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Fourth Semester MBA Degree Examination, December 2011
Tax Management

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. Explain the term 'previous year'. (03 Marks)
- b. What is meant by perquisites? What are tax free perquisites? (07 Marks)
- c. Mr. Antony, a foreign national, furnishes the following particulars of his income relevant for the assessment year 2011-12.
- i) Income from property in New York, received there – Rs. 1,20,000
 - ii) Income from business in Kolkata, managed from Singapore – Rs.2,40,000
 - iii) Profit on sale of machinery in California (one half received in Kolkata) – Rs. 90,000.
 - iv) Dividend received in Thailand from a company registered in India but mainly operating in Thailand – Rs. 15,000
 - v) Income from house property in Dhaka, deposited by the tenant there in a foreign branch of SBI – Rs.36,000
 - vi) Gift in foreign currency Rs. 3,50,000 from a relative (1/2 is received in India and the balance is used in New York).
 - vii) Income from agriculture in Burma Rs.45,000 received there. 1/3rd used while visiting there and 2/3rd remitted later to Kolkata.
 - viii) Income from the profession (as a management consultant) in Philippines, received there. The profession set up in India Rs.2,20,000.
- Compute the total income, if Mr. Antony is
- I) A resident II) Not ordinarily a resident III) A non-resident. (10 Marks)
- 2 a. Differentiate between profession and vocation. (03 Marks)
- b. Explain briefly the tax provisions of 80DD, 80DDB and 80E. (07 Marks)
- c. Work out the amount of depreciation allowance for the assessment year 2011-12 from the following particulars of assets of a steel factory:

Assets	WDV as on 01.04.2010	Depreciation
Buildings	15,47,380	10%
Godowns	2,15,740	10%
Machinery	35,00,000	15%
Motor Bus	1,50,000	30%
Furniture	25,170	10%

The factory purchased and installed old machinery on 31st Oct 2010 at a cost of Rs.500,000 One godown (whose WDV as on 1.4.2010 was Rs.1,15,000) was completely destroyed by fire on 1.9.2010 and Rs.1,00,000 was received from the insurance company in respect thereof. (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.

- 3 a. Explain the concept of CENVAT. (03 Marks)
- b. Mr. X is employed at Mumbai, in a limited company at a salary of Rs.16000 p.m. plus dearness pay of Rs.4000 p.m. and traveling allowance of Rs.6000. He is also entitled to 10% commission of the turnover achieved through him, which amounted to Rs.20 lakhs during the year. The turnover is evenly spread throughout the year. He is also getting HRA of Rs.8000 p.m. The actual rent paid by him is Rs.5000 p.m. upto 30th Sept.2010 and thereafter it has been increased to Rs.6000 p.m. Find the taxable amount of HRA for the assessment year 2011-12. (07 Marks)
- c. Mr. Pawan had been living in a house which he purchased in 1981-82 for Rs.2,00,00. The home was acquired by the government in July 2010 and compensation of Rs.22,70,000 was paid to him. He purchased a residential house in Feb.2010 at Rs.4,40,000. The additional compensation of Rs.70,000 was given to him in March 2012. If he sells the new residential house in October 2011 at Rs.560000, compute the amount of capital gain, chargeable to tax for the assessment year 2011-12 and 2012-13. The cost inflation index in 1981-82 is 100 and in 2010-11 is 711. (10 Marks)
- 4 a. What are the capital and revenue expenditures? (03 Marks)
- b. What is customs duty? Explain the different types of customs duty. (07 Marks)
- c. Sri. Kumar is the principal of a college at Mumbai. He is in the salary grade of Rs.20,000-500-30,000, since 1st January 2007. He gets 30% of his basic salary as dearness allowance and 10% of the basic pay as city compensatory allowance. He has been provided with a furnished house by the college owned by it. Furniture costing Rs.20,000 is also provided by the college. He is using his personal car (small) for his official and personal purposes. Expenses of the car amounting Rs.30,000 p.a. all borne by the college. He has been provided with the service of a gardener, a watchman and a servant, who are paid salary by the college @ Rs.500 p.m. each.
His son, studying in the same college has education expenses amounting Rs.12,000 p.a. paid by the college. Telephone bills of Rs.7000 for the telephone facility at Kumar's residence paid by the college.
He contributes 14% of his pay and dearness allowance to the recognized provident fund towards which the college contributes an equal amount. Interest amounting to Rs.12,500 at 12.5% has been credited to his provident fund account.
Assuming that his salary becomes due on the first day of the next month, determine his taxable income under the head 'Salaries' for assessment year 2011-12. (10 Marks)
- 5 a. What is minimum alternate tax? (03 Marks)
- b. What is capital asset? What are the transactions not included in transfer of capital asset? (07 Marks)
- c. Mr. Jeevan (26 years) employed by the central government, in the ministry of labour (date of joining : March 6, 2008). During the previous year 2010-11, basic salary (including dearness allowance) is Rs.36,000 per month. Government contributes 10% of his salary towards notified pension scheme. Contribution of Mr. Jeevan is Rs.45,000. He annually contributes Rs.15,000 to public provident fund. Further he contributes Rs.16000 towards LIC's pension for the purpose of Section 80ccc. Compute the liability of Mr. Jeevan for the assessment year 2011-12. (10 Marks)

- 6 a. Briefly explain the special provisions U/S 44AD. (05 Marks)
- b. Income and expenditure account of a firm of chartered accountants A, B and C for the year is as under:

	Rs.		Rs.
To Expenses	82,000	By Audit fees	150,000
To Depreciation	22,000	By Consultation fees	30,000
To Remuneration to			
	A 20,000	By Misc. Income	10,000
	B 40,000	By Lotteries (gross)	10,000
	C 15,000	By Net loss	30,000
To Interest on capital at 20% p.a.			
	A 10,000		
	B 15,000		
	C 20,000		
To Donations	6,000		
	<u>230,000</u>		<u>230,000</u>

Adjustments:

- i) Out of expenses Rs.15,000 is not deductible.
- ii) Allowable depreciation = Rs.20,000
- iii) The firm has long term capital gain of Rs.20,000.

Compute the total income of the firm and taxable income of the partners. All the three are working partners. (15 Marks)

- 7 a. Define the terms 'Manufacturer' and 'Goods', under the central excise duty. (03 Marks)
- b. Explain the provisions regarding set-off of losses. (07 Marks)
- c. Explain clearly the meaning of the following: (10 Marks)
- i) Bond washing transactions
 - ii) Tax free securities.

8 Case Study:

From the following information, compute the tax payable by Z & CO., keeping in view the provisions of MAT U/S 115 JB for the assessment year 2011-12.

Profit & Loss A/c.			
	Rs.		Rs.
To Expenses related to export sales	7,00,000	By Export sales U/S 10A	10,00,000
To Expenses related to other sales	16,00,000	Bu Other sales	20,00,000
To Security transaction tax paid relating LTCG	25,000	By LTCG [exempt U/S10(38)]	200,000
To Depreciation	1,50,000	By Interest on Govt. securities	25,000
To Proposed dividend	2,50,000		
To Income tax	1,00,000		
To Net profit	4,00,000		
	<u>32,25,000</u>		<u>32,25,000</u>

Other details:

- i) The company revalued its assets from Rs.300,000 to Rs.600,000 and provided depreciation on Rs.600,000 @ 25%. The depreciation allowable under the income tax is Rs.80,000.
- ii) B/F loss as per books of account Rs.200,000.
- iii) B/F depreciation as per books of account Rs.50,000.
- iv) B/F unabsorbed depreciation Rs.100,000. (20 Marks)
