

# CBCS SCHEME

USN

--	--	--	--	--	--	--	--	--	--

18MBAFM303

**Third Semester MBA Degree Examination, Dec.2019/Jan.2020**

## **Direct Taxation**

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from Q.No.1 to 7.  
2. Q.No. 8 is compulsory.**

- 1 a. Who is a specified employee? (03 Marks)  
b. List out any seven incomes which are exempted U/S 10 of Income Tax Act. (07 Marks)  
c. Discuss the conditions relating to allowing of Interest on Borrowed capital U/S 24(b) of Income Tax Act while computing house property income. (10 Marks)
- 2 a. Define the term capital assets, with examples. (03 Marks)  
b. Mr. Philip, a foreign citizen (Not of Indian Origin) came to India for the first time on 20<sup>th</sup> July 2016 and stayed in India till 4<sup>th</sup> July 2018. What is his residential status for the AY19-20? (07 Marks)  
c. Dr. Seetharam took voluntary retirement from a company after a service of 32 years and 9 months of service, on 30<sup>th</sup> Nov 2018. His salary since Jan 2018 was, BP-40,000pm, DA-15,000pm (Enters into retirement benefits), HRA-9000pm and CCA-5000pm. On his voluntary retirement he received Gratuity of Rs.12,00,000 (covered under PGA), Leave encashment of Rs.3,80,000 (7 months leave to his credit) and RPF refund of Rs.11,30,000. Calculate taxable value of retirement benefits for the AY19-20. (10 Marks)
- 3 a. Define the term person as per IT Act. (03 Marks)  
b. The following is the salary incomes of Mr. Rain, an employee of a Private Company at Bangalore. Basic pay-Rs.60,000pm, DA-Rs.20,000pm, CCA-Rs.15,000pm, Bonus-Rs.50,000, Transport allowance-Rs.3000pm, Employer's contribution to RPF-10,000pm.  
He is provided with a rent free accommodation at Bangalore for which company is paying a rent of Rs.20,000pm. Furniture costing Rs.3,00,000 is also provided.  
Calculate taxable value of Perquisite for the AY 19-20. Assume DA is entering into service benefits. (07 Marks)  
c. Mrs. Geetha had purchased a residential house during 1997-98 for Rs.8,50,000. During the year 2005-06. She constructed an additional floor spending Rs.15,70,000. On 10<sup>th</sup> April 2018. She sold the house for Rs.93,00,000. (Brokerage 1% of sale value). However the value considered by Registration authority for registration of sale was Rs.97,00,000. Calculate the capital gain chargeable to tax for the AY19-20 if Mrs. Geetha purchases another house on 15<sup>th</sup> Dec 2018 for Rs.50,00,000. The FMV of the house on 1-4-2001 was Rs.10,40,000. [CII 2001-02-100, 2005-06-117, 2018-19-280]. (10 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

- 4 a. If taxable Income of Mr. Rajesh (38yrs) is Rs.14,70,000 for the PY 18-19, what is the net tax payable by him for the AY19-20. (03 Marks)
- b. List out any 7 property incomes which are exempted from tax. (07 Marks)
- c. ABC Ltd. which is into retailing activities provides the following details:

Assets	WDV on 1-4-18 (in Rs.)	Rate of Depreciation
A	20,00,000	10%
B	35,00,000	15%
C	8,00,000	25%
D	12,00,000	60%

During the year company purchased following assets:

Asset	Rate of Depreciation	Date of Purchase	Value (Rs)
E	10%	5 <sup>th</sup> April 2018	1,50,000
F	25%	20 <sup>th</sup> Sep 2018	6,00,000
G	60%	1 <sup>st</sup> Nov 2018	3,50,000
H	20%	15 <sup>th</sup> March 2019	2,00,000

During the year Company sold Asset 'B' for Rs.17,00,000. Calculate total depreciation for the AY19-20. (10 Marks)

- 5 a. State the Provision relating to Sec 80E of Income Tax act. (03 Marks)
- b. Define 'MAT'. How to compute book profit while calculating MAT. (07 Marks)
- c. Mr. Tyagarajan (45 years) provides details of his income for the PY18-19.

Income from salary - Rs.8,50,000  
 Income from House property - Rs.4,00,000  
 Long term capital gain - Rs.3,00,000  
 Winning from lottery (Gross) - Rs.5,00,000

During the year he Invested in the following:

- i) LIC Premium Rs.50,000  
 ii) PPF Rs.60,000  
 iii) Tax savings Mutual Fund Rs.40,000  
 iv) Medical Insurance Premium (self) Rs.10,000

Calculate his taxable Income for the AY19-20 if he is suffering from physical disability (60%). (10 Marks)

- 6 a. What is Tax Planning? How it is different from Tax evasion. (03 Marks)
- b. Discuss the conditions for allowing deduction U/S 37(1) of IT act while computing Income from business or profession. (07 Marks)

- c. Mr. Prakash, a trader provides his Trading and Profit and Loss account for the year ended 31/3/2019.

To opening stock	90,000	By sales	18,60,000
To purchase	9,70,000	By closing stock	3,40,000
To G.P. c/d	11,40,000		
	22,00,000		22,00,000
To Salary	80,000	By GP B/d	11,40,000
To Rent	70,000	By long-term Capital gain	80,000
To Interest on loan	90,000	By Interest on government securities	70,000
To Depreciation	1,08,000		
To Reserve for doubtful debts	40,000		
To General Expenses	1,00,000		
To Loss on sale of Shares	70,000		
To Postage and Telegram	10,000		
To Net profit	7,22,000		
	12,90,000		12,90,000

Calculate Business income of Mr. Prakash for the AY19-20 after taking into account the following:

- i) Opening stock is undervalued by 10%
  - ii) Actual amount of depreciation is Rs.68,000
  - iii) General Expenses includes personal expenses of Mr. Prakash to the extent of Rs.30,000
  - iv) Advertisement expenses of Rs.60,000 is not included in the above PSL a/c. (10 Marks)
- 7 a. List out any six incomes taxed under the head income from other sources. (03 Marks)
- b. Explain Intra head and Inter head set off, with suitable examples. (07 Marks)
- c. Briefly discuss the Tax Provision of the following section of Income Tax Act. (10 Marks)
- i) 24(a)      ii) 16(i)      iii) 32      iv) 80(QQB)      v) 80(D)
- 8 a. Calculate taxable salary of Mr. Viswanath for the AY19-20. He works for a Private company at Chennai. (10 Marks)
- i) Basic Pay Rs.68,000pm upto 31-12-18 and Rs.73,000pm from 1/1/19.
  - ii) Dearness Allowance – 70% of Basic pay (Enters into service benefits)
  - iii) City Compensatory Allowance Rs.8000pm
  - iv) He is provided with rent free unfurnished house at Chennai.
  - v) Free service of Watchman and Gardener to whom company paid a salary of Rs.8000pm each.
  - vi) From 1/10/18 company provided him a 1.3 Ltr car (Expenses of car met by company). Car is used for both official and private purpose.
  - vii) Medical bill payment of Rs.70,000 (Treatment was Provided at a Private hospital).
  - viii) Company paid gas and Electricity bill of Rs.20,000 during the year on behalf of employee where as Mr. Viswanath paid professional tax of Rs.300pm.

- b. Dr. Rao, a renowned medical practitioner, provides his receipt and payment account for the previous year ending 31-3-2019.

Receipts	Rs.	Payments	Rs.
To, Balance b/d	80,000	By Rent of clinic	70,000
To, Consulting fees	3,90,000	By Salary to staff	60,000
To Visiting fees	50,000	By Purchase of medicine	80,000
To, Gifts from patients	60,000	By Purchase of Surgical equipment	1,00,000
To Gross winning from lottery	2,00,000	By Gift to friend on his marriage	50,000
To, Dividend from domestic company	60,000	By payment of Life Insurance premium	1,30,000
To, Interest on debentures (Gross)	70,000	By balance c/d	5,60,000
To sale of Medicine	1,40,000		
	10,50,000		10,50,000

Additional Information:

- Depreciation on Surgical equipment is 20%
- Payment of life insurance Premium is eligible U/s 80C
- Travelling expenses related to profession amount to Rs.20,000 is not included in the above R and P account.
- Closing stock of Medicine Rs.30,000.

Calculate Income from Profession, GTI and taxable income of Dr. Rao for the AY19-20.

(10 Marks)

\*\*\*\*\*