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Fourth Semester MBA Degree Examination, Dec.2013/Jan.2014

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. What is MAT? Mention the rate. (03 Marks)
b. Mention the limits on remuneration payable to a partner in a firm U/S 40(b). (07 Marks)
c. Briefly explain various types of provident funds. (10 Marks)
- 2 a. What is slump sale? (03 Marks)
b. Mr. Prakash, manager of Sunshine Ltd sought premature retirement on 1-11-11 after completing 25 years of service. From 1-8-2010 his pay scale was Rs.18000-900-24300 and he was getting D.A. of Rs.1800 p.m. which was part of salary for retirement benefits. He had 7 months of earned leave to his credit (based on the basis of 30 days p.a.) which was approved and he was paid Rs.132300 as salary and Rs.12,600 as D.A. Compute the amount exempt regarding encashment of earned leave for the A.Y. 2012-13. (07 Marks)
c. The following is the receipt and payments a/c of Mr. Rao a chartered accountant for the year ended 31.3.2012.

<u>Receipts</u>	<u>Rs.</u>
Audit fees	19,210
Consultation	10,000
Appellate tribunal appearance	15,000
Miscellaneous	20,000
Interest on government securities	10,000
Rent received	10,000
Presents from clients	10,000
<u>Payments</u>	
Office expenses	10,000
Office rent	5,000
Salaries and wages	12,050
Printing and stationary	1,000
Subscription to C.A. Institute	3,000
Purchase of books for professional purpose (Annual publication)	1,300
Traveling expenses	5,800
Interest on bank loan	3,000
Donation to National Defense Fund	5,000

Loan from bank was taken for house construction in which he lives. Municipal value of this house is Rs.8000 and the local taxes paid was Rs.800 p.a. 1/4th of traveling expenses are not allowable. Compute professional income and income from house property for P.Y. 2011-12.

(10 Marks)

- 3 a. Mention any three kinds of perquisite U/S 17(2). (03 Marks)
b. What is set off of losses? Briefly mention the various for set off of losses (any 5). (07 Marks)
c. A partnership firm is engaged in the business of plying and mining goods carriage. The firm wants to compute its income U/S 44AE from the following information. Compute the business income of the firm. The firm has 5 heavy goods vehicles. Out of which 2 were purchased on HP system on 20-1-2012. It has 4 goods carriages other than heavy goods vehicles. As per the partnership deed partner's A and B are entitled to (i) Salary Rs.10,000 p.m. each and (ii) Interest @ 12% on capital of Rs.3,00,000 each. (10 Marks)

- 4 a. What is cost inflation index? (03 Marks)
- b. Mr. Peter a foreigner came to India from England for the first time on 1-4-2005. He stayed here continuously for 3 years and went to France on 1-4-08. He however returned to India on 1-7-2008 and went to England on 1-12-2009. He came back to India on 25-1-2012 on a service to India. What is his residential status for the A.Y. 2012-13? (07 Marks)
- c. The total income of a firm XYZ in which X, Y and Z are partner's share P/L in the ratio of 1:2:3 was as per P & L A/C Rs.131800 for the A.Y. 2011-12. In computing the total income the following are debited.
- Salaries to X = Rs.1,30,000, Y = Rs.1,20,000
Interest on capital @ 20%, X = Rs.3500, Y = Rs.14000, Z = Rs.10500.
Bonus to Z, Rs.15000.
Commission: X = Rs.5000, Y = Rs.12500, Z = Rs.17500.
- Z had borrowed capital for investment in the firm and had paid interest of Rs.7500 with a lender. Compute the total income of the firm and the taxable income of X, Y and Z, the working partners. Sec.184 is fulfilled. (10 Marks)
- 5 a. What is manufacture as per Central Excise Act? (03 Marks)
- b. What is a Bill of Entry? Explain its types. (07 Marks)
- c. Briefly explain the concept of VAT. Mention any five benefits that are to follow using VAT. (10 Marks)
- 6 a. Briefly explain Sec.80TTA of I.T. Act. (03 Marks)
- b. Mr. A sells jewelry on 15-6-2011 for Rs.10,10,000 (cost of jewelry to Mr. A as on 25-5-87 was Rs.150000) and brokerage paid on sale of it is Rs.10000. On 15-12-2011 he purchased a residential house for Rs.5,00,000. On 15-6-2011 he owns one residential house. The cost inflation index for 1987-88 was 150 and for 2011-12 was 785. Find out the capital gain chargeable to tax for the A.Y. 2012-13.
- i) Assuming that 'A' sells the new residential hence before 15-12-2011, what will be the taxable capital gain and for which year?
- ii) Assuming that Mr. A purchases any other residential house before 15-6-2013 or constructs any other residential house before 15-6-2014, what will be the taxable capital gain and for which year? (07 Marks)
- c. Mr. M.K is getting Rs.7500 p.m. as basic pay, Rs.750 p.m. as D.P and Rs.500 p.m. as D.A. During the previous year he also received the following:
- i) Rs.10,800 as allowance for reimbursement of personal expenditure while on duty during the running of a truck.
- ii) Rs.120 p.m. as education allowance per son for his two sons.
- iii) Both the sons are living in hostel on whom Mr. M.K is spending Rs.500 p.m. per child. He receives Rs.350 p.m. per son as hostel expenditure allowance.
- iv) Rs.350 p.m. as tribal area allowance.
- v) Rs.100 p.m. as conveyance allowance for private purpose usage.
- vi) Rs.200 p.m. as HRA.
- He stays in a rented house at Tumkur for which he pay Rs.1000 p.m. as rent. He contributes 12% of his basic pay and D.P. to RPF to which his employer contributes similarly. Compute the taxable salary for A.Y. 2012-13 of Mr. M.K. (10 Marks)

- 7 a. Mention any five points of Sec.80C of IT Act 1961. (05 Marks)
- b. A domestic company in which the public are substantially interested submits the following particulars of its income of the previous year ending 31-3-2012.
- i) Profit of business after deduction of donation to approved charitable institution Rs.1,90,000.
 - ii) Donation to charitable institution Rs.30,000.
 - iii) Interest on government security Rs.10000.
 - iv) Dividend from domestic company gross Rs.60000.
 - v) LTCG Rs.50000.
 - vi) Book profit U/S 115-JB Rs.800000.
- During the financial year 2011-12 the company deposited Rs.15000 in IDBI. The company distributed dividends of Rs.1,00,000 on 6-9-2011.
Compute the taxable income of the company and tax payable by it for the A.Y. 2012-13. (15 Marks)
- 8 a. Differentiate between tax planning and tax evasion. (05 Marks)
- b. Mr. Hari provides the following information for the year ending 31-3-2012. Compute his total income for A.Y. 2012-13:
- i) Basic pay and D.A. Rs.4,80,000
Other allowance:
Education allowance for 2 children Rs.4,200.
HRA Rs.12000.
Servant allowance Rs.1500.
Gas, electricity and water supply Rs.1500.
Conveyance allowance for private purpose Rs.6000.
 - ii) He resides in his own house, the annual letting value of which is Rs.18000. The municipal tax is Rs.3000 p.a.
 - iii) Interest on income:
PPF Rs.1000
NSC (interest occurred) Rs.750
F.D. with bank (gross) Rs.11000.
 - iv) He has invested the following amounts out of his income:
Deposited in PPF Rs.53000.
Life insurance premium paid Rs.4000.
Deposit in NSC VIII issue Rs.5000.
- (15 Marks)

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