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Reg. No.....

Name.....

B.Com. DEGREE (C.B.C.S.S.) EXAMINATION, JUNE 2026

Fifth Semester

Commerce

Optional Core Course—INCOME TAX–LAW AND PRACTICE

(For Optional Stream Finance and Taxation)

(2014—2016 Admissions—Mercy Chance)

[For Private Registration Candidates]

Time : Three Hours | Maximum Weight : 25

Instructions : *This question paper contains* **two sections**. *Answer* **Section I** *questions in the answer book provided.* **Section II Internal Examination** *questions must be answered in the* **question paper** *itself. Follow the detailed instructions given under* **Section II**.

Section I

PART A

Answer **all** *questions.*
Each bunch of **four** *questions carries a weight of* 1.

I. Choose the correct answer from the choices given :

1 Income tax is charged for every :

a) Financial Year. b) Calendar Year.

c) Assessment Year. d) Accounting Year.

2 Residential statuses are determined :

a) Once in a lifetime. b) Every previous year.

c) Every assessment year. d) Every five years.

3 Dearness Allowance is generally :

a) Fully exempt. b) Capital gain.

c) Agricultural income. d) Part of salary.

Turn over

4 Interest on borrowed capital for a house property is allowed as :

a) Capital expenditure. b) Deduction.

c) Exempt income. d) Rebate.

II. Fill in the blanks :

5 The previous year always ends on ——————————.

6 Interest credited in recognized provident fund account is exempt up to ——————————

7 Business income is computed for the —————————— year.

8 Income from sub-letting a house is taxable under ——————————.

III. State whether the following statements are True *or* False :

9 The annual value of a house always remains the same.

10 Charity received from customers is not business income.

11 Standard deductions from house property income is calculated on net annual value.

12 The rates of income tax are prescribed every year by the Finance Act.

IV. Match the following :

13	Health and Education Cess	a)	Deduction from gross salary.
14	Medical allowance	b)	Zero.
15	Professional tax	c)	6 %.
16	Annual value of self-occupied house	d)	Fully taxable allowance.
		e)	4 %.
		f)	Fair value.

(4 × 1 = 4)

Part B

Answer any **five** *questions.*
Each question carries a weight of 1.

17 Define the term assessment year.

18 What is partly agricultural income ?

19 Distinguish between Resident and Ordinarily Resident.

20 Explain the tax treatment of House Rent Allowance.

21 What are the deductions available from salary income u/s 16 ?

22 Distinguish between Standard Rent and Expected Rent.

23 What are deemed profits u/s 41 of the IT Act ?

24 Explain the admissible and inadmissible business expenses.

(5 × 1 = 5)

Part C

Answer any **four** *questions.*
Each question carries a weight of 2.

25 Explain the provisions for determining the residential status of an individual under the Income Tax Act.

26 Describe the tax treatment of Leave Travel Allowance and Leave Encashment.

27 Distinguish between self-occupied and let-out house property. Explain how income is computed in each case.

28 Describe the procedure for computing income under the head "Profits and Gains of business or Profession".

29 Compute the residential status of Mr. Charles for the Previous Year 2024-25 who left India for the first time on 15.9.2020 and came back on 1.9.2023. He again left for Dubai on 15. 6.2024 and came back on 14.2.2025 to settle in India.

30 Compute Business Income of Mr. John for the year ended 31.3.2025 :

Net profit as per P and L Account (Before charging the following) Rs. 5,75,000

1 Expenditure on Family Planning Rs. 45,000.

2 Lump-sum payment made for Technical know-how Rs. 90,000.

3 Entertainment Expenditure Rs. 30,000.

4 Expenditure on acquiring Patent Right Rs. 86,000.

Turn over

5 Expenditure on Advertisement—Paid in cash Rs. 18,000.

6 Amount paid to Delhi University for an approved research programme in Social Science not connected with his business Rs. 45,000.

(4 × 2 = 8)

Part D

Answer any **two** *questions.*
Each question carries a weight of 4.

31 Mr. X is working in a company on a salary of Rs. 12,500 p.m. and dearness allowance Rs, 1,250 p.m.and medical allowance Rs. 500 p.m. He received Rs, 3,800 as a bonus for the year 2024-25. He is given a rent free unfurnished house in a city (population 14 Lakh), owned by the employer. The house is also provided with a gardener on a monthly salary of Rs. 450. He has taken a loan of Rs. 10,000 from his employer for purchasing a motorcycle. Employer paid Rs. 4,000 as his membership fee of Rotary Club for the year ending 31.3.2025.

He is contributing 15 % of his salary to RPF, to which his employer is contributing 14 %. Interest credited to the provident fund @ 9.5 % p.a. during the year is Rs. 5,000. Compute his taxable salary for the Assessment year 2025-26.

32 Mr. Sanal has a big house consisting of 4 units. One portion is occupied by him and the remaining 3 are let-out. The following data is available for the Assessment Year 2025-26. Compute income from house Property. Loan taken for house construction Rs. 40,000 @ 10 % p.a.

a) Municipal value (entire house) Rs. 1,00,000.

b) Municipal taxes Rs. 10,000.

c) Actual rent (for the year) for 3 portions Rs. 1,80,000.

d) Insurance premium Rs. 4,000.

e) Repair and collection charges Rs. 6,800.

f) One portion remained vacant for 1 month and another portion remained vacant for 2 months.

33 Differentiate between exempt income and taxable income. Explain the provisions relating to exempt income.

(2 × 4 = 8)