

- N.B.** (1) Regular College Students enrolled during the academic year 2006-07 and thereafter shall attempt only **Section I and II** carrying total **80 marks**. Duration of the paper is **2½ Hours** for such candidates. (**Section III** should not be attempted by such students).
- (2) **All I.D.E. Students** and college students enrolled during the academic year **2005-06** or earlier shall attempt **Section I, II and III** carrying total **100 marks**. Duration of the paper is **3 hours** for such candidates.
- (3) Question No. **1** is **compulsory** carrying **18 marks**. Attempt any **three** questions carrying **14 marks each** from question Nos. **2 to 6** from **Section I**.
- (4) Attempt question No. **7** and Question No. **8** carrying **10 marks each** from **Section II**.
- (5) Attempt Question No. **9** and Question No. **10** carrying **10 marks each** from **Section III**.
- (6) **All the sections** should be written in the **same answer book**.

Section I

1. From the following Profit and Loss Account of Mr. Shaswat Hegde, a senior citizen, compute his total Taxable Income for the Assessment Year 2007-08. 18

Profit and Loss Account for the year ended 31st March 2007

Expenses	Rs.	Income	Rs.
To Salaries	76,000	By Gross Profit b/d	3,32,000
To Fire Insurance Premium	11,000	By Intrest on Deposits	
To Staff Welfare expenses	18,000	with State Bank of India	
To Postage and Telegram	3,000	(Gross Interest Rs. 20,000)	18,000
To Interest on proprietors capital	4,000	By Amount received on	
To Travelling expenses	37,000	Maturity of LIC policy	50,000
To Miscellaneous expenses	21,000		
To Repairs & Maintenance	7,000		
To Donation	5,000		
To Advertisement expenses	20,000		
To Reserve for doubtful debts	5,000		
To Depreciation	10,000		
To Sales Tax paid	4,000		
To Advance Income Tax	3,000		
To Income Tax paid for P.Y. 2005-06	1,000		
To Net Profit	1,75,000		
	<u>4,00,000</u>		<u>4,00,000</u>

Additional Information :—

- (1) Depreciation as per Income Tax Rules is Rs. 15,000/-
- (2) Mr. Shaswat paid for self, medical Insurance Premium of Rs. 16,000/- by cheque.
- (3) Advertisement expenses include Rs. 15,000/- spent on advertising in a magazine published by a political party.
- (4) Repairs and maintenance include personal expenses of Rs. 2,000/-
- (5) Donation is made to National Illness Assistance fund of Rs. 5,000/-

2. Shri Gangadhar Joshi took voluntary retirement on 1st October 2006. He has completed 28 years of service in Tech-India Ltd. He furnishes the following information for the year ended 31st March 2007. 14

- (1) Basic Salary Rs. 40,000/- per month
- (2) Dearness allowance @ 60% of Basic salary.
- (3) Entertainment allowance received Rs. 2,000/- per month.
- (4) Conveyance allowance received Rs. 1,500/- per month.
(Exempt u/s 10 @ Rs. 800/- per month)
- (5) Voluntary retirement compensation Rs. 8,50,000/-
(Exempt u/s 10(10C) Rs. 5,00,000)

- (6) Leave bonus received (fully exempt) Rs. 2,34,000/-
 (7) Gratuity received (fully exempt) Rs. 2,34,000/-
 (8) Professional Tax paid Rs. 2,500/-
 (9) Commuted pension ($\frac{1}{3}$ rd exempt) Rs. 96,000/-
 (10) Uncommuted pension Rs. 10,000/- per month.
 (11) He paid Rs. 15,000/- towards LIC premium.
 (12) He donated Rs. 20,000/- to Prime Ministers National Relief Fund.
 (13) He donated clothes worth Rs. 20,000/- to an orphanage.

Compute his Net Taxable Income for the Assessment Year 2007-08.

3. Mrs. Gayatri Soman owns two houses in Mumbai. The particulars of her Income from properties for the year ended 31st March 2007 is as follows :— 14

(A)	Particulars	House Property I	House Property II
1.	Nature of occupancy	Self occupied	Let out
2.	Fair rent	Rs. 4,00,000	Rs. 6,00,000
3.	Municipal valuation	Rs. 4,20,000	Rs. 6,10,000
4.	Rent received	NIL	Rs. 6,50,000
5.	Municipal taxes paid on 15/03/2007	Rs. 30,000	Rs. 40,000
6.	Fire Insurance premium paid	Rs. 8,000	Rs. 10,000
7.	Rent collection charges	—	Rs. 8,000
8.	Land Revenue payable	Rs. 2,000	Rs. 3,000
9.	Interest paid on loan taken for construction of house property	Rs. 1,60,000	Rs. 1,50,000
10.	Date on which loan taken	26-11-2005	22-10-2004
11.	Repayment of principal amount of loan	Rs. 30,000	NIL

(B) Mrs. Gayatri Soman also received the following other income :—

(a) Dividend from Mafatlal Industries Rs. 10,000/-

(b) Interest on fixed deposits with Bank of India Rs. 20,000/-

(C) Mrs. Gayatri paid Medical Insurance premium of Rs. 18,000/- for self by cheque.

Compute her Net Taxable Income for the Assessment Year 2007-08.

4. (a) Shri Ram Gopal Desai, a citizen of USA has been staying in India since 1984. He leaves India on 16th July 2006 on a visit to USA and returns on 4th January 2007. Determine his residential status for the previous year 2006-07. 8
- (b) Shri Vinod Gokhale purchased a residential house on 1st August 1978 for Rs. 2,00,000. The fair market value of the house on 1-4-1981 was Rs. 3,00,000. He incurred Rs. 1,00,000 towards cost of improvement during the previous year 1983-84. He sold the House on 31st December 2006 for Rs. 20,00,000. He paid brokerage of Rs. 50,000. The cost Inflation Index for Financial Year 1981-82 is 100 for Financial Year 1983-84 is 116 and for the Financial Year 2006-07 is 519. Compute the Income from capital gains of Shri Vinod Gokhale for the Assessment Year 2007-08. 6
5. (a) Define and explain the following as per Income Tax Act 1961 (any two) :— 6
 (1) Assessee (2) Person (3) Previous year.
- (b) Enumerate and explain in brief the deductions available under section 24 of the Income Tax Act 1961, in computing Income from House Property. 8

6. Answer any seven of the following questions with reference to Assessment Year 2007-08. 7x2

- (1) Miss Smita received a gift of Rs. 21,000/- from her father at the time of her marriage. She claims that Rs. 21,000/- is not taxable in her hands. Is her claim correct ?
- (2) Mr. Satish received Dividend of Rs. 5,000/- from XYZ Ltd., an Indian company. Can he claim this dividend income as exempt u/s 10(34) ?
- (3) The minor daughter of Mr. Bharat earns interest of Rs. 5,000/- on fixed deposits which is clubbed with the income of Mr. Bharat. Is this clubbing of income correct ?
- (4) Mr. Pradeep earns Rs. 1,50,000/- during the previous year 2006-07 as interest on Public Provident Fund (PPF) account maintained with State Bank of India. Whether Tax needs to be deducted at source by State Bank of India ?
- (5) Mrs. Shobha purchased a house property on 1st June 2004 and sold it on 1st April 2007. She treats this property as long term capital asset. Is her claim correct ?

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- (6) Leave encashment (fully exempt) 3 months basic.
 - (7) Gratuity received (fully exempt) Rs. 2,34,000/-.
 - (8) Professional Tax paid Rs. 2,500/-.
 - (9) Commuted pension ($\frac{1}{3}$ rd exempt) Rs. 96,000/-.
 - (10) Uncommuted pension Rs. 10,000/- per month.
 - (11) He paid Rs. 15,000/- towards LIC premium.
 - (12) He donated Rs. 20,000/- to Prime Ministers National Relief Fund.
 - (13) He donated clothes worth Rs. 20,000/- to an orphanage.

Compute his Net Taxable Income for the Assessment Year 2007-08.

- (6) Mr. Avinash who earns taxable salary from ABC Ltd., requests the employer not to deduct tax from his salary and offers to pay tax on his own. Is it correct for the employer not to deduct tax ?
- (7) Mr. Ambarish paid Life Insurance Premium of Rs. 10,000/- on behalf of his wife who is dependent on him. He claims deduction u/s 80C. Is he right in claiming the deduction ?
- (8) Mrs. Kamla made a fixed deposit of Rs. 3,00,000/- in her husbands name on which he earned interest of Rs. 25,000/-. He offers the same as his income in his income Tax returns. Whether it is correct ?
- (9) Mr. Joshi has invested Rs. 1,50,000/- in N.S.C. VIII issue during the previous year 2006-07. How much deduction can he claim u/s 80C ?

Section II

7. Define and explain the term 'Business' as per the provisions of the Central Sales Tax Act, 1956. 10

Or

7. Explain with reasons whether the following are 'Business Activities' or not as per the provisions of the Central Sales Tax Act, 1956.

- Purchase of an office premise by a Business Organisation
- Sale of Machines by a Machinery Manufacturer at a loss
- Jewellery and precious stones purchased as gifts to their clients, by a Business Organisation.
- Running of a Cyber Cafe.
- Planting of saplings for beautification around the office.

8. Mr. Gadgil Commenced his Business as a Manufacturer on 1st February 2007. From the following particulars regarding purchases and Sales transactions, Find out from which month he will be liable for Registrtrion and to pay Tax as per the provisions of MVAT Act 2002. Give Reasons. 10

Month.	Details of Purchases			Details of Sales	
	Out of State	Within State		Taxable Rs.	Tax Free Rs.
	Taxable Rs.	Taxable Rs.	Tax Free Rs.		
February 2007	8,000	28,000	16,000	40,000	20,000
March 2007	1,000	20,000	15,000	23,000	16,000
April 2007	5,000	8,000	28,000	18,000	24,000
May 2007	4,000	20,000	18,000	26,000	18,000
June 2007	3,000	15,000	24,000	20,000	16,000
July 2007	6,000	12,000	26,000	24,000	28,000
August 2007	8,000	16,000	14,000	12,000	16,000

Or

8. M/s Raje & Co., a Registered dealer under MVAT Act 2002, requests you to compute liability under MVAT Act 2002. for the month of March 2008 from the following information.

8. Mr. Gadgil Commenced his Business as a Manufacturer on 1st February 2007. From the following particulars regarding purchases and Sales transactions, Find out from which month he will be liable for Registration and to pay Tax as per the provisions of MVAT Act 2002. Give Reasons. 10

Month	Details of Purchases			Details of Sales	
	Out of State	Within State		Taxable Rs.	Tax Free Rs.
	Taxable Rs.	Taxable Rs.	Tax Free Rs.		
February 2007	8,000	28,000	16,000	40,000	20,000
March 2007	1,000	20,000	15,000	23,000	16,000
April 2007	5,000	8,000	28,000	18,000	24,000
May 2007	4,000	20,000	18,000	26,000	18,000
June 2007	3,000	15,000	24,000	20,000	16,000
July 2007	6,000	12,000	26,000	24,000	28,000
August 2007	8,000	16,000	14,000	12,000	16,000

Or

8. M/s Raje & Co., a Registered dealer under MVAT Act 2002, requests you to compute liability under MVAT Act 2002. for the month of March 2008 from the following information.

Sales	Rs.	Sales Returns	Rs.
Schedule 'A' Goods	1,00,000	Schedule 'A' Goods	20,000
Schedule 'B' Goods	50,000	Schedule 'E' Goods	20,000
Schedule 'E' Goods	2,20,000		
Sale out of Maharashtra	1,50,000		
Labour charges Received	75,000		
	<hr/>		<hr/>
	5,95,000		40,000
	<hr/>		<hr/>
Purchases	Rs.	Purchase Returns	Rs.
Schedule 'A' Goods	50,000	Schedule 'E' Goods	30,000
Schedule 'E' Goods	3,50,000		
	<hr/>		<hr/>
	4,00,000		30,000
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There was an Opening Balance (Credit) in VAT credit Receivable Account of Rs. 12,000/- Rates of VAT for schedule A, B, and E Goods are NIL, 1% and 12.5% respectively.

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Section III

9. Mr. Sushil Godbole has earned the following Income during the previous year ended 31st March 2007. 10

Particulars	Amount (Rs.)
(1) Interest from an Indian company received in London	1,000
(2) Pension from Former Employer in India received in USA	4,000
(3) Profit earned from a Business in Paris which is controlled in India (half of the profits being received in India)	20,000
(4) Income from Agriculture in Bhutan and remitted to India	5,000
(5) Income from property in England received there	4,000
(6) Past untaxed Foreign Income brought to India	10,000
(7) Dividend from a Foreign Company Received in Thailand	5,000
(8) Professional fees received in India	7,000

Compute his total Income for the Assessment Year 2007-08 assuming :

- (1) He is resident and Ordinarily resident
- (2) He is Non-Resident.

10. Define and Explain the term 'Sale' under the provisions of Maharashtra Value Added Tax Act 2002. 10

Or

Explain with reasons whether the following transactions can be considered as 'Sale' under the provisions of the Maharashtra Value Added Tax Act, 2002.

- (a) Sale of washing machines on Hire Purchase System
- (b) Hypothecation of Goods
- (c) Transfer of Goods from Head office to Branch
- (d) Gift of Jewellery to a friend
- (e) Sale of Scrap.