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Fourth Semester MBA Degree Examination, Dec.2015/Jan.2016

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. What do you understand by Tax Evasion? (03 Marks)
 - b. Differentiate capital receipts and revenue receipts. (07 Marks)
 - c. Briefly discuss the income deemed to accrue or arise in India. (10 Marks)

- 2
 - a. Define standard rent and actual rent under income from house property. (03 Marks)
 - b. Explain "Profit in lieu of salary." (07 Marks)
 - c. X is a foreign citizen (not being a person of Indian origin). Since 1981, he visits India every year in the month of April for 100 days. Find out the residential status of X for the assessment year 2015 – 16. (10 Marks)

- 3
 - a. Write short notes on Business and Profession. (03 Marks)
 - b. X an employee of PQ Co. Ltd. Receives Rs.78000 as gratuity. He is covered by the payment of gratuity Act 1972. He retires on December 12, 2014 after rendering for service of 38 years and 8 months. At the time of retirement his monthly basic salary and dearness allowance was Rs.2400 and Rs.800 respectively. Is the entire amount of gratuity exempt from tax? (07 Marks)
 - c. From the following calculate income from salary of Mr. Krishna who is working in SCP International Pvt. Ltd.

Basic Salary – Rs.50,000 P.M.
 DA – Rs.30,000 P.M.
 Bonus – Rs.1,00,000
 CCA – Rs.1,500 P.M.
 EA – Rs.6000 P.M.
 Education allowance – Rs.8000 P.M. (for his 2 children)
 Hostel allowance - Rs.10000 P.M. (for his 2 children)
 Academic Research Allowance – Rs.25000 (Actual amount spent Rs.50000)
 HRA – Rs.20,000 P.M. (Rent paid Rs.12000 P.M.)
 Conveyance allowance for official purposes Rs.3000 P.M. Assuming DA as forming part of salary. (10 Marks)

- 4
 - a. What do you understand by slump sale? (03 Marks)
 - b. X Ltd. Owns two plants – Plant A and Plant B – on April 1, 2014 (rate of depreciation: 15 percent, depreciated value on April 1, 2014 Rs.2,37,000). The company purchases plant C on May 31, 2014 for Rs.20,000 and sells Plant A (on April 10, 2014), Plant B (on December 12, 2014) and Plant C (on March 1, 2015) for Rs.10,000, Rs.15,000 and Rs.24,000 respectively. Determine the written down value of the block assets. (07 Marks)
 - c. From the following data, find out Fax liability for the assessment year 2015 – 16. Mr. X is a resident individual (age : 32 years).

Income from House property – Rs.2,65,000
 Capital Gain :
 Short term capital gain – Rs.12,000
 Long term on Sale of silver – Rs.35000
 Deductions under section 80 CCC, 80 DD and 80 G1 - Rs.7000
 Payment of LIC premiums, Contribution to public provident fund – Rs.28000. (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.

- 5 a. Write short note on set-off losses and VAT. (03 Marks)
 b. Point out the incomes that are taxed under other sources. (07 Marks)
 c. From the following Profit and Loss A/c of the ABC firm, calculate Book profit and remuneration. (10 Marks)

Profit and Loss A/C			
To remuneration to partners		By Sales	5,00,000
A	25000	By House property income	50,000
B	30000		
C	40000		
To Interest to Partners @			
14%			
A	14000		
B	21000		
C	7000		
To Expenses Related to other			
heads of income	6000		
To net profit	4,07,000		
	5,50,000		5,50,000

- 6 a. What do you understand by clubbing of incomes and MAT? (03 Marks)
 b. What is provident fund? Explain various types of provident fund? (07 Marks)
 c. i) X is employed by a company. He has been provided a car (1200 CC) owned by the employer, cost of the car is Rs.4,26,000. The expenditure incurred by the company on maintenance of the car are – petrol Rs.46000, driver Rs.36000 and maintenance Rs.10,000. The car can be used by X partly for official purposes partly for private purposes. A sum of Rs.12000 is recovered from X.
 ii) A car (1800 CC) is owned by the employer (cost of the car being Rs.4,80,000). X, an employee, can use it partly for official purposes and partly for private purposes. Expenses for private purposes are, however, incurred by X. During the PY 2014-15 total expenditure incurred by X is Rs.50,000 on car and Rs.20,000 on driver. (10 Marks)
- 7 From the following information provided by Mr. Singh calculate his taxable capital gains for the current assessment year. (CII for 1981 – 82 is 100, 2002 – 03 is 447, 2007 – 08 is 551, 2008 – 09 is 582 and 2014 – 15 is 1024).
- a. Machinery purchased in 2002 – 03 for Rs.3,00,000 is sold on 11-10-2013 for Rs.10,00,000. There was an addition during the year 2007 – 08 for Rs.1,50,000.
 b. Furniture purchased on 22-12-2011 for Rs.85000 was sold on 22-01-2014 for Rs.1,10,000.
 c. Agriculture land in Coimbatore purchased in 1979 – 80 for Rs.250000 was sold on 21-03-2014 for Rs.4500000. The FMV as on 01-04-1981 for the land being Rs.4,00,000.
 d. Depreciable machinery purchased in 2003-04 was sold for Rs.1,25,000 on 03-04-2013. The WDV as on 01-04-2013 was Rs.45000. (20 Marks)

8

Mr. Suresh is a owner of departmental store at Bangalore. From the following P & L A/C calculate income from business.

Particulars	Rs.	Particulars	Rs.
To Opening stock	3,60,000	By Sales	40,00,000
To Purchases	35,00,000	By Closing stock	4,50,000
To Salaries wages	1,00,000		
To Rent & Rates	50,000		
To Commission	30,000		
To Household expenses	18,000		
To Income Tax	45,000		
To Advertisement	10,000		
To Postage and Telegram	14,000		
To Interest on own cap	8,000		
To Reserve for future losses	5,000		
To Depreciation in Furniture	1,000		
To Net Profit	3,09,000		
	<u>44,50,000</u>		<u>44,50,000</u>

- Opening stock is undervalued by 10% and closing stock is overvalued by 10%.
- The amount of house hold expenses includes a contribution of Rs.7,000 towards PPF.
- Depreciation according to IT rules Rs.500.
- Salary and wages included Rs.12000 being entertainment allowance paid to employees.

(20 Marks)
