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12MBAFM428

Fourth Semester MBA Degree Examination, Dec.2014/Jan.2015
Tax Management

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any **THREE** full questions from Q.No.1 to Q.No.6.

2. Question No. 7 & 8 are compulsory.

- 1 a. Define the term 'Person' as per IT Act. (03 Marks)
 b. What are the various heads of income and discuss its importance? (07 Marks)
 c. Discuss the system of CENVAT? (10 Marks)
- 2 a. What is indexed cost of acquisition? (03 Marks)
 b. Briefly discuss the provision of Sec 54, Sec 54EC & Sec 54F under the heads of income from capital gain. (07 Marks)
 c. Compute the written down value from the following information for the AY-2014-2015: (10 Marks)

i) WDV on April 1, 2013

Particulars	Rate of depreciation	Rs.
Plant A, B and C	15%	1,00,000
Plant D and E	40%	2,60,000
Plant F	50%	70,000
Building A & B	10%	2,00,000
Building C & D	5%	7,00,000
Building C & D	100%	8,00,000
Building Temporary shed E		

ii) Sales during the year 2013-14

Date	Particulars	Rs.
31/10/2013	Plant - C	25,000
31/01/2013	Plant - D	15,000
01/06/2013	Furniture	50,000
06/03/2014	Building - E	2,00,000

iii) Purchase during the previous year 2013-14

Date	Particulars	Rate of depreciation	Rs.
02/04/2013	Plant - G	50%	60,000
01/05/2013	Plant - H	15%	18,000
01/06/2013	Furniture	10%	60,000
01/08/2013	Building - G	5%	5,00,000
01/09/2013	Computer	60%	1,00,000
01/10/2013	Franchise rights	25%	10,00,000

- 3 a. What is slump sale? (03 Marks)
 b. From the following data, compute the business profit for the AY-2014-15.
 Net profit of a firm is Rs.50,000 after debiting the following amount:
 i) Salary to A, who is not a working partner Rs.50,000.
 ii) Salary to B, who is a working partner Rs.5,00,000 for the whole year from 01/04/2013 to 31/03/2014. The remuneration was provided by the deed dated 01/07/2013.
 iii) Interest to partners @ 18% Rs.90,000. Correct interest payable works out to Rs.72,000. (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.

- 3 c. Mr. Mahesh comes to India, for the first time, on April 16, 2011. He stays in Chennai up to April 10, 2013 and thereafter shifts to Mumbai. He departs from Mumbai for his native country on October 2, 2013. Determine his residential status for the AY-2014-15. (10 Marks)
- 4 a. What is block of assets? (03 Marks)
 b. Distinguish between the excise duty and customs duty. (07 Marks)
 c. Mr. XL submits the following particulars of his income from various sources for the P.Y-2013-14. Determine the total income of the assessee for the AY-2014-15. (10 Marks)

Particulars	Amount
I Gross salary :	
From X LTD	60,000
From Y LTD.	70,000
II Income from House property:	
A	50,000
B	(-) 30,000
C	(+) 15,000
D	(-) 20,000
III Profits from Business / Profit:	
i) Trading in sugar	(+) 4,00,000
ii) Trading in Timber	(-) 6,00,000
iii) Growing and manufacture of tea.	(+) 2,00,000
iv) Speculation in bullion	(-) 3,00,000
v) Speculation in shares	(+) 3,50,000
IV Short term capital gain:	
Shares	(+) 2,00,000
Loss from Jewellery	(-) 80,000
Long term capital loss from land	(-) 1,40,000
V (i) Loss from lottery	(-) 50,000
(ii) Gross winning from puzzle	(+) 50,000
(iii) Loss from letting out P and Machinery	(-) 20,000

- 5 a. Name at least six items which can be included under the head 'income from other sources'. (03 Marks)
 b. Mr. N is employed at a gross salary of Rs.6,00,000. He gets Rs.1,50,000 interest on securities. He has made the following investments / deposits during the year 2013 and 2014.

	Rs.
I Life insurance premium:	
i) Own life, insured for Rs.60,000 :	15,000
ii) Brother's life, dependent on him:	5,000
iii) Major son not dependent on him:	4,000
II Contribution to RPF	60,000
III Contribution to ULIP	5,000
IV Repayment of loan to SBI. The loan was taken to purchase a resident house	48,000
V Infrastructure bonds of an indian public Co. U/S 80 C(2) x x -	10,000
VI He has paid education fee for 3 children	
A	12,000
B	9,000
C	6,000

Compute his total income for the AY - 2014 - 15.

(07 Marks)

- 5 c. Mr. Joshi is a Chartered Accountant, following is his receipts and payments account for the year ended 31/03/2014.

Receipts		Rs.	Payments		Rs.
To	Cash & Bank B/F	70,000	By	Office rent	6,000
To	Fees from client (net)	3,60,000	By	Printing and stationary	5,000
To	Hon. for articles	40,000	By	Gifts to staff	11,000
To	Dividend – Indian Co.	5,000	By	General expenses	14,000
To	Interest – Bank S/B A/C	2,000	By	Motor car expenses	16,000
To	Interest – Post office S/B A/C	3,000	By	Telephone expenses	12,000
To	Interest – Bank FD	8,000		Income tax	40,000
To	Interest on Govt securities	6,000		Drawings	1,20,000
To	Sale of motor car	1,00,000		Car insurance	12,000
				Conveyance	13,000
				Tally software	19,000
				LIC premium paid	64,000
				Salary to staff	12,000
				Computer (cost)	50,000
				Cash and Bank (CF)	2,00,000
Total		5,94,000	Total		5,94,000

Additional informations:

- Computer was purchased on July 1, 2013 and depreciation is allowed @ 60% on the same.
- Opening WDV of block of motor cars consisting of 2 motor, car was 2,50,000 and depreciation is allowed @ 20% on the same.
- Personal use of the motor car is estimated to be 25%.
- Fees from clients are after TDS of Rs. 2,000.
- General expenses include a sum of Rs. 4,000 given to his daughter as birth day gift.
- Drawings include a sum of Rs.30,000 given premium for self and family of Rs.20,000 and Rs.10,000 for his father, who is a senior citizen.

Compute the net taxable income of Mr. Joshi for the AY- 14 – 15.

(10 Marks)

- 6 a. What is meant by 'goods' under the central excise act? (03 Marks)

- b. Mr. 'R', a chartered accountant was appointed as finance manager with ABC bank on 1/4/2011 in the salary grade of Rs.12,000-500-20,000-1,000-30,000

He was entitled to leave travel concession for proceeding on leave of Rs.4000. His actual expenditure on this account amounted to Rs.5000.

As the bank is situated at a place where home food is available, R was offered Tiffin allowance Rs.6000, his actual lunch expenses amounted to Rs.10,000.

Reimbursement of medical expenses for treatment of 'R' and his family in private clinic was Rs.50,000.

The bank has provided free un-furnished flat at Mumbai (rent paid by banks : Rs.80,000). However the perquists value of that flat was Rs.30,000. The employer provided two watchman (salary Rs.2,000 per month each). Free use of Santro car for official use, car can be used for Journey between office and residence.

Free refreshment provided at place of work (Rs.100 per day for 200 days)

Compute salary income for the AY-2014-15.

(07 Marks)

- c. Mr. K invested Rs.1,00,000 in ornament & Rs.50,000 in equity shares on 1st March 2011. He sold the jewellery for Rs.1,20,000 and shares for Rs.80,000 on 1st Aug.2013. There was a ½% brokerage on both the investments, both at the time of purchase and sale. Calculate the taxable amount of capital gain.

(10 Marks)

- 7 a. Mr. Puneet Kumar has invested some amount in ABC Ltd. and the company has paid him interest of 2,70,000 after deducting tax at source @ 10%. The cheque was collected by the bank and the bank charges were 1%. He has also received dividend from domestic company of 65,000 and bank charges are 1%. Compute his tax liability and tax rebond for AY 2014-2015. (05 Marks)
- b. J, a Japanese national discloses the following particulars of his income during financial year 2013 – 14. Compute total income for P.Y. 2013-14.
- Income from house property in Japan, remitted by tenant to him in India through state bank of India Rs.100,000.
 - Loss from business in India Rs. (-) 500,000.
 - Profits from speculation business in India Rs.200,000.
 - Interest received on bonds of Indian companies outside India Rs.45,000.
 - Net dividend received from Japanese companies outside India (tax deducted at source Rs.15,000) Rs. 1,35,000. (05 Marks)
- c. Rama Murthy had 4 heavy goods vehicles as on 1/04/2013. He acquired 7 heavy goods vehicles on 26/6/2013. He sold 2 heavy goods vehicles on 31/05/2013. He has brought forward business loss of Rs.50,000 relating to Assessment year 2010 – 2011 of a discontinued business. Assuming that he opts for presumptive taxation of income as per Sec 44 AE, compute his total income chargeable to tax for the AY-2014-15. (05 Marks)
- d. Determine the status of the following under income tax act:
- Mumbai university.
 - Ram brothers doing business in partnership.
 - Board for cricket control in India.
 - Pune cantonment board.
 - Reliance industries Ltd. (05 Marks)

8 **Case Study:** DEF Ltd.'s details of income for financial year 2013 – 14 is as follows:

Particulars	Rs.
Sale proceeds (domestic)	32,00,000
Export proceeds	6,30,000
Withdrawal from general reserve	1,50,000
(Reserve was created earlier by Dr. P & L A/C) withdrawn from revaluation reserve	80,000
Total	40,60,000
Less depreciation (including dep. on revaluation of Rs.70,000)	5,40,000
Salaries	3,60,000
Wealth tax	45,000
Income tax	32,000
Outstanding custom duty	12,400
Outstanding Excise duty	11,800
Professional fees	50,000
Other business expenses	25,000
Net profit	29,83,800
Less dividend (Proposed)	30,600
Net profit as per P&L A/C	29,53,200

The company is eligible for following: Deduction UIS 80, B Rs.4,50,000
Depreciation UIS 32 Rs.6,40,000

The company wants to set off the following: B/f loss of F.Y. 2007-2008.

- As per account Rs.400,500
- As per income tax Act,1961 Rs.10,80,000

Un-absorbed depreciation as per,

- Account Rs.90,000
- Income tax Act,1961 -

Compute the total income and tax liability of DEF Ltd. for the A.Y. 2014-15. (20 Marks)

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