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LA—120—2023

FACULTY OF COMMERCE

B.Com. (First Year) (Second Semester) EXAMINATION

NOVEMBER/DECEMBER, 2023

TAX PROCEDURE AND PRACTICE

Paper TPP-IV

(Indian Tax System and Income Tax Law-II)

(Thursday, 14-12-2023)

Time : 10.00 a.m. to 1.00 p.m.

Time—3 Hours

Maximum Marks—75

N.B. :— (i) Attempt all questions

(ii) Figures to the right indicate full marks.

1. Shri Vishnu is the owner of a business. From the following Profit and Loss Account compute income under the head “Profit and Gain of Business”. 20

Profit and Loss Account for the ending 31st March, 2021

Particulars	Amt.	Particulars	Amt.
To Salaries	33,000	By Gross profit	4,05,000
To Proprietor's salary	10,000	By Rent	50,000
To Taxes and Insurance	5,200	By Interest on Bank deposits	10,000
To Advertisement	55,000	By Bad debts recovered	
To Electric Charges	11,100	(out of this Rs. 3,000	
To Penalty for Breach of Contract	7,500	is disallowed earlier)	5,000

P.T.O.

To Life insurance premium	3,200	By Export incentive received	37,500
To Bad debts	2,500		
To Provision for doubtful debts	3,000		
To Interest on loan	16,000		
To Interest on capital	8,000		
To Penalties for violation of sales tax provisions	5,000		
To Depreciation	18,000		
To Net profit	3,30,000		
	5,07,500		5,07,500

Additional Information :

- (i) Depreciation allowed as per I.T. Act is Rs. 18,500.
- (ii) Advertisement expenses includes Rs. 25,000 paid in cash on the last day of the accounting year.
- (iii) The Assessing Officer found a valuable item of gold worth Rs. 1,00,000 at the residence of the assessee and explanation for source of funding is not satisfactory.

- (iv) For achieving the sales target he received a motor cycle worth Rs. 45,000 as a gift from a supplier.
- (v) Electricity exp Rs. 5,000 allowed but not recorded.
- (vi) Interest on loan includes Rs. 3,000 interest on loan taken from wife out of her 'Stridhan'.
2. Discuss advantages and disadvantages of Direct Tax. 15
- Or*
- Discuss advantages and disadvantages of Indirect Tax.
3. Dr. Bhagwat is Medical Practitioner. He gives you the following summary of cash book for the year ending 31-03-2022 : 15

Receipts	Rs.	Payments	Rs.
To Balance	10,000	By Rent of clinic	18,000
To Consultation fee	60,000	By Purchase of medicines	38,000
To Visiting fee	45,000	By Staff salaries	24,000
To Gifts and Presents	8,000	By Surgical equipments	40,000
To Sale of medicine	42,000	By Motor car expenses	8,000
To Dividend from UTI	6,000	By Purchase of Motor car	1,40,000
To Life Insurance maturity	1,00,000	By Household expenses	7,000
To Interest from National Savings Certificates	6,000	By Balance	2,000
	2,77,000		2,77,000

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Other Information :

- (i) 50% of the motor-car expenses incurred in connection with profession.
Car was purchased in December 2019.
- (ii) Household expenses include Rs. 6,800 for life insurance premium.
- (iii) Gifts and presents include Rs. 3,000 from relations.
- (iv) Closing stock of medicine Rs. 12,000 and on 1.4.2020 opening stock was Rs. 4,000.

Compute his professional gain for the Assessment Year 2022-23.

Or

Mr. Krishna is a practicing Chartered Accountant. He maintains his accounts on cash basis.

The following is the Receipts and Payments A/c for the year ended 31st March, 2022 :

Receipts	Amt.	Payments	Amt.
Balance b/d	9,300	Office Rent	1,52,400
Audit fees	8,64,700	Salary of audit clerk	24,800
Income from other accounting work	1,56,800	Allowance of articled clerk	1,800
Fees for conducting Income Tax appeal	8,100	Salaries	32,400
		Municipal tax	400
		Personal expenses	2,53,500
		Membership fees	1,100

Examiner fees from University	1,600	Life Insurance Premium of spouse	1,500
Dividend	7,840	Income tax	52,500
Rent from property	14,000	Motor-car purchased	3,09,000
		Expenses of motor-car	600
		Insurance of house property	300
		Balance c/d	3,32,040
	10,62,340		10,62,340

Having regarded to the fact that one-third of motor-car expenses is in respect of his professional practice. Compute professional income of Mr. Krishna, assuming rate depreciation on car @ 15%.

4. Mr. Parvesh is an MP (Member of Parliament) of Delhi; he was providing Information of income of the P.Y. 2021-22 : 15

- (i) Daily allowance from Parliament for attending various stations Rs. 2,20,000.
- (ii) Remuneration from Government of India Rs. 8,00,000.
- (iii) Interest from Reliance Industries 60,000.
- (iv) Dividend from city bank Rs. 20,000.
- (v) Rent from open plot Rs. 5,000 per month.

P.T.O.

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- (vi) Interest on Savings Bank A/c Rs. 18,000.
- (vii) Interest on investment Rs. 5,000.
- (viii) Interest on Post Office savings Bank is Rs. 15,000.
- (ix) Agricultural income from Canada Rs. 1,30,000.
- (x) Rent received from letting of plant and machinery Rs. 10,000 p.m.

Compute income from other sources for the A.Y. 2022-23.

Or

Mr. Gurudas provides information of income for the A.Y. 2022-23 :

- (i) Dividend from TATA Steel Rs. 65,000.
- (ii) Dividend from McDonald Rs. 90,000.
- (iii) Interest on Government Securities Rs. 60,000.
- (iv) Agriculture income from Jalandhar Rs. 1,40,000.
- (v) Agriculture income from Budapest Rs. 2,00,000.
- (vi) Interest on debenture Rs. 4,50,000 (Net) subject to 10% tax.
- (vii) He was received royalty of Rs. 5,000 per month.
- (viii) Winning from puzzle Rs. 2,70,000 (Net).
- (ix) Interest on Savings Bank A/c Rs. 22,000.
- (x) He was incurred the following expenses earning the above income :
 - (a) Interest collection charges Rs. 2,000
 - (b) Legal expenses Rs. 1,000.

Compute income from other sources for the A.Y. 2022-23.

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5. Solve any *two* :

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- (a) U/s 80C
- (b) Compute Tax Liability of Mr. Sudesh whose income is Rs. 72,00,000
- (c) Types of tax and explain in brief
- (d) Compute Tax Liability of Mr. Sagar whose Income is Rs. 1,02,00,000 by new regime.

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