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SP - 91

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**B.Com. (Part - III) (Semester - VI) Examination, April - 2019**  
**ADVANCED ACCOUNTANCY (Paper - I V)**

**Taxation**

**Sub. Code : 51465**

**Day and Date : Monday, 01 - 04 - 2019**

**Total Marks : 40**

**Time : 12.00 Noon to 02.00 p.m.**

- Instructions :**
- 1) All questions are compulsory.
  - 2) Figures to the right indicate full marks.
  - 3) Use of calculator is allowed.

- Q1) a)** Explain the deductions available under section 80 C.
- b)** Miss Rekha Savardekar is working as an Executive Officer in a Multinational Company. Her office is at Bandra, Mumbai and she resides at Juhu, Mumbai. She gives you the following information regarding her salary income for the financial year 2017-18 and requests you to calculate her income from salary. Please, honour her request.
- Basic salary ₹ 42,350 per month.
  - Dearness Allowance – 50% of the basic salary. 50% of the dearness allowance enters into retirement benefits.
  - City Compensatory Allowance – 10% of the basic salary.
  - Transport Allowance for commuting between place of residence and office – 3% of basic salary.
  - Family Allowance – 5% of the basic salary and dearness allowance.
  - House Rent Allowance – 40% of the basic salary. Actually she is paying ₹ 20,000 as a rent for the flat where she resides.
  - She is allowed to use a motor car of 16 H P owned by the company for office purpose.
  - She is contributing 20% of her basic salary for Recognised Provident Fund for which the company is contributing an equal amount.
  - During the year an amount of ₹ 57,500 is credited to her Recognised Provident Fund Account as interest @ 11.5%.
  - For the year 2017-18, the company has paid her mobile bill of ₹ 2,000.
  - She has been provided free lunch during office premises. The cost of per meal is ₹ 49.50.
  - The company incurred ₹ 50,000 for her training at New York.
  - The company reimbursed medical bill of ₹ 1,32,567 incurred on the medical treatment of her mother in a hospital approved by the government.

**P.T.O.**

Q2) Attempt any two of the a, b and c of the following.

- a) Miss. Surekha Patil owns three houses. The names of the houses are 'Shantee', 'Vikas' and 'Pragati'. She has provided you the details of these three houses as below.

	Shantee	Vikas	Pragati
Used for the purpose of	Own residence	Own business	Let out
Municipal Value	₹ 2,50,000	₹ 3,80,000	₹ 1,50,000
Fair Rent	N. A.	₹ 4,00,000	₹ 1,40,000
Actual Rent	No	No	₹ 1,80,000
Standard Rent	N. A.	N. A.	₹ 1,20,000
Municipal Taxes	10%	15%	20%
Repairs	₹ 80,000	₹ 1,05,000	₹ 32,000
Insurance Premium	₹ 800	₹ 2,000	₹ 300
Interest on loan taken for construction	₹ 17,000	₹ 19,000	₹ 15,000

She requests you to calculate her income from house property. Kindly do this.

- b) Miss Nivedita Kamble is carrying a trading business. Her Profit & Loss A/c for the year ended on 31<sup>st</sup> March 2018 is as below.

Profit & Loss A/c

Particulars	₹	Particulars	₹
To Salary to Manager & Staff	3,32,000	By Gross Profit	11,27,000
To Salary to Proprietor	1,44,000	By Rent of House Property	60,000
To Administrative Expenses	96,000	By Dividend from Tata Co. Ltd.	4,400
To Rent of Shop & Godown	84,000	By Salary as a CHB Teacher	72,000
To Insurance of Stock	2,700	By Maturity amount of Life Policy	2,00,000
To Bad debts	1,900		
To Legal expenses	9,700		
To Repairs & Maintenance	45,800		
To Donation to a temple	5,555		
To Income Tax	12,230		
To Electricity charges	15,345		
To Depreciation	45,500		
To R. D. D.	1,000		
To Interest on Capital	25,000		
To Interest on Bank Loan	60,000		
To Advertisement	58,000		
To Loss on sale of Investments	4,170		
To Net Profit	5,20,500		
	14,63,400		14,63,400



Other Information :

- i) Legal expenses were incurred for the litigation in respect of agricultural land with her cousin.
- ii) According to Rules regarding depreciation, the allowable depreciation should be ₹ 42,000.
- iii) Loan from bank is taken for the purpose of expansion of the business.
- iv) All advertisement expenses are recurring.

She wants to pay Income Tax honestly but she doesn't know how to compute Taxable Income from Business. Will you please help her by computing Taxable Income from Business?

- C) C A Sunita Shah has her office at Ichalkarnji. She maintains her books of accounts on cash basis. Her Receipts and Payments Account for the financial year 2017-18 was as under.

Receipts	₹	Payments	₹
To Balance b/d	38,500	By Salary to staff	2,88,000
To Audit fees	6,35,500	By Travelling allowance to staff	38,450
To Income Tax consultancy fees	4,21,300	By Daily allowance to staff	36,000
To Account consultancy fees	1,87,000	By Bonus and incentives to staff	42,000
To GST consultancy fees	1,14,000	By Electricity charges	28,635
To Charges for online services	18,700	By Mobile charges	1,200
To loan from bank for office renovation	7,00,000	By Insurance of office	1,300
To Salary from University as a honorary teacher	44,000	By Purchase of Professional books	22,400
To Dividend from Indian companies	23,900	By Subscription of professional journals	8,755
To Interest on deposits	17,400	By Motor car purchased	11,25,000
To Gifts from clients on the occasion of marriage anniversary	61,500	By Running and maintenance expenses of car	48,000
To Borrowings from clients for purchase of car	5,00,000	By Office renovation expenses	9,45,000
		By Maintenance of computers and laptops	15,300
		By Internet charges	12,000
		By Interest on loan from bank	28,000
		By Life insurance premium	5,400
		By Gift to wife on the occasion of marriage anniversary	35,160
		By Sundry office expenses	3,700
		By Drawings	60,000
		By Balance c/d	17,500
	27,61,800		27,61,800

Further Information

- i) Use of car is 60% for office and 40% for personal purpose.
- ii) Total depreciation on motor car is ₹ 56,250.
- iii) Allowable depreciation on computers and laptops is ₹ 15,000.
- iv) Allowable depreciation on books is ₹ 8,960.
- v) Expenditure on office renovation is long term capital expenditure

Sunita wants to test your knowledge regarding computation of income from profession for the A. Y. 2018-19. Compute her income from profession and present her so that, she can test your knowledge.

**Q3)** Write Short Notes on any two.

- a) Definition of Assessee under section 2(7).
- b) Definition of Person under section 2(31).
- c) Death-cum-Retirement Gratuity under section 10(10)
- d) Input Tax Credit (ITC)

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