual and non-recurring income	10,000
Dividend from Indian company	7,500

It is assuming that Mr. X had in the previous year, 2016-17 an unabsorbed business loss of ₹ 12,500 from the garments business.

Compute total income of Mr. X for the Assessment Year, 2018-19.

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( 12 )

12. Write short notes on any four of the following:  $2\frac{1}{2} \times 4 = 10$

(a) Best Judgement Assessment

(b) Revised Return

(c) Self-Assessment

(d) Section 80G

(e) Section 80U

(f) Section 80CCA

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