

Roll No. ....

Time allowed : 3 hours

Maximum marks : 100

Total number of questions : 8

Total number of printed pages : 7

**NOTE :** All references to sections mentioned in Part-A of the Question Paper relate to the Income-tax Act, 1961 and the relevant Assessment Year 2011-12 unless stated otherwise.

**PART — A**

*(Answer Question No.1 which is compulsory and any three of the rest from this part.)*

1. (a) Write the most appropriate answer from the given options in respect of following having regard to the provisions of the relevant direct tax laws :
  - (i) The maximum amount of deduction under section 80GG in respect of rent paid is —
    - (a) ₹2,000
    - (b) ₹3,000
    - (c) ₹5,000
    - (d) ₹10,000.
  - (ii) Mohan Ltd. purchased goods on credit from Sohan Ltd. on 6<sup>th</sup> May, 2010 for ₹86,000 which is paid as ₹15,000 in cash on 11<sup>th</sup> May, 2010; ₹30,000 by a bearer cheque on 31<sup>st</sup> May, 2010; and ₹41,000 by an account payee cheque on 16<sup>th</sup> May, 2010. The amount of disallowance under section 40A(3) is —
    - (a) ₹15,000
    - (b) ₹30,000
    - (c) ₹41,000
    - (d) ₹86,000.
  - (iii) Which of the following income is not included in the term 'income' under the Income-tax Act, 1961 —
    - (a) Profit and gains
    - (b) Dividend
    - (c) Profit in lieu of salary
    - (d) Reimbursement of travelling expenses.

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- (iv) Which of the following income is an agricultural income —
- (a) Income from brick making
  - (b) Income from agriculture land situated in Pakistan
  - (c) Prize from government on account of higher crop yield
  - (d) Compensation received from insurance company on account of loss of crop.
- (v) The maximum exemption under section 10(10AA) in case of leave encashment is —
- (a) ₹3,50,000
  - (b) ₹3,00,000
  - (c) ₹10,00,000
  - (d) ₹5,00,000.

(1 mark each)

(b) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s):

- (i) Belated return of income may be filed within \_\_\_\_\_ from the end of the relevant assessment year.
- (ii) A person, carrying on profession, has to get his accounts audited on compulsory basis if his gross receipts in profession for the previous year relevant to the assessment year 2011-12 exceeds \_\_\_\_\_.
- (iii) The amount of tax payable by the assessee and the amount of refund due, under the provisions of the Income-tax Act, 1961 shall be rounded-off to the nearest \_\_\_\_\_.
- (iv) The balance of income after deductions admissible under section 80C to 80U is called \_\_\_\_\_.
- (v) Under section 44AB, specified date means \_\_\_\_\_ of the assessment year.

(1 mark each)

(c) Goldie Ltd. has advanced an interest free loan of ₹5,00,000 to its employee Ramesh for purchase of car on 1<sup>st</sup> May, 2010. Ramesh has been regularly repaying the loan in installments of ₹20,000 per month at the end of each month.

Compute the value of perquisite on account of interest assuming that SBI rate of interest for such loan as on 1<sup>st</sup> April, 2010 is 10% per annum.

(5 marks)

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2. (a) State, with reasons in brief, whether the following statements are true or false :
- Unabsorbed depreciation can be carried forward for a maximum period of eight assessment years.
  - Speculation losses may be set-off against non speculative profits.
  - Expenses of purchasing lottery tickets are deducted out of winnings from lottery under the head income from other sources.
  - Zero-coupon bonds shall be treated as 'short-term capital asset' if held for more than 12 months but not more than 36 months.
  - The income of minor child will always be included in the income of his/her parents.
- (2 marks each)

- (b) From the following information, compute the total income of Anurag for the assessment year 2011-12 and calculate his tax liability assuming he is not allowed any deduction under sections 80C to 80U :

	₹
Income from salary	1,80,000
Income from house property	40,000
Business loss	(-) 1,90,000
Loss from a specified business referred to under section 35AD	(-) 60,000
Short-term capital loss	(-) 60,000
Long-term capital gains	2,40,000
	(5 marks)

3. (a) After serving for 29 years and 7 months in Mansha Steels Ltd., Narayan retired on 30<sup>th</sup> September 2010. He is covered by the Payment of Gratuity Act, 1972. The company has paid him a gratuity of ₹4,19,800. At the time of retirement, he was getting basic salary ₹11,800, dearness allowance ₹2,260 and house rent allowance ₹1,400 per month. Determine the amount of gratuity exempt under section 10(10).
- (5 marks)

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(b) Mrs. Sarita is an ordinary resident and citizen of India. The particulars of her assets and liabilities as on 31<sup>st</sup> March, 2011 are as follows :

	₹
(i) House property at Indore (three-fourths is self-occupied and one-fourth is let-out)	16,80,000
(ii) Fixed deposit in a nationalised bank	2,00,000
(iii) Fixed deposit for five years in a chit fund	1,60,000
(iv) Agricultural land in Rajasthan ₹6,00,000 and tractor with other agricultural equipments	10,47,300
(v) Loan from bank for purchasing tractor	2,00,000
(vi) Two cars (valuation of small car ₹2,00,000 ; and big car : ₹12,87,000)	14,87,000
(vii) Ornaments (received by her in heritage)	13,60,000
(viii) Share application money	60,000
(ix) Cash in hand	2,30,000
(x) Ornaments with her minor son, Sandeep. (These were given to him by his grandfather.)	50,000

Compute the net wealth and wealth-tax payable by Mrs. Sarita for the assessment year 2011-12. (6 marks)

(c) Rakshit whose house property was compulsorily acquired in the year 2005 received enhanced compensation of ₹9,00,000 on 15<sup>th</sup> November, 2010 which includes ₹2,40,000 as interest on such enhanced compensation. Discuss the taxability of such compensation. (4 marks)

4. (a) For the assessment year 2011-12, Hari is a non-resident in India. From the information given below, find out his income chargeable to tax for the assessment year 2011-12 :

- (i) Royalty received by him outside India from the Government of India : ₹17,000.
- (ii) Technical fees received from an Indian company in Germany for advice given by him in respect of a project situated in Iran : ₹1,17,000.
- (iii) Income from a business situated in Sri Lanka (goods are sold in Sri Lanka, sale consideration is received in Sri Lanka but business is partly controlled in Sri Lanka and partly in India) : ₹2,17,000.
- (iv) Income received in Nepal from a business connection in India : ₹3,17,000.
- (v) Gift in foreign currency from a friend received in India on 20<sup>th</sup> January, 2011 : ₹80,000.
- (vi) Past untaxed profit of 2000-01 brought in India on 10<sup>th</sup> April, 2010 : ₹27,000.

(6 marks)

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(b) Distinguish between **any three** of the following :

- (i) 'Cost of acquisition' and 'cost of improvement'.
- (ii) 'Slab rate' and 'flat rate' of income-tax.
- (iii) 'Short-term capital gains' and 'long-term capital gains'.
- (iv) 'Belated return of income' and 'revised return of income'.
- (v) 'Summary assessment' and 'scrutiny assessment'.

(3 marks each)

5. (a) Write short notes on **any three** of the following :

- (i) Amortisation of telecom licence fee
- (ii) Consequences of failure to deduct tax at source
- (iii) Assessment in case of dissolution of an association of persons
- (iv) Self-assessment
- (v) Valuation of jewellery under the Wealth-tax Act, 1957.

(3 marks each)

(b) Ms. Rajni who draws a salary of ₹20,000 per month received the following gifts on or after 1<sup>st</sup> October, 2010 during the year 2010-11 :

- (i) Gift of ₹5,00,000 on 16<sup>th</sup> October, 2010 from a friend.
- (ii) Gift of jewellery, fair market value of which is ₹3,00,000 on 17<sup>th</sup> October, 2010 from her fiancée.
- (iii) Gifts of ₹51,000 each received from her four friends on the occasion of her marriage on 21<sup>st</sup> October, 2010.
- (iv) Gift of ₹1,00,000 on 22<sup>nd</sup> November, 2010 from her mother's sister.
- (v) Gift of ₹60,000 on 25<sup>th</sup> November, 2010 from her father's brother.
- (vi) Gift of ₹50,000 on 1<sup>st</sup> December, 2010 from her husband's friend.
- (vii) Gift of ₹21,000 on 15<sup>th</sup> December, 2010 from her mother's friend.
- (viii) Gift of ₹26,000 on 25<sup>th</sup> December, 2010 from her brother's father-in-law.
- (ix) Gift of ₹1,21,000 from her husband's brother.
- (x) Gift of ₹26,000 from her employer.
- (xi) Scholarship of ₹1,20,000 from a charitable institution registered under section 12AA.
- (xii) She has purchased an immovable property from Bhawna who is not her relative for a sum of ₹24,50,000. The stamp duty value of the property is ₹26,00,000.
- (xiii) She purchased bullion for ₹4,40,000 whose fair market value is ₹4,85,000.

Compute her total income for the assessment year 2011-12.

(6 marks)

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6. (a) Describe the provisions relating to chargeability of unexplained investment not recorded in the books of account. (4 marks)
- (b) "If an individual writes a book, he shall be allowed deduction from his gross total income." Explain the statement. (4 marks)
- (c) On 31<sup>st</sup> December, 1980, Goverdhan purchased a plot for ₹40,000. The fair market value of the plot on 1<sup>st</sup> April, 1981 was ₹97,800. On 15<sup>th</sup> October, 2010, Goverdhan sells the plot for ₹14,30,000 and paid brokerage, etc., @2% on sales consideration. He invested ₹6,87,000 in the construction of residential house which was completed before 31<sup>st</sup> May, 2011.

Compute the taxable amount of capital gains for the assessment year 2011-12 of Goverdhan assuming that he already owns one residential house on the date of transfer of plot. Cost inflation index for the financial year 2010-11 is 711.

(7 marks)

### PART — B

7. Attempt *any four* of the following :

- (i) Discuss 'advance ruling' in service tax. (5 marks)
- (ii) Discuss briefly the procedure for registration of service tax provider. (5 marks)
- (iii) What is the due date for payment of service tax ? What is the rate of interest for delayed payment and penalty for default in payment of service tax ? (5 marks)
- (iv) What do you mean by 'taxable services' in the context of service tax ? How is the value of taxable services determined ? (5 marks)
- (v) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :
- (a) Service tax in India made a humble beginning from \_\_\_\_\_ with only three services.
- (b) Currently, the rate of service tax is \_\_\_\_\_ (including education cess and secondary and higher education cess).
- (c) Every provider of taxable services whose aggregate value of taxable services in a financial year exceeds \_\_\_\_\_, must mandatorily obtain registration.
- (d) The provision of service tax extends to whole of India except \_\_\_\_\_.
- (e) Every assessee shall submit the half yearly return by the \_\_\_\_\_ of the month following the particular half-year.

(1 mark each)

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**PART — C**

8. Attempt *any four* of the following :

(i) Who is liable to pay value added tax (VAT) ? Discuss, in brief, the advantages of introduction of VAT in India.

(5 marks)

(ii) What are the methods of computation of VAT ?

(5 marks)

(iii) What is input VAT credit ? Will the input VAT credit be available in case of purchase of capital goods ?

(5 marks)

(iv) Compute the VAT liability of Anand for the month of October, 2010 using the invoice method of computation of VAT :

– Purchases from the local market (including VAT @ 4%) : ₹65,000.

– Storage cost incurred : ₹750.

– Transport cost : ₹1,750.

Goods sold at a margin of 5% on the cost of such goods. VAT rate of sales is 4%.

(5 marks)

(v) State, with reasons in brief, whether the following statements are true or false :

(a) Under zero-rated sales, prior stage tax is set-off against the zero per cent tax paid, and effectively the entire tax paid on purchases is eligible for refund.

(b) A special VAT rate of 2% is prescribed for precious and semi-precious metals.

(c) Tax cannot be evaded under VAT system.

(d) There are certain cases of purchases in respect of which generally no input tax credit is available.

(e) Input VAT credit is available on inter-State purchases.

(1 mark each)

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