

M.COM (Part - II)
Accountancy Group
Direct & Indirect Taxes
(Paper – V) (May-2017)

QP Code :06687

[Time: 3 Hours]

[Marks : 100]

- N.B: {1} Question No.1 and Question No.2 from Section I are compulsory.
 (2) Answer any one question from Question No.3 and Question No.4 from Section - I.
 (3) Answer all questions from Section II.
 {4} Figures to the right indicates full marks.
 {5} Working notes from part of answer.
 (6) Use of simple calculator is permitted.

Section I

- Q.1 Following is the Profit and Loss Account of Mohan Traders, registered partnership firm, of which Mr. A and Mr. B are equal partners. Calculate Taxable Income of the firm for the the Assessment Year 2016-17.

20

Profit and Loss Account for the Year ended 2015-16

Particular	<	Particular	<
To Salaries	1,75,100	By Gross Profit	5,30,000
To Electricity & water charges	25,000	By Commission	10,000
To Rent	22,000	By Sale of Scrap	5,000
To Motor car expenses	12,000	By Excise penalty refund	5,000
To Entrainment expenses	25,000		
To Trade expenses	18,100		
To Depreciation	38,000		
To Legal expenses	18,000		
To Furniture purchased (31-12-2015)	17,000		
To Net Profit	2,00,000		
	5,50,000		5,50,000

Other Information:

{1} Salary includes:

< 40,000 paid to Mr. A

< 40,000 paid to Mr. B

{2} Rent includes municipal taxes of 2,000 paid for the premises of the partner B.

(3) Depreciation on new furniture purchased is to be recorded @ 10% as per income tax rules.

(4) Depreciation on other old assets excluding motor car allowed as per rules is < 35,000.

{S} Legal expenses include < 2,500 paid to advocate in connection with the litigation of the partner Mr. A's property.

{6} Use of motor car is for non-business purposes.

- (7) Trade expenses include ₹ 8,000 donation to a political party.
 (8) The firm satisfies all conditions of Section 184 and 40(b).

Q.2 (A) Choose the correct alternative from the following.

07

- (1) Income which accure outside India from a business controlled from India is taxable in case of _____ .
 (a) Resident only
 (b) Not Ordinarily Resident
 (c) Both Ordinarily Resident and Not Ordinary Resident
- (2) Compensation for termination of employment _____ .
 (a) Is not taxable
 (b) Is taxable in case of specified employees
 (c) Is taxable as profit in lieu of salary.
- (3) Municipal tax deducted from _____ of the house property.
 (a) Net Annual Value
 (b) Municipal Valuation
 (c) Gross Annual Value
- (4) Income from illegal business is _____ .
 (a) Taxed as profits and gains of business
 (b) Taxed as income from other sources
 (c) Wholly exempt from tax
- (5) Conversion of capital assets into stock in trade will result into capital gain of the previous year _____ .
 (a) In which such conversation took place
 (b) In which such assets are sold or otherwise transferred
 (c) In which such converted assets were purchased
- (6) Income under the head income from other sources is taxable on _____ .
 (a) Due basis
 (b) Receipt basis
 (c) On the basis of method of accounting regulating employed by the assesses.
- (7) Deduction u/s 80 D in respect of medical insurance premium is allowed to _____ .
 (a) An Individual or HUF
 (b) Individual only
 (c) An assesses

[TURN OVER]

Q.2 (B) Match the following columns.

08

A	B
1. Maximum total deduction	1. Amount paid
2. CII	2. Can't be more than Gross Total Income
3. Maximum interest claim on loan for higher education u/s 80 E	3. Cost Inflation Index
4. Negative WDV of a block of assets	4. Deductible as business expenses when paid
5. Entertainment allowance deduction u/s16	5. Deductible in 5 equal installment
6. An Indian company	6. Always Resident
7. Pre-acquisition Interest on property	7. Only to Govt. Employees
8. Bonus to employees	8. No claim for depreciation

Q.3 Mr. A joined company on 1st June, 2015. He gives the following details to calculate his Taxable Salary for the Assessment Year- 2016-17. 15

	Amount (₹)
Basic pay per month	20,000
Dearness Allowance per month	10,000
Bonus per month	5,000
Perquisite value of motor car provided (taxable)	27,000
Sweeper salary paid by the company per month	1,500
Professional tax paid by the company	3,000
Telephone Allowance by the company per month	500
Contribution of employer to recognized provident fund of the basic salary	16%
Children education allowance for his only child (per month) (₹ 100 per month is exempt)	200
Perquisite value of rent free accommodation	58,000
Medical insurance premium paid by the company	8,000
Life insurance premium paid by the company	5,000

Q.4 Write short notes (any three).

15

- (1) Residential Status of HUF.
- (2) Advance tax liability of non-corporate assessees.
- (3) Income from other sources.
- (4) Short Term Capital Gain.
- (5) Income from self occupied property.

[TURN OVER]

Section II

Q.5 KBC Ltd. provides following types of construction, finishing and completion services for the 10 year ended 2016-17.

1. Construction of a school for KBT Ltd ₹ 25,00,000.
2. Finishing and completion of a commercial complex ₹ 35,00,000
3. Construction of House under Rajiv Awaas Yojna ₹ 80,00,000.
4. Construction of residential complex consisting of 50 flats (out of which for 25 flats sum was received after Issuance of completion certificate) ₹ 12 lakhs per flat
5. Construction of cold storage for agricultural produce ₹ 10,00,000
6. Construction of Mumbai Metro ₹ 50,00,000.
7. Completion of building meant for religious use by general public ₹ 85,00,000.

Compute the gross values of taxable service if all charges are exclusive of service tax. Ignore small service provider's exemption.

Q.6 Determine the following as True or false (as per service tax).

10

- 1) Services provided within the Indian territorial water are chargeable services.
- 2) The prescribed five periods for issue of invoice is 30 days.
- 3) Point of taxation is date of issue of invoice.
- 4) Interest payable on delayed payment of service tax upto 6 month of delay is 18% p.a.
- 5) An assesses has to file the Return-A.
- 6) Penalty for filing of Service Tax Return beyond 30 days is maximum of ₹ 1,00,000.
- 7) Records under Rule 5 may be preserved in Electronic form.
- 8) E-payment of service tax is compulsory to all.
- 9) Every person receiving taxable service form any person shall pay service tax.
- 10) Threshold limit of exemption is ₹ 11,00,000.

Q.7 Mr. AM, a Service provider gives the following details to determine his date of liability of 10 registration for service tax and his service tax liability for the first quarter.

Date	Services	Amount (₹)
06-6-16	Taxable service in India.	3,33,000
16-6-16	Services to Mr. B at Jammu & Kashmir	1,00,000
27-6-16	Taxable services in India	12,00,000
28-6-16	Services provided outside India.	2,00,000
30-6-16	Taxable services to the Government Agency	1,00,000

Q.8 Mr. B gives following details to determine his registration liability under MVAT Act, 2002. 10

1) Sales within Maharashtra :

Schedule A	Schedule B	Schedule E
Goods (₹)	Goods (₹)	Goods (₹)
3,00,000	80,000	12,000

2) Sales outside Maharashtra :

Schedule A Goods	- ₹ 80,000
Schedule B Goods	- ₹ 2,00,000

3) Purchase within Maharashtra :

Schedule A Goods	- ₹ 8,00,000
------------------	--------------

4) Purchase from outside Maharashtra :

Schedule B Goods	- ₹ 3,00,000
Schedule E Goods	- ₹ 4,00,000

Also Calculate his VAT liability.

Schedule B	→	1%
Schedule E	→	12.5%

Q.9 State whether the following statements are True or False (As per MVAT Act, 2002). 10

- 1) VAT does not apply to consumer.
- 2) A chartered Accountant is not a dealer under MVAT Act, 2002.
- 3) A stock transfer is regarded as 'Sale' under MVAT Act, 2002.
- 4) All services are subject to MVAT Act, 2002.
- 5) Sales of goods falling under Schedule A are known as tax free sales.
- 6) Making utensils from copper is treated as manufacture under MVAT Act, 2002.
- 7) Sim card in mobile phones are treated as goods under MVAT Act, 2002.
- 8) VAT paid on purchase of capital assets is never eligible for full set-off
- 9) Taxable sales for the purpose of registration under MVAT include exports.
- 10) A person voluntary desires to get registered has to deposit an amount of ₹ 10,00,000