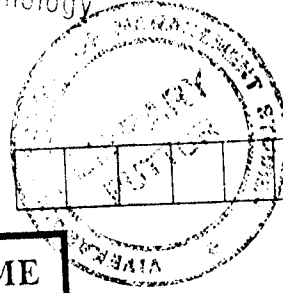


USN



05MBAFM428

**NEW SCHEME**

**Fourth Semester MBA Degree Examination, July 2007**  
**Business Administration**  
**Tax Management**

Time: 3 hrs.]

[Max. Marks:100

Note : Answer any **FOUR** full questions from Q-1 to Q-7 and Q-8 is Compulsory.

- Q.NO 1** a) What is MAT? 3 marks.  
b) Mention the limits on remuneration payable to a partner in a firm u/s 40(b). 7 marks.  
c) Briefly explain various types of provident funds. 10 marks.
- Q.NO 2.** a).What is SLUMP SALE? 3 marks.  
b).Mr X retires on 1<sup>st</sup> July 2005 after 18 years of service and receives Rs 75,000 as amount of leave encashment for 15 months. His employer allows 45 days of leave for every year of service. During service he has utilized 12 months of leave. Calculate the taxable amount of leave encashment if his Salary during 1-7-2004 to 1-7- 2005 was Rs 5,000 pm. 7 marks.  
c) Briefly explain FRINGE BENEFIT and its rate of tax. Also provide any 5 examples eligible for FBT, 10 marks.
- Q.NO 3.** a).Mention any 3 kinds of perquisite u/s 17(2). 3 marks.  
b). What is set off of losses? Briefly mention the various provisions for set off of losses. ( any 5 ) 7 marks.  
c).A owns commercial vehicles and uses them for carriage of goods. He provides the following information:  
1. on 1-4-2005 he was the owner of 8 vehicles out of which 2 were Heavy vehicles and 6 were other than heavy goods vehicles.  
2. On 15-10-2005 he sold 2 other than heavy goods vehicles and purchased one new heavy goods vehicle on 20-10-2005.  
3. He purchased 2 new other than heavy goods vehicles on 10-01-2006.  
4. Due to strike he could not use any of the vehicles for full month of Feb 2006. Find out his income for the assessment year 2006-07 if he opts for the scheme u/s 44 A/E 10 marks.

Q.NO 4.a). What is Cost inflation Index?

3 marks.

b). Mr. Raj sold a plot of land at Jaipur on 1-6-2005(CII 497)

Rs 12,40,000. He paid Rs 40,000 as selling expenses. The plot was received by him on the death of his father on 15-3-1985 (CII-125). His father had acquired it on 1-4-1980 for Rs 1,00,000 and its FMV. On 1-4-1981 was Rs 1,40,000. On 1-10-2005 he invested Rs 3,00,000 In NABARD bonds u/s 54EC and Rs 2,00,000 on 1-3-2006 in bonds Of National Highways Authority of India.  
Compute his taxable capital gain.

7 marks.

c) From the following statement compute the income from Profession of Dr. Kapoor for the year ending 31-3-2006.

EXPENSES	Rs	INCOME	Rs
Clinic rent	36,000	Visiting fees	45,000
Electricity/water expenses	6,000	Consultation fees	1,25,000
Telephone expenses	6,000	Sale of medicines	72,000
Salary to staff	36,000	Dividend	5,000
Depr on Surgical equipment	6,000		
Purchase of medicines	36,000		
Depr on X-ray machine	4,000		
Income tax	5,500		
Donation to Charity fund	4,000		
Motor Car expenses	9,600		
Depr on Car	4,800		
Net Income	93,100		
	2,47,000		2,47,000

Notes:- 1. Electricity/water expenses include domestic bill of Rs 2,500.

2. Half of motor car expenses are for professional use.

3. Telephone Exp include 40% for personal use. 4. Opening stock of medicines Rs 6,000 and closing stock Rs 4,000.

10 marks

Q.NO 5 a).What is manufacture as per Central Excise Act?

3 marks.

b) What is a Bill of Entry? Explain its types.

7 marks.

c) Briefly explain the concept of VAT. Mention any 5 benefits that are to follow using VAT.

10 marks.

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8

Q.NO 6 a) Are Tax-free commercial securities really tax free? 3 marks.

b) Mention the conditions to be fulfilled to claim depreciation. 7 marks

c). Compute the tax payable by a company for the assessment year 2006-07 if :-

1) its total income is Rs 2,00,000 and the Book Profit is Rs 15,00,000

2) its total income is Rs 3,80,000 and its Book profit is Rs 15,00,000.

In both cases add up surcharge @ 10% and education cess @ 2%.

10 marks.

Q.No 7 a) Mr K an Indian citizen leaves India for the first time on 31-05-01 and comes back on 15-05-04. He again leaves India on 10-06-05 to come back on 14-01-06. He is living in India since then. Determine his status for the previous year 05-06.

5 marks.

b). The Profit and Loss a/c of a firm in which the partners X, Y, and Z share profits and losses in the ratio of 5:4:1 respectively discloses profit of Rs 80,525 for the accounting year ending 31-3-2006.

Debits	Rs	Credits	Rs
Donation to National Def. fund	11,000	Cap gain on sale of Scrap machinery	5,000
Salary to partners:-		Interest on Debenture after TDS of RS 5,100	19,900
X	15,000	Interest on Securities (gross)	3,500
Y	19,000		
Z	22,000		
-----	56,000		
Commision to X	6,000		
Office rent (paid to Y)	12,000		

Compute the total income of the firm for AY 2006-07. As per the deed the remuneration is payable to partners as above (extract of P/L a/c).

15 marks.

Q.No 8. Case study:- (Compulsory)

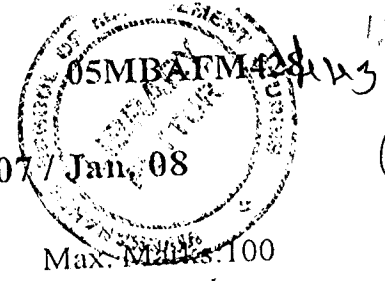
Briefly discuss the provisions of Sec 54, Sec 54 EC, Sec ED, and Sec 54F.

20 Marks.

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## Fourth Semester MBA Degree Examination, Dec. 07 / Jan. 08

### Tax Management

Time: 3 hrs.

Max. Marks: 100

**Note : Answer any FOUR questions from Q.NO. 1 to 7 and Q.No.8 is compulsory.**

- 1
  - a. Who is a person as per Income Tax Act? (03 Marks)
  - b. List out any seven permissible deductions U/S 80C of Income Tax Act. (07 Marks)
  - c. Determine the residential status of Mr. X and Mr. Y.
    - i) X comes to India for the first time, on April 16, 2004. During his stay in India up to October 5, 2006, he stays at Delhi up to April 10, 2006 and thereafter remains in Chennai till his departure from India. Determine the residential status for the A.Y. 2007-08. (10 Marks)
    - ii) Y, a foreign citizen (not being a person of Indian origin) comes to India, for the first time in the last 30 years on March 20, 2006. On September 1, 2006, he leaves India for Nepal on a business trip. He comes back on February 26, 2007. Determine his residential status for the A.Y. 2007-08. (10 Marks)
- 2
  - a. Distinguish Tax planning from Tax avoidance. (03 Marks)
  - b. Which are the assets not treated as capital assets for computation of capital gain. (07 Marks)
  - c. Mr. Vaibhav gives particulars of his income for the year ending March 31, 2007:

	Rs.
Salary (after TDS and own contribution at 15% to recognized provident fund)	118900
Tax deducted at source	3500
Employers contribution to provident fund	21600
Interest credited on May 10, 2006 to the provident fund at 16.5%	30000
Allowance for holiday trip	1800
Academic research allowance for training of Vaibhav (Expenditure incurred : Rs.4000)	10000
House rent allowance (Rent paid for a house in Ajmer by Vaibhav : Rs.16200)	17000
Paid Life Insurance Premium of own life insurance policy (Sum assured: Rs.100000)	9000

On March 10, 2007 he gets a wrist watch of Rs.3610 from the employer as gift. On March 17, 2007 he is transferred from Ajmer to Udaipur, while his family remain in Ajmer. he joins his duties at Udaipur on March 18, 2007. An accommodation is provided by the employer in Royal star Hotel, Udaipur from March 18, 2007 to March 31, 2007, charges being Rs.1200 per day is paid by employer.

Determine the taxable income and tax liability for the assesment year 2007-08 assuming that income from other sources is Rs.86720. He contributes Rs.3000 towards the unit linked insurance plan and on March 10, 2007. He received a sum of Rs.2600 from the income tax department (Rs. 2400 being Income tax refund and Rs.200 being interest thereon). (10 Marks)

- 3
  - a. What is fringe benefit tax? Who pays it? (03 Marks)
  - b. Explain any five incomes chargeable under the head income from other sources. (07 Marks)
  - c. XYZ Ltd, a manufacturing Co. owns the following assets on April 1, 2006.

Assets	Rate of Depreciation	W.D.V on 1.4.2006
Plant A	30%	Rs. 200100
Plant B	15%	Rs. 405700
Plant C	15%	Rs.1470000
Plant D	30%	Rs. 20000

- c. Mr. Tribhuvan who is not covered by the payment of gratuity act, 1972, retires on November 20, 2006 from ABC Ltd. and receives Rs.186000 as gratuity after service of 38 years and 10 months. His salary is Rs.8000 per month upto July 31, 2006 and Rs.9000 per month from August 1, 2006. Besides, he gets Rs.500 per month as dearness allowance (69% of which is part of salary for computing retirement benefits). What amount of gratuity will be exempt from tax? (10 Marks)

- 7 a. What is Minimum Alternate Tax (MAT)? When is it applicable? (05 Marks)  
b. Profit and loss account of A Co., (a partnership firm of chartered accountants) which satisfies all conditions of section 184 and 40(b) for the year ending March 31, 2007 is as follows:

Profit and Loss A/C			
Dr		Cr	
Expenses	118000	Receipts from clients for tax advice	70000
Depreciation	40000	Audit fees	80000
Remuneration to partners	106000	Net loss	133000
Interest on capital to partners	19000		
	283000		283000

Other information :

- i) Out of expenses of Rs.118000, Rs.37250 is not deductible under sections 36 and 37.  
ii) Depreciation as per section 32 is Rs.40470.  
iii) Interest on capital to partners, not deductible under section 40(b) is Rs.12410/-.

(15 Marks)

- 8 a. A foreign technician is sent by a foreign company to India in terms of a collaboration agreement dated January 1, 1995 with an Indian company to assist the Indian company in setting up a plant. The fee charged by the foreign company is Rs.5000/- per day for every day of stay in India of the technician for such work. The technician draws total emoluments of Rs.2000 per day, out of which a sum of Rs.1200 per day is paid by the Indian company. The technician stays in India for 75 days. What are the tax effects in India of the transactions mentioned in the preceding paragraph? (05 Marks)  
b. Sunderban Ltd. furnishes the following particulars. Compute the total taxable income of the company for the assessment year 2007-08 for the year ending on March 31, 2007.

(15 Marks)

(Rs. in lakhs)

i) Net income which includes penal interest of Rs.31000 paid for delayed payment of sales tax and interest of Rs.200000 paid on fixed deposits from public subject to the following adjustments:	
• Depreciation, which included Rs.50000 for guest house building.	31.34
• Unabsorbed depreciation for the assessment year 2002-03.	1.65
• Unabsorbed business loss brought forward	7.35
	24.48
ii) Short term capital gain on sale of shares (trade investment)	0.99
iii) Long term capital gain on sale of equity shares on May 10, 2006 (computed U/S 48)	2.52
iv) Brought forward short term capital loss	0.45
v) Brought forward long term capital loss of the assessment year 2003-04 on sale of shares.	0.50
vi) Gross interest from Government Securities	1.27
vii) Bank commission, etc for realizing interest	0.07

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**Fourth Semester MBA Degree Examination, June-July 2009**  
**Tax Management**

Time: 3 hrs.

Max. Marks:100

**Note: Answer any four questions out of Q.No.1 to 7. Q.No.8 is compulsory.**

- 1 a. What are Sweat Equity shares? (03 Marks)
- b. Mr.R an Indian citizen serving in USA since 1980 came to India on 30<sup>th</sup> June 2001. He stayed here at a stretch of 3 years and left for Japan on 1.07.2004. He returned to India on 1.04.05 and remained in India till 31.07.06 when he went back to USA. He again came to India taking an employment with an American concern on 31.12.07. Determine his Residential Status for A.Y.2008-09. (07 Marks)
- c. Briefly explain various types of P.F. (10 Marks)
- 2 a. What is Slump Sale? (03 Marks)
- b. After serving for 33 years and a month in a factory, Mr. X who is covered under the payment of Gratuity Act retires from service on 30-9-07. The employer pays a gratuity of Rs.3,30,000. His monthly basic salary at the time of retirement was Rs.14,400, D.A Rs.1200 and HRA Rs.2,500. Determine the amount of gratuity exempt under sec10(10) of G.T.Act 1961. (07 Marks)
- c. From the following compute depreciation allowance to XY and Co. for A.Y.08-09 :
- | Assets  | WDV on 1.04.07 |
|---|----------------|
| i) Computers  | Rs.1,40,000    |
| ii) Typewriters   | RS. 30,000     |
| iii) Furniture/fittings   | Rs.1,00,000    |
| iv) Office Building   | Rs.5,00,000    |
| v) Staff Quarteis   | Rs.15,00,000   |
| vi) New computer purchased  | Rs. 60,000     |
| vii) Sold old office building for the Rs.15,00,000 and purchased a new office building for Rs. 40,00,000 in Dec.07. |                |
| viii) Purchased books for professional use Rs.40,000.   |                |
- (10 Marks)
- 3 a. Differentiate between Profession and Vocation. (03 Marks)
- b. From the following information compute the capital gains for the A.Y.2008-09
- | Date of purchase                           | House I     | House II    |
|--|-------------|-------------|
|  | May1977     | Dec1980     |
| Cost of Acquisition                        | Rs. 190,000 | Rs. 250,000 |
| Cost of additional construction in 1980    | 10,000      | 25,000      |
| FMV on 1-4-1981                            | 175,000     | 350,000     |
| Cost of additional construction in 1993-94 | 48,800      | 73,200      |
| Sold the property in 2007-08               | 12,50,000   | 22,00,000   |
- CII : 1981-82 -100, 93-94 -244, 2007-08 -551 (07 Marks)
- c. Mr. S, a retail trader of Bangalore given the following Revenue Statement for the year ended 31-3-09

Trading and P/L A/c for the year ended 31.03.09

Particulars	Amt	Particulars	Amt
To, Opening stock	90,000	By Sales	12,11,500
To, Purchase	10,04,000	Income from UTI	2,400
To, G/P c/d	3,06,000	Other receipts (business)	6,100
		Stock	1,80,000
	14,00,000		14,00,000
To, Salary	60,000	By, G/P b/d	3,06,000
To, Rent and Rates	36,000		
To, Interest on loan	15,000		
To, Depreciation	1,05,000		
To, Printing & stationary	23,200		
To, Postage and telegram	1,640		
To, loss on sale of shares (short term)	8,100		
To, Other general exp.	7,060		
To, Net profit	50,000		
	3,06,000		3,06,000

Additional Information:

- i) It was found that opening stock of 9000 and closing stock of 18000 were omitted from the original stock statements.
- ii) Salary in order 10,000/- paid to his brother which is unreasonable to the extent of Rs. 2000/-
- iii) The entire amount of printing and stationary was paid in cash.
- iv) The depreciation as per P/L a/c Rs. 1,05,000 was based on the following information :  
The WDI of plant and machinery is Rs. 4,20,000. A new plant under the same block of depreciation of 15% was brought on 01.07.2008 for Rs. 70,000. Plant sold during the year on 1.10.08 was for Rs. 50,000.
- v) Rent and Rates included sales tax liability of Rs. 3,400 Paid on 07.04.09.
- vi) Other business receipts included Rs. 2,200 received as refund of sales tax relating to 2007 – 08.
- vii) Other general expenses included Rs. 2000 paid as donation to a public charitable trust.

You are required to advice Mr. S whether he can offer his business income 44AF i.e. presumptive taxation.

(10 Marks)



- 4 a. What is Reverse Mortgage? (03 Marks)  
 b. Briefly explain Sec.44AB – Audit of Accounts. (07 Marks)  
 c. Following is the P/L a/c of R,G and S a partnership firm which is assessed as a firm for the year ended 31.03.08.

Salary of staff	40000	G/P b/d	2,92,000
Business Expenses	13800	Interest on Govt security	15000
Interest on bank loan	12000	Interest from Bank	13000
Salary of Parties :			
R - 48000			
G - 36000			
S - 30000	114000		
Commission to S	12000		
Provision for bad debts	3200		
Depreciation	26000		
Interest on capital :			
R - 9000			
G - 6000			
S - 6000	21000		
Donation to CM's flood relief fund	3000		
Shares of profit			
R - 37000			
G - 25500			
S - 12500	75000		
	320000		320000

- i) Depreciation allowable as per IT Rules is Rs. 31000  
 ii) On 15.12.07 the firm paid sales tax liability of Rs. 20,000 relating to the previous year 06-07.  
 iii) Both the opening and closing stock of Rs. 81000 and Rs. 90000 respectively are under valued as 10%.  
 iv) The partnership deed provides :  
 • Partners will share P/L in the ratio of 3:2:1.  
 • Partnership salary payable to R, G and S @ Rs. 4000, Rs. 3000 and Rs. 2500pm.  
 • Interest on capital payable to R, G and S @ 12%.  
 • Commission will be payable to S @1/4% of purchase which amounted to Rs. 48,00,000.

Compute taxable income of the firm for the A.Y 2008-09. (10 Marks)

- 5 a. Mention the four basic conditions for levy of central excise duties. (03 Marks)  
 b. What is the role played by WTO in promoting World Trade Mention is guidelines? (07 Marks)  
 c. What is VAT? What are its merits? (10 Marks)  
 6 a. What is Fringe Benefit Tax? (03 Marks)  
 b. R is a chartered accountant. His details of Expenses and Income for the year ended 31.03.08 was as follows:

Office Expenses	10000	Audit fess	70500
Employers salary	5000	Gift from father in law	5050
Magazines	600	Dividend	8000
Personal expenses	17000	Profit on sale of investment	6450
Donation to NDF	500	Tax consultancy fees	50000
Interest	700		
Income tax	13300		
Car expenses	2000		
Banking cash transaction tax	1000		
Net surplus	90000		
	140000		140000

You are required to compute the professional income for the A.Y.2008-09 considering the following points:

- i) Rs.1000, domestic servant salary is included in employees salary.
  - ii) Mr.R is the owner of a building. Its WDV is Rs.80000 on 1-04-2007. The building is used for office. Besides this furniture costing 30000 whose WDV as on 01-04-07 is Rs.25000 is used for profession. Depreciation allowable is 10% as per I.T. (07 Marks)
- c. Mr. Ramlal is a manager of a company in Agra. He receives every month Rs. 14000 as basic pay, Rs.500 an entertainment allowance and Rs. 3000 as D.A.
- i) He owns his house but the company has provided him the following amenities.
    - A gardener, a sweeper, a watchman and a domestic servant each of whom are paid Rs.150, Rs.200 , Rs.1100 and Rs.600 per month respectively.
    - Free use of refrigerator costing Rs.8400 from 1-9-2007. The company incurred Rs.400 on its repairs during the previous year.
  - ii) His following obligation were paid by the company.
    - Gas, electricity and water bill amounting to Rs.15000
    - Annual membership fee to Lions club Rs.1000
  - iii) The company has provided him the facility of a large car. The car is used for private purpose also and all expenses including drivers salary are borne by the company.
  - iv) His son is studying in a school run by the company. The annual expenses incurred by the company per student is Rs.8000. Had he been sent for education to a similar school in Agra a sum of Rs.5000 would have been payable during the year.
  - v) The company allotted him 300 shares at Rs.100 each, the market value on the date on which option worth with the employee was Rs.250.
  - vi) He proceeded to Simla on leave. He stayed their in the guest house of the company and saved Rs.5000 on account of accommodation.

Compute his gross salary for A.Y.08-09.

(10 Marks)

- 7 a. What is securities transaction tax? (03 Marks)
- b. Briefly explain Sec. 54, 54EC and 54F under capital gains head of income. (07 Marks)
- c. From the following information compute the tax liability of X and Co. keeping in view the provision of MAT-VIS 115JB for the A.Y.08-09.

i) Profit and Loss a/c

To, Expense of business	450000	By, Long term capital gain	1,00,000
To, Income tax paid	20000	By, Sales	700000
To, General Reserve	40000		
To, Provision contingent liability	40000		
To, Proposed dividend	100000		
To, Bal c/d	150000		
	800000		800000

- ii) B/F loss as per books of a/c Rs.1,00,000.
- iii) B/F depreciation as per books Rs.80000.
- iv) B/F loss under capital gain. (computed as per income tax) Rs.60000.
- v) B/F unabsorbed depreciation Rs.300000.

(10 Marks)

8 Case study :

Mention any ten exempted income V/510 of I.T. Act. (Income which do not form part of total income)

(20 Marks)

\* \* \* \* \*



General expenses include Rs.1000 paid as compensation to an old employee, whose services were terminated, as his continuance in service was considered detrimental to the profitable conduct of the business and Rs.200 by way of help to a poor university student. The depreciation is found to be in excess by Rs.1,800. The advertisement cost includes one wooden showcase Rs.500, calendars and diaries Rs.1,500. Motor-car expenses include Rs.500 for private use of car. The assessee has received demand notices of sales-tax amounting to Rs.8,000 and he has not disputed this liability. Reserve for future losses is meant for this liability. The net consideration received on the sale of residential house is Rs.1,50,000. (10 Marks)

- 4 a. State any six 'profits chargeable to tax' under the head 'Business Income'. (03 Marks)
- b. Dr. Bhaskar is a Professor of commerce and is a resident of India. He submits before you, the following incomes for computing his income under the head 'Income from other sources' for the assessment year 2009-10:
- He is the author of a text-book for colleges, which fetches him a gross royalty of Rs.45,000? He claims the following deductions from this amount:
    - Salary to a clerk who collects for him necessary data and goes through the final proof-reading Rs.24,000.
    - Purchased books worth Rs.400 in connection with the revision of the book.
    - Telephone expenses of Rs.800 attributed to the publication and sale of his book and other matters in connection with the printing of the new edition of the book.
  - Income from articles which were published in newspapers and journals, Rs.3,000.
  - He lives in a rented house paying rent of Rs.3,000 p.m. The house is too big for his family. Hence, he has sub-let one third portion of the house on a rent of Rs.1,500 p.m. Dr. Bhaskar has undertaken the liability of paying municipal taxes of Rs.1,500 on the whole house and also the current repairs of the whole house amounting to Rs.6,000.
  - Dr. Bhaskar received Rs.250 per lecture delivered at the Chaithanya Management Institute. During the previous year, he delivered 24 lectures.
  - He is an examiner of a number of universities. This source gave him a remuneration of Rs.7,000.
  - His other incomes were:
    - Winnings from card games and betting Rs.6,500
    - Winnings from chess, Rs.1,000
    - Received interest on Government of England bonds Rs.500.
  - Received Rs.2,000 as dividend from a company, in which the public are substantially interested, by an account payee cheque. (07 Marks)
- c. X, Y, and Z are three equal partners in a firm of which Z is sleeping partner. The firm's P and L account for the year ended 31<sup>st</sup> March 2009 is given below:

Profit and Loss Account for the year ended 31.3.2009			
		Rs.	Rs.
Salaries		32,000	Gross Profit 2,32,000
Rent, rates etc		10,000	Discount 8,800
Advertisement		12,000	
Bad debts Reserve		4,800	
Depreciation		8,000	
Fire Insurance Premium		2,000	
Partner's Salaries:	x	16,000	
	y	<u>12,000</u>	28,000
Commission:	x	8,000	
	z	<u>4,000</u>	12,000
Institute on capital @ 10%:			
	x	2,000	
	y	4,000	
	z	<u>6,000</u>	12,000
Net Profit:	x	40,000	
	y	40,000	
	z	<u>40,000</u>	
		<u>1,20,000</u>	
		<u>2,40,800</u>	<u>2,40,800</u>

- i) Depreciation was excess debited by Rs.2000.  
 ii) Rent includes rent of Z's godown RS.2,400. Compute book profit and firm's total income for the relevant A.Y. The firm fulfils the conditions of sec 184. (10 Marks)
- 5 a. Write a short note on "Capital Gains Account Scheme". (03 Marks)  
 b. Explain the concepts of i) Manufacture; ii) Excisable Goods, as per Central Excise Provisions. (07 Marks)
- c. Sri Ramdas is the principal of a college at Mumbai. He is in the grade of Rs.12,000-420-18,300 since 1<sup>st</sup> January 2004. He gets 60% 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, of the estimated rental value of Rs.12,000 p.m. Furniture costing Rs.25,000 has also been provided by the college. Sri Ramdas has been using his personal car for his official and personal purpose. Expenses of the car amounting to Rs.25,000 for official purposes are borne by the college. He has been provided with the facility of a gardner, a watchman and a servant who are paid salary by the college @ Rs.450 p.m., Rs.450 p.m. and Rs.300 pm. respectively. In the month of January 2009, he surrendered leave and got one month's basic pay and dearness allowance. He contributes 15% 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 the assessment year 2008-09. (10 Marks)
- 6 a. Distinguish between Capital Receipts and Revenue Receipts. (03 Marks)  
 b. The following are the particulars of income of an assessee for the last four accounting years:
- |  | 2005-06       | 2006-07         | 2007-08         | 2008,09         |
|--|---------------|-----------------|-----------------|-----------------|
|  | Rs.           | Rs.             | Rs.             | Rs.             |
| Profits or losses before charging depreciation | 40,000 (Loss) | 45,000 (Profit) | 37,000 (Profit) | 60,000 (Profit) |
| Depreciation for the year                      | 7,000         | 15,000          | 15,000          | 18,000          |
- Work out the amount to be set-off or carried forward in each of the above four years, appending explanatory notes. (07 Marks)
- c. Sri Anil Bhushan Gupta, working in Western India limited, Mumbai, has furnished the following details of his income for the year ended March 31, 2009:
- Salary Rs.12,000 p.m.
  - Bonus equal to six months' salary.
  - Transport allowance (for coming to office and going back to his residence) at Rs. 650 p.m.
  - Entertainment allowance Rs.500 p.m.
  - Received HRA of Rs.3,000 p.m. from the employer, but he paid a rent of Rs.4,000 p.m.
  - Personal medical bills of Rs.10,000 were reimbursed by the employer. His treatment has been done in a private nursing home not belonging to the employer.
  - His contribution to the company's RPF is Rs. 18,000 and the employer contributes an equal amount. The interest credited to the P.F. Account 9.5% p.a., Rs.12,000.
  - Interest on Government securities Rs.3,000.
  - Income from units of Mutual Fund Rs.5,500 (Gross).
  - Interest on bank deposits received Rs.3,000
  - Donation paid to Prime Minister's Drought Relief Fund Rs.2,500.
  - Donation paid to the Government for the promotion of family planning Rs.2000.
  - Life Insurance Premium paid during the year Rs.4,200. Compute the total income of Sri Anil Bhushan Gupta for the A.Y. 2009-10. (10 Marks)
- 7 a. State the deductions allowable on actual payment while computing income from business or profession. (03 Marks)  
 b. What is meant by perquisites? What are tax-free perquisites? (07 Marks)  
 c. Discuss the various types of customs duties levied in India. (10 Marks)

CASE STUDY

State with reasons, whether the following items are admissible under the Indian Income tax Act 1961, while computing 'Business Income':

- i) Commission of Rs.500 paid in order to secure orders for the business.
- ii) The assessee was carrying on money-lending business and in the course of this business he acquired certain property in lieu of debts owing from a debtor, which he kept as stock-in-trade. The property so acquired was destroyed in war, the assessee claimed this loss as a deduction.
- iii) Loss of Rs.1,000 which were snatched away from the cashier's possession, while going to bank to deposit the amount.
- iv) Loss due to embezzlement by an employee.
- v) Brokerage paid for raising loan for the business.
- vi) Rs.1,000 spent in connection with installation of a new telephone connection.
- vii) Fees paid to lawyer for drafting the Deed of Agreement with an outsider relating to the setting-up the business.
- viii) Pension paid to the widow and children of a deceased engineer of the factory voluntarily.
- ix) Interest paid for funds borrowed specifically for the acquisition of a capital asset.
- x) Compensation paid to an employee for premature termination of his services.
- xi) Amount spent in a successful suit filed against another for infringing the assessee's trademark.
- xii) Penalty paid to customs authorities for importing prohibited goods which yielded a large margin of profits.
- xiii) Travelling expenses of a director who went to Europe for negotiating the purchase of a new heavy machinery which was eventually installed next year.
- xiv) Cost of erecting a medical annexe to the factory for the emergency treatment of the employees.
- xv) Lump-sum consideration paid for acquiring know-how Rs.6.00 lakh.
- xvi) A sum of Rs.30,000 was provided towards sales tax liability in the accounts for the year ending 31.3.2009.
- xvii) An expenditure of Rs.15,000 incurred towards the cost of neon sign board fixed on office premises, advertising its products.
- xviii) Stock-in-trade was lost in fire, amounting to Rs.10,000 and was debited to Profit and Loss Account.
- xix) Interest paid on borrowed capital in the construction of property till the date of letting out.
- xx) Rent paid to daughter for office block, which was gifted to her at the time of her marriage.

(20 Marks)

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08MBAFM428

**Fourth Semester MBA Degree Examination, May/June 2010**

**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**
- Who is a specified employee? (03 Marks)
  - Explain the conditions to be satisfied by an undertaking to avail deduction U/sec 10 BA of the income tax Act 1961. (07 Marks)
  - Mr. 'Y' furnishes the following particulars of his income. You are required to find out his gross total income, if he is resident, not ordinarily resident and non-resident in India for assessment year 2009-10.
    - Interest on German development bonds (2/5 is received in India) Rs. 60,000.
    - Income from agriculture in Bangladesh, received there but later on Rs. 50,000 is remitted to India (agriculture controlled from India) Rs. 1,50,000.
    - Income from property in Canada Rs. 86,000.
    - Income from business in USA which is controlled from India (Rs. 20,000 received in India) Rs. 70,000.
    - Dividend paid by a foreign company but received in India Rs. 40,000.
    - Profit from business in Madras and managed from outside India Rs. 30,000.
    - Gift in foreign currency from a friend received in Bijapur Rs. 70,000.
    - Rental income from a property in Nepal deposited by the tenant in an Indian bank branch operating there Rs. 12,000.
    - Dividend received in London on 10-08-2008 from a company registered in India but mainly operating in UK Rs. 10,000. (10 Marks)
- 2**
- What is tax evasion? (03 Marks)
  - What are the conditions one has to satisfy to avail deduction U/sec 80 DDB of the IT Act? Mention the limitation amount of deduction. (07 Marks)
  - The depreciated value of a block of assets (consisting of plant A and B)(rate of depreciation is 30%) is Rs. 1,17,000 on April 1, 2008(plant 'A' Rs. 1,00,000 and plant 'B' Rs 17,000). The following information is available :

Assets	Rate of depreciation(%)	Date of purchase	When it is put to use	Actual cost (Rs)
Plant C	30	10-03-2008	10-04-2008	20,000
Plant D	30	01-03-2008	03-12-2008	30,000
Plant E	30	06-05-2008	06-05-2008	50,000
Plant F	30	15-05-2008	02-01-2009	80,000
Plant G	30	06-06-2008	06-04-2009	90,000

Plant A is sold on August 10, 2008 for Rs. 90,000. Find out the amount of depreciation for the A.Y. 2009-10. (10 Marks)

- 3 a. What do you mean by bond-washing transactions? (03 Marks)
- b. Briefly explain the capital gains exempt from income tax. (07 Marks)
- c. Mr. Sagar, 40 years old, receives the following as a manger from A Ltd., during the year ending March 31, 2009. Compute his taxable income for the A. Y. 2009-10. (10 Marks)
- Salary (@ Rs. 52,500 p.m for 12 months) Rs. 6,30,000
  - Tiffin allowance (actual expenditure Rs. 2700) Rs. 4,000
  - Reimbursement of ordinary medical expenses for treatment of Sagar and his family members in a private clinic. Rs. 31,300
  - Rent-free unfurnished house at Noida (population 16 lakh). House is owned by the employer. Employer incurs an expenditure of Rs. 40,000 for maintenance of garden attached to the house. Expenditure of Rs. 40,000 includes salary of Rs. 24,000 paid by the employer to the gardener.
  - The employer provides two watchmen (salary Rs. 700 p.m per person)
  - Free use of Maruti 800 for official and domestic purposes.
  - Free meal at the place of work Rs. 14,700 (i.e. Rs. 70 per day for 210 days, amount is directly paid to canteen by the employer).
  - Interest free loan for purchasing home appliances amounted to Rs. 1,20,000 on March 1, 2005 but amount outstanding in the year 2008.09 is Rs. 50,000. The SBI lending rate for similar loan on April 1, 2008 is 15%.
  - Mr. Sagar paid life insurance premium on the life of his own and wife Rs. 40,000 p.a and contributed in RPF Rs. 65,000 in the year 2008-09.

- 4 a. What is deemed sales under CST Act? (03 Marks)
- b. Mr. Arun is a citizen of India. He has been serving in Bangalore office for the last 15 years. On 10-06-2005 he is transferred to Tokyo office and he leaves India on the same day to take charge of that office. He is again transferred back to Hubli office and he joined on 12-09-2007. What will be his residential status for the previous years 2005-06, 2006-07, 2007-08 and 2008-09? (07 Marks)
- c. Mr. Manoj sells the following assets during the previous year 2008-09. (10 Marks)

	Commercial property	Gold	Non-listed shares	Diamonds
Date of sale	January 3, 2009	December 17, 2008	March 3, 2009	March 15, 2009
Year of acquisition	1982-83	1983-84	1992-93	1991-92
Sales consideration (Rs.)	7,00,000	4,00,000	8,90,000	7,80,000
Cost of inflation index for the year 2008-09 is 582	109	116	223	199
Cost of acquisition	57,122	20,962	2,67,268	57,646

Mr. Manoj owns one residential house property on April 3, 2009, he invests in the following assets.

- Residential house property Rs. 2,15,000.
  - Bonds of national highways authority of India (Maturity period 4 year) Rs. 3,70,000.
  - Bonds of rural electrification corporation (redeemable after 7 years) Rs. 7,80,000. Find out the income chargeable to tax under the head capital gains for the A. Y. 2009-10.
- 5 a. Which are not taxable as goods under CST Act? (03 Marks)
- b. What is cascading effect of tax? Explain it's limitations under CST Act. (07 Marks)
- c. What do you mean by excisable goods? Discuss various types of excise duties under C.E Act. (10 Marks)



- 6 a. What is indexed cost of acquisition? (03 Marks)  
 b. Write a note on set off and carry forward of losses. (07 Marks)  
 c. From the following statement of receipts and payments for the year ending on 31-03-2009 of a medical practitioner and the further information given, compute his income from profession for the A.Y 2009-10.

Opening balance	11,000	Salary to staff	11,200
Consultation fees	50,000	Rent of dispensary	5,000
Visiting fees	15,000	Cost of medicines	8,000
Sale of medicines	10,000	Membership fees	500
Gifts from patients	3,000	Purchase of car	40,000
Rent from house property	6,000	Surgical equipments	5,000
Dividend from Indian company	2,000	Car expenses	3,000
		Municipal taxes	600
		Stationary	1,200
		Book (medical)	1,750
		Personal drawings	9,000
		Income tax	2,500
		Sundry expenses	300
		Donations	1,000
		Life insurance premium	6,000
		Closing balance	1,950
	<u>97,000</u>		<u>97,000</u>

Other information :

- i) The stock of medicines on 31-03-2009 amounts to Rs. 500 at cost.  
 ii) Membership fees include Rs. 100 paid to Gymkhana club and remaining pertains to the membership of all India medical association.  
 iii) 1/3 of car expenses are attributable to his personal use.  
 iv) Municipal taxes are in respect of house property let out.  
 v) Depreciation on car amounts to Rs. 6,000 and on all other block of assets Rs. 5,000 except on books on which the rate of depreciation is at 60%. (10 Marks)
- 7 a. What are the main objectives of customs act? (03 Marks)  
 b. Mr. 'B' who resides in Pune, receives Rs. 42,000 p.a. as basic salary during the previous year 2008-09. He stays in his father's house up to October 31, 2008 for which he does not pay any rent and thereafter he takes an accommodation on monthly rent of Rs. 2,000. The employer, however, pays Rs. 250 p.m as house rent allowance throughout the previous year. Mr. B claims that the entire house rent allowance is exempt from tax under section 10(13A). Is he legally correct? Otherwise what will be the exempt and taxable amount of HRA? (07 Marks)  
 c. Mr. X and Y are the retail traders at Bijapur. They have given the following information :

	X Rs.	Y Rs.
Sales turnover	40,00,000	60,00,000
Less expenses		
Cost of goods sold	36,00,000	54,00,000
Depreciation	10,000	15,000
Other expenses	<u>3,20,000</u>	<u>4,80,000</u>
Business income	70,000	1,05,000
Other income	<u>2,15,000</u>	<u>2,30,000</u>
Public provident fund contribution	<u>30,000</u>	<u>60,000</u>

Find out their taxable income and tax liability under the scheme of sec 44 AF for the A.Y. 2009-10. (10 Marks)

- 8 Mr. 'M' and 'N' are two partners of MN Co. (a firm of chartered accountants). On March 31, 2008, there is no provision for payment of salary and interest to partners. On April 1, 2008 the deed of partnership has been amended to provide salary and interest as follows :

	M	N
Salary	Rs. 8000 p. m.	Rs. 12,000 p. m.
Interest	24% p. a.	24% p.a.

The income and expenditure account of MN Co. for the year ending March 31, 2009 is as follows :

Office expenses	2,10,000	Receipt from clients	7,00,000
Salary to employees	70,000	Interest recovered from M and N on drawings,	3,000
Fringe benefit tax	42,000		
Salary to 'M'	96,000		
Salary to 'N'	1,44,000		
Interest on capital to M @ 24% p.a	16,000		
Interest on capital to N @ 24% p.a	19,000		
Net profit (shared by M and N equally)	1,06,000		
	7,03,000		7,03,000

Other information :

- Out of office expenses Rs. 18,800 is not deductible by virtue of sections 30 to 37.
- During the p. y. 2008-09, the firm sells a capital asset for Rs. 7,10,000 (indexed cost of acquisition being Rs. 1,45,865).
- Personal income and investment of partners are as follows :

	M(Rs.)	N(Rs.)
Interest from govt securities	4,70,000	4,23,000
Bank interest	6,00,000	1,02,000
Deposit in PPF	70,000	45,000
Mediclaime insurance premium	12,000	11,000

Find out the total income and tax liability of the firm and partners for the A. Y. 2009-10 on the assumptions that

- Conditions of section 184 and 40 (b) are satisfied. (10 Marks)
- Conditions of section 184 and /or sec 40 (b) are not satisfied. (10 Marks)

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