

CBCS SCHEME

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20MBAFM304

Third Semester MBA Degree Examination, June/July 2023 Direct Taxation

Time: 3 hrs.

Max. Marks:100

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

- 1 a. Define Perquisites U/S17(2)(i). (03 Marks)
b. Explain the incomes exempt from tax under sec.10. (07 Marks)
c. From the following particulars of Mr. Arun. Compute GTI for the AY 2021-22. If he is
- (i) Resident
 - (ii) Not ordinarily resident
 - (iii) Non-resident.
- Income from business in Raichur Rs.50,000.
 - Profit from business in UK controlled from India Rs.60,000.
 - Income from house property in Japan not received in India Rs.30,000.
 - Income from business in India but received in Pakistan Rs.50,000.
 - Salary received in India for services rendered in USA Rs.70,000.
 - Interest on Fixed deposit with SBI in Bangalore Rs.10,000.
 - Profit from business in Ceylon controlled from India [$\frac{1}{3}$ profit received in India] Rs.30,000.
 - Salary received in India for services rendered in Kuwait Rs.35,000.
 - Past untaxed foreign income brought to India Rs.8,000.
 - Dividend received from domestic company Rs.5,000. (10 Marks)
- 2 a. Define the term person as per IT Act. (03 Marks)
b. Mr. A, a non-resident, residing in Sidney since 1990, came back to India on 19-02-2020 for permanent settlement in India. Determine residential status of Mr.A for the A.Y 2021-22. (07 Marks)
c. During the year ended 31/03/2021 Mr. David sold the following assets :

	Particulars	Sale Proceed
1	Shop purchased in 2006-07 for Rs.14,000	2,50,000
2	Machinery purchased on 2006-07 for Rs.50,000 (WPV on 1/4/2020 Rs.35,000)	60,000
3	Furniture purchased on 1/5/2020 for Rs.1,000	1,300
4	Machinery purchased on 1/5/2020 for Rs.10,000	12,000
5	Agricultural land in Agra purchased in 2000-01 for Rs.10,000 (FMV on 1/4/2002 being Rs.15,000)	3,60,000
6	One Residential house purchased on 2009-10 for Rs.32,200	5,00,000

During the year he bought another house for his residence for Rs.1,50,000. Work out the amount of capital gain included for the A.Y. 2021-22. (CII = 2006-07-122, 2009-10-148, 2020-21-301, 2021-22-317) (10 Marks)

- 3 a. Differentiate between Tax Planning and Tax Evasion. (03 Marks)
b. Mr. X, an employee in a company has retired on 31/01/2021 after rendering services for 30 years 7 months. His salary is Rs.25,000 PM upto 30/09/2020 and Rs.27,000 thereafter. He also gets Rs.2000/- PM as DA (55% of it is a part of salary for retirement). He is not covered under the payment of Gratuity Act 1972. He has received gratuity of Rs.8,00,000/- from the employer. (07 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.

- c. XYZ Ltd. have following particulars of income for the P.Y 2020-21.

Interest on Govt. Securities	Rs.20,000
Income from business	Rs.5,00,000
STCG	Rs.15,000
LTCG	Rs.33,000
Dividend from Indian company	Rs.10,000
Dividend from foreign company	Rs.10,000
Book profit U/S 115 JB	Rs.9,00,000

Compute company's total Income and tax liability.

(10 Marks)

- 4 a. What do you mean by block of assets? (03 Marks)
- b. Discuss the steps to determine income from house property. (07 Marks)
- c. From the following information compute taxable income from salary for the A.Y. 2021-22, of Mr. Sunil working in a private company. Basic pay Rs.60,000 PM.
 DA – 60% of basic (forming part of salary)
 CCA – Rs.2000 PM
 Entertainment allowances Rs.5,000 PM
 Educational allowances Rs.4,000 PM (for his 2 children)
 Hotel allowance Rs.5,000 PM (for his 2 children)
 Academic research allowance Rs.40,000 (actual amount spent Rs.45,000)
 HRA Rs.10,000 PM (Rend paid Rs.15,000 PM)
 Bonus Rs.80,000 and Rs.200 PM deducted from his salary towards professional tax.

(10 Marks)

- 5 a. What is MAT? (03 Marks)
- b. Explain the incomes chargeable to tax under Income from other sources. (07 Marks)
- c. Discuss the procedure for setoff and carry forward of losses. (10 Marks)
- 6 a. What is CII? (03 Marks)
- b. Briefly discuss the provisions under section 54 while computing income under the head capital gain. (07 Marks)
- c. X Ltd., a manufacturing company, owns the following assets on 1st April 2020.

Assets	Rate of depreciation	WDV as on April 2020
Plant A	30%	4,00,000
Plant B	15%	8,50,000
Plant C	15%	28,00,000
Plant D	30%	38,000

X Ltd. purchases the following assets on 10th March 2021.

Assets	Rate of depreciation	Cost price (Rs.)
Plant E	30%	13,80,000
Plant F	15%	8,10,000

X Ltd. sells the following plants during the PY 2020-21.

Assets	Rate of depreciation	Sale consideration (Rs.)	Expenses on transfer (Rs.)
Plant C	15%	48,20,000	32,000
Plant A	30%	16,90,000	415

Determine the amount of depreciation for the AY 2021-22.

(10 Marks)

- 7 a. What is Slump Sale? (03 Marks)
- b. Explain the deductions allowable U/S 80C from the GTI of Assesses. (07 Marks)

- c. Mr. Y (age : 30 years) a leading tax consultant, who maintains books of account on cash basis furnishes the following particulars of Income and expenditure for the A.Y 2021-22.

Receipts and Payments A/C for the year end 31/3/2021.

Receipts	Rs.	Payment	Rs.
Balance b/d	12,400	Purchase of Typewriter	6,000
Fees from clients		Car expenses	18,000
2018-19	7,30,500	Office expenses	40,000
2019-20	1,11,500	Salary to staff :	
2020-21	1,13,000	2019-20	32,000
Presents from clients	24,000	2020-21	11,000
Interest free loan from client for purchasing car	2,38,000	Expenses in respect of let-out property (Municipal tax Rs.2000, Repairs Rs.1000, Insurance Rs.3000)	6,000
Winning from lottery	46,000	Car purchased on Dec.10 2020	2,40,000
Interest from UTI (Received on Sept. 2020)	12,000	Repairs of office	12,000
Rent of let out property	60,000	Interest on loan	10,000
Share of income from a firm	15,000	Income tax payment	2,000
		Life insurance premium	2,08,000
		Balance C/d	7,77,400
	13,62,400		13,62,400

Additional Information :

Car is partly used for official purpose (40%) and Partly for private purpose (60%). Compute his income from profession for the A.Y 2021-22. (10 Marks)

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CASE STUDY: (compulsory)

The following is the P/L A/C of Mr. Rajan for the year ending 31st March 2021.

Particulars	Rs.	Particulars	Rs.
Salaries	1,65,000	Gross profit	2,50,000
Office expenses	18,000	Bad debts recovered	10,000
Depreciation	14,000	Dividend	3,000
GST	9,000	Commission	10,000
Legal expenses	8,000	Rent of house property	9,000
Income tax	7,000	Brokerage	10,000
Patents	12,000	Sundry receipts	5,000
Repairs	6,000	Share of income from HUF	3,000
Donations	2,000		
Provisions for Bad Debts	3,000		
General expenses	12,000		
Net profit	44,000		
	3,00,000		3,00,000

Additional information :

- a. Salary includes Rs.6000 paid to workers employed at home.
- b. Legal expenses includes Rs.1000 paid to the advocate in connection with personal case.
- c. General expenses includes Rs.4000 as contribution to staff welfare fund.
- d. Out of the bad debts recovered only Rs.4000 were allowed as deduction earlier.
- e. Donation is permitted to deduct fully.

Compute Mr. Rajan's Income from business for the AY 2021-22 and also GTI and Tax liability. (20 Marks)
