



**DEPARTMENT OF COMMERCE**  
**QUESTION BANK FOR B COM**  
**INCOME TAX I**

**MODULE I- INTRODUCTION (COI-outline income tax act)**  
**(Blooms Taxonomy Level- Understand)**

**SECTION A**

1. What you mean by the charging section of income tax?
2. What you mean by term 'Income'?
3. Differentiate between capital and revenue expenditure?
4. Who is a "Person" for tax purpose?
5. Distinguish between Assessee and Deemed assessee?
6. Who is an assessee in default?
7. What is the difference between 'Assessment year and Previous Year'?
8. Distinguish between capital losses and revenue losses.
9. What you mean by average rate of tax?
10. What is maximum marginal rate?

**SECTION B**

11. Define Direct tax and Indirect tax? Progressive tax & Regressive tax?
12. Explain the structure of income tax?
13. Define income.?
14. Explain the following:(i) Key man insurance policy (iii) Previous Year & Assessment Year ?
15. Explain accelerated assessment?
16. Explain Rebate u/s 87 A? with example?
17. Explain average rate of tax & maximum marginal rate?
18. Define casual income? explain with example?



### **SECTION C**

19. Define the following: (i) Person (ii) Assessee (iii) casual Income (iv) keyman insurance policy.
20. What are the rates of tax applicable for different persons?
21. Explain (i) Gross total income (ii) Total income & (iii) Accelerated assessment?
22. Define direct tax and indirect tax? Illustrate the structure of income tax?

### **MODULE 2 RESIDENTIAL STATUS (CO2- identify the heads of income under income tax act) (Blooms Taxonomy Level- Apply)**

#### **SECTION A**

1. What is an Indian company for tax purposes?
2. What is an Income deemed to be received?
3. What you mean by transferred balance?
4. What you mean by annual accretion?
5. What is Capital Receipt & Expenditure?
6. What is Revenue Receipt & Expenditure
7. Distinguish between Capital & Revenue Receipts
8. When does an individual become not ordinarily resident in India
9. When HUF becomes resident in India?
10. What is deemed income? Give two examples?

#### **SECTION B**

11. Explain how the Residential status of individual is determined?
12. Explain how the Residential status of HUF & company is determined?
13. Explain about exempted income?
14. Define annual accretion and transferred balance?
15. Mr.A an american citizen leaves india, after a period of 10 years stay on 1.6.2017. During the financial year 2018-19, hewas in India for a period of 46 days. Later he returned to

India on 11.10.2019. Determine the residential status for the previous year 2019-20.?

**(CO2)**

16. Ms.D a Dutch citizen, visits an India on 15.10.2018 and stays upto 20.12.2018 before leaving for Holland. During 2016-17 she stayed in India for 310 days and in 2015-16 for 57 days. Prior to 2015-16 she never visited India. b Determine her residential status for the previous year 2018-19.

**(CO2)**

17. Mr. Z a foreign citizen, not a person of Indian origin visits India every year in the month of april since 2009 and stays here for 100 days. What will be his residential status for the year 2019-20? What will be the position if Mr.z is of Indian origin? Explain the residential status of Individual.

18. Mr. Syam leaves India for the first time on 10 June 2015 and comes back to India on 01.06.2018. He again leaves India on 15.07.2019 and comes back on 01.03.2020. Determine residential status for the year 2019-20.?

### **SECTION C**

19. Explain the residential status and incidence of tax.

20. The following are the income of Mr. Rehman during the financial year 2018-19.

Income accrued in USA but received in India RS. 20,000

Rs.50,000 earned in England and received there but brought to India.

Rs.50,000 earned in India but received in Germany.

Rs.1,00,000 earned and recurred received in Doha from a business controlled from India. House property income from Doha Rs. 20,000 received there.

Rs.40,000 was past untaxed foreign income which was brought to India during the previous year. Profit earned from a business in Kanpur Rs.1,00,000.

Find out the income taxable in the hands of Mr.Rehman if he is:

A. Resident B. Not ordinarily resident C. Non- resident.

Also explain annual accretion & transferred balance.

21. Explain the incomes which are exempt from tax?
22. Mr.Vibin Kumar furnishes the following particulars of his income during the year 2019-20.
- 1) Interest on Australian development Bonds (one sixth is received in India) Rs. 36,000
  - 2) Income from agricultural abroad received there Rs. 341,000 but remitted Rs. 86000 later to India.
  - 3) Interest from deposits in USA received there Rs.340000 (Rs.92000 was spent in Canada for meeting the education expenses of his son and Rs.248000 was remitted to India).
  - 4) Income from business in Iran controlled from New Delhi Rs.70000.
  - 5) Dividend paid by an Indian company but received Outside India Rs.195800.
  - 6) Past untaxed profit of 201-13 brought to India in May 2016 Rs.2, 10,000.
  - 7) Profits from a business in New Delhi managed from outside India (60% of profits received outside India) Rs.92, 000.
  - 8) Profits on sale of a building in India but received in Nepal Rs.1874000.
  - 9) Pension from a former employer in India, received in Iran Rs.215000.
  - 10) Gift in Foreign currency from a friend received in India Rs.80000.

Find out the gross total income of Mr. Vibin for the previous year 2019-20 if he is: **(a)** Resident and ordinarily resident in India **(b)** Resident but not ordinarily resident in India **(c)** Non-resident.

**MODULE 3 – INCOME FROM SALARY (CO3- Illustrate taxable income under the head salary) (Blooms Taxonomy Level - understand)**



**SECTION A**

1. How is residential free accommodation valued?
2. What are the deductions from salary under section 16?
3. Define Salary
4. What are the fringe benefits provided?
5. Explain any 3 types of allowances?
6. Proforma for calculating Income under the head salary?
7. How will you calculate house rent allowance?
8. Salary for the purpose of HRA includes?
9. What is commuted pension?
10. What is perquisite?

**SECTION B**

11. Mr.B is employed at Bangalore on salary of Rs.6000 p.m. The employer is paying HRA of Rs.700 pm, but the actual rent paid by him is Rs. 1000 pm. He is also getting 2% commission on turnover achieved by him and the turnover is Rs. 3,00,000. Calculate taxable HRA.
12. How is exemption given on gratuity under section 10(10).
13. Illustrate how pension is taxed?
14. What is perquisites according to section 17(2)? Explain any 4?
15. What do you mean by 'profits in lieu of salary'?
16. How is Retrenchment Compensation taxed?
17. How is payment on VRS taxed?
18. a) large car all expenses are paid by the employer which are ₹70000 and cost of the car is ₹550000. The car is used only for personal purposes.  
b) small car, all expenses are paid by the employer. The car is used only for official purposes.

- c) small car, used for both private and official purposes and all expenses are paid by the employer.
- d) large car used for both official and private purposes and all expenses are paid by the employer. The driver is also provided by the employer.

### SECTION C

19. Mr. Abin furnishes the following details regarding his salary for the year ended 31<sup>st</sup> March 2019. Compute his income from salary.

- Basic Salary ₹ 40,000 per month
- Bonus – 5 month's pay
- Travelling allowance for tour ₹ 3,000 per month.
- Entertainment allowance ₹ 3,500 per month.
- Commission ₹ 25,000

He is also provided with free furnished quarters having rental value of ₹ 20,000 per month. The house is owned by the employer and population in the city 30 lakhs. Cost of furniture provided ₹ 1,20,000. He gets a lunch at ₹ 60 per meal for 300 working days.

He claims to deduct electricity and water charges incurred by him for the residence during the year ₹ 12,000 and entertainment allowance fully spent for the customers of the employer. His contribution to company's R.P.F is ₹ 5000 per month and the employer contributes an equal sum. Interested credited ₹ 13,000 at 9.5%.

20. Mr.Sharma gives the following details of his salary income for the year 2020-21

- a. Basic salary Rs.12500 pm upto 30-09-2018 and Rs.15,000 thereafter.
- b. DA 45% of basic salary out of which 25% forms as part employment.
- c. Bonus Rs.8000

- d. CCA Rs. 2000 pm
- e. Project allowance Rs. 1000 pm
- f. Medical allowance Rs. 600 pm
- g. Tiffin allowance Rs. 500 pm
- h. Overtime allowance Rs. 200 pm
- i. Family allowance Rs. 600 pm
- j. HRA Rs. 6250 PM (rent paid Rs. 5250 pm).
- k. Entertainment allowance Rs. 4000 pm
- l. Education allowance Rs. 7000 p.a
- m. Hostel allowance Rs. 8000 P.a. ( his three children are in Hostel)
- n. Conveyance allowance Rs. 600 pm ( actual spent Rs. 400 pm)
- o. Academic research allowance Rs. 10000 pm. ( Fully spent)
- p. Washing allowance Rs. 75 pm ( Actual spent Rs. 100 pm)
- q. Helper allowance Rs. 100 pm (Actual amount spent Rs. 75 pm).
- r. Daily allowance Rs. 250 pm
- s. Uniform allowance Rs. 500 pm ( actual spent Rs. 750 pm)

Compute income from salary if he is a government employee.

21. Mr. Kevin manger of a company, gives you following information for the financial year 2020-21.

- a. Salary 50,000 per month, bonus 15,000, commission 18,400.
- b. Entertainment allowance 600 per month (out of which he actually spent Rs. 3,000 for entertaining the company customers).
- c. He was provided with a free furnished residence at Mumbai, annual municipal valuation of which was 66,000 and the cost of furniture provided was Rs. 30,000.
- d. The company provides him a large car, with driver, for official use and expenses of running car Rs. 60,000 were met by the company.
- e. the company paid him Rs. 40,000 being actual air fare for himself and his wife when they proceeded on two month's leave (with salary) to their home abroad. An



- additional amount of Rs. 60,000 was paid towards actual air passage for the children who accompanied them on leave.
- f. The company provide him free electricity supply generated in their own plant, the cost of which was Rs. 12, 000.
- g. Reimbursement of medical expenses in a private nursing home Rs.25, 000.
- h. He contributed Rs. 13, 500 towards RPF and the employer's contribution during the year was Rs. 12,800. Interest allowed on RPF @ 8.5% ,31/03/2017 was Rs. 23,000( RPF balance).
- i. He paid professional tax Rs.2500 during the previous year.Compute the income from salary of Mr. Kevin for the 2019-20.
22. Outline about tax free perquisites? Explain?

**MODULE 4- INCOME FROM HOUSE PROPERTY (CO4 – Demonstrate taxable income under house property) (Blooms Taxonomy Level - understand)**

**SECTION A**

1. What is annual value?
2. What is fair rental value?
3. What is composite rent?
4. Illustrate how loss from house property is treated?
5. What is expected Rental value?
6. What is the tax treatment of municipal tax?
7. Define standard rent?
8. What is arrears of rent
9. Illustrate the tax treatment of house property used for own business?
10. What is pre construction interest?

**SECTION B**



11. Mrs. Radha owns a house. It's annual let out value is rs. 27000. During the year it was let out on a monthly rent of Rs.2400. She incurred the following expenses.
- Municipal tax paid - Rs. 3000
  - Ground rent - 600
  - Collection charges - 300
  - Repairs 900.
- Compute her income from. House property.
12. The net annual value of a house property is rs. 12,000. The deductions are as follows:
- Repairs - Rs. 2000
  - Interest on loan taken for the repair of the house - Rs. 1,000
  - Insurance premium - Rs. 1000
- Find income from house property.
13. State the income from house property exempt from tax.
14. What are the different types of annual rental values.
15. Who are deemed owners for charging the income from house property.
16. Explain the provisions relating to interest on loan in computing income from house property.
17. Illustrate how self occupied house valued?
18. Determine the gross annual value in the following cases:
- a) Mr.A let out his house property for a rent of ₹12000 per month. Municipal valuation of the property is ₹180000.
  - b) Mr.C owns a house property the fair rent of which is ₹500000. The property was let out for rent of ₹50000 per month throughout the year.
  - c) Ms. D has a property whose municipal valuation is ₹240000. She let it out to a bank for ₹30000 per month from July 2019. For the months of April, May, and June 2019 the property was vacant.



**SECTION C**

19. Mr. Ramkuamar owns two houses. The first house's municipal valuation is Rs. 75,000. This house was used for his self-occupation. The second house municipal valuation is Rs. 1,00,000. It was let for a rent of Rs.10,000 PM. The following are the exp. For the houses.

	House1	House2
Municipal Tax	10,000	20,000
Land tax	50	150
Interest on loan for repairing the house	35,000	4,200
Repairs to the house	600	2000

Compute income from house property of Mr. Ramkumar for the PY 2018-19.

20. Mr. T owns a big house in Delhi. 50% of the floor area is let out for residential purposes on a monthly rent of Rs.3,200. However, this portion remained vacant for one month. 25% of the floor area is used by the owner for the purpose of his profession., while remaining 25% of the floor area is utilized for the purpose of his residence. Other details of the house are as follows;

- a. Municipal valuation- 75,000
- b. Standard rent – 90,000
- c. Municipal taxes paid – 12,000
- d. Repairs- 3,000
- e. Interest on capital borrowed for repairs- 28,000

Compute taxable income from house property of Mr.t for the AY 2019-20.



**MODULE 5- PROFIT & GAINS OF BUSINESS OR PROFESSION (CO5 –  
Examine the taxable income from business or profession) (Blooms Taxonomy  
Level- Analyse)**

**SECTION A**

1. Define block of assets
2. Explain additional depreciation
3. What is balancing charge
4. Illustrate the tax treatment for unabsorbed depreciation
5. What is meant by profession
6. Demonstrate how the bad debts recovered will be dealt while dealing with business income?
7. Illustrate the computation of income from profession as per Income Tax Act?
8. Explain the treatment of personal expense while dealing with business income?
9. What are deemed profits?
10. Explain the deductions which are expressly allowed?

**SECTION B**

11. Give any five incomes chargeable under income from business.
12. Explain how depreciation is computed for income tax purposes
13. Give any five expenses allowed under section 37?
14. Give any five incomes chargeable under income from business.
15. The profit and loss account of Mr A disclosed a profit of ₹200000 after debiting the following:

a) Provision for taxation	₹100000
b) Bad debts written off	₹20000
c) Provision for doubtful debts	₹25000
d) Gift to friend	₹5000
e) Sales tax due but before the due date	₹23500

Compute profit from business.



16. Explain the tax treatment of capital expenditures.

17. Compute depreciation from the following details

WDV of plant and machinery 1-4-2019	₹600000
Cost of addition on 1-05-2019 (Eligible for additional depreciation)	₹200000
Cost of addition on 17-02-2020 (Eligible for additional depreciation)	₹100000
Sale of a part of plant	₹400000
Rate of depreciation	15%

18. Calculate depreciation for the year 2019-20 from the following details.

WDV of factory building- 1-04-18 Rs.	100000
New buildings added on 30-06 2018-	200000
Amount realised on building demolished	50000
Rate of depreciation	10%.

### SECTION C

19. X has a small business. His profits and loss account during the previous year 2017-2018 showed a net profit of 90,000 after considering the following items.

- Drawings during the year- 5,000
- Payment of advertisement in bearer cheque 21,000
- Sales tax paid on 1/4/2017 - 5,000
- Provisions for bad debts- 8,000
- excess depreciation of 5000

Compute his income from business.

20. Following is the statement of Income of Dr. K, compute income from profession:

To Rent	40,000	By visiting fees	45,000
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Salaries	36000	Consultation fees	125,000
Telephone exp.	6,000	Sale of medicine	72000
Depreciation on equipment	6000	Dividend	5000
Income tax	4000		
Purchase of medicine	36000		
Donation	5500		
Electricity and water charges	6000		
Motor car exp.	9600		
Depreciation on car	4800		
Net income	93,100		
	<b>2,47,000</b>		<b>2,47,000</b>

Additional Information:

- a. Electricity charges include domestic bill of Rs.2500
- b. Half of the motor car exp. Are for personal purposes.
- c. Telephone Exp. Include 40% for personal use.
- d. Opening stock of medicine was Rs. 6000 and closing stock was Rs. 4000