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Fourth Semester MBA Degree Examination, June 2012

Tax Management

Time: 3 hrs.

Max. Marks:100

Note:1. Answer any FOUR questions, from Q.No.1 to Q.No. 7.
2. Question No. 8 is compulsory.

1.
 - a. Define the term "Person" u/s 2(31) of I.T. Act 1961. (03 Marks)
 - b. Write a note on "Tax Free Government Securities" and "Tax Free Commercial Securities". (07 Marks)
 - c. An agricultural land situated in Dharwad district purchased in 1988 – 89 for Rs 500,000 was sold on 15th Sept 2010 for Rs 25,00,000. Another piece of land purchased on 15th Oct 2010 for Rs 200,000 and on the same day Rs 50,000 was deposited in the Capital Gains Deposited Account scheme of Post Office. Calculate the taxable capital gains.
 Note : C11 1998 – 89 : 161 : 2010 – 11 : 711. (10 Marks)
2.
 - a. Distinguish between "tax planning" and tax evasion. (03 Marks)
 - b. State "SEVEN" Exempted Incomes allowed under section 10 of the Income Tax Act 1961. (07 Marks)
 - c. Explain in brief the set off and carry forward of the losses. (10 Marks)
3.
 - a. What do you mean by "Block of assets"? (03 Marks)
 - b. Mr. Tyagoraj retired from Central Govt. service on 30th June 2010. He gets pension of Rs 1500 p.m upto 31st Dec 2010. On 1st January 2011 he gets 1/3rd of his pension commuted for Rs 1,32,000. Calculate taxable pension. If salary falls due on last day of every month. (07 Marks)
 - c. Calculate the income from other source from the following information for Annual Year 2012 – 2013.
 - i) Rs 25,000 interest received on Post Office Saving Bank A/c.
 - ii) Rs 2500 received as interest from the debenture of a cooperative society.
 - iii) Rs 25,000 10% Debentures of a listed company.
 - iv) Rs 20,000 10% less tax debentures of a company.
 - v) Rs 20,000 9% tax free debenture of a company.
 - vi) Rs 21,000 received from lottery (net).
 - vii) His friend Suresh gave him a gift of Rs 30,000.
 - viii) Dividend declared by An Indian company Rs 10,000. (10 Marks)
4.
 - a. Enumerate "Six" securities which are exempted from income tax. (03 Marks)
 - b. From the following Profit & Loss A/c, calculate the income from a business for the Annual Year 2011 – 2012.

	Rs		Rs
To Rent & Rates	90,000	Gross Profit b/d	4,50,000
To Dep. on Machinery	16,000	By Income from other sources	3,00,000
To Dep on furniture	2,000	By Income from Capital gains	2,00,000
To Dep on Laptop	2,000	By Miscellaneous incomes	2,50,000
To Purchase of car	1,00,000		
To Car expenses	6,000		
To Advertisement (cash paid)	50,000		
To Interest on Capital	1,34,000		
To Net Profit	8,00,000		
	12,00,000		12,00,000

50% of Car relates to personal use. Depreciation on car is allowed at 20%.

(07 Marks)

- c. Kumari Smitha an employee of T.V.S Ltd gives the following particulars for year ending 31-03-2011.

Basic salary	Rs 25,000 p.m.
Bonus	Rs 15000
DA (participates)	Rs 12,500 p.m.
CCA	Rs 1000 p.m.
Project allowance	Rs 1500 p.m.
Medical allowance	Rs 200 p.m.
Family allowance	Rs 500 p.m.
HRA	Rs 5000 p.m.
EA	Rs 2000 p.m.
Rent paid by employee	Rs 7,250 p.m.

Smitha is a member of Recognized Provident fund and contribute 12% of her salary and the company also contributes similar amount. The interest on RPF is credited at 14% Rs 5600. Professional tax Rs 900. Compute Net salary income. **(10 Marks)**

- 5 a. Who is Deemed Assessee? **(03 Marks)**
 b. Define the following terms under Central Sales Act :
 i) Dealer ii) Sale price iii) Crossing the customs frontier of India. **(07 Marks)**
 c. Write a brief note on “Nature and types of custom duties : In India. **(10 Marks)**
- 6 a. Define the term Book Profit. **(03 Marks)**
 b. When can a person (individuals) become a “Resident of India”? **(07 Marks)**
 c. From the following Profit & Loss Account of ABC firm, calculate Book Profit and the remuneration to be allowed to Partners. **(10 Marks)**

Profit & Loss Account

Dr	Rs	Cr	Rs
To, <u>Salaries to Partners</u>		By, Gross profit b/d	5,00,000
A	25,000	Rent from house property	40,000
B	30,000	Profit on sale of short term asset	10,000
C	40,000		
Interest on Capital at 14%			
A 14000			
B 21000			
C <u>7000</u>	42,000		
Municipal tax paid on House Property	6,000		
Net profit	4,07,000		
	5,50,000		5,50,000

- 7 a. What is MAT? **(03 Marks)**
 b. What is VAT? What are its salient features? **(07 Marks)**
 c. What are Fringe benefits? How they are taxed? **(10 Marks)**

8 CASE STUDY :

You being a Tax Consultant, how do you advise your client on the following taxing matters :

- a. Family pension received by a widow.
- b. Expenses paid after due date.
- c. Medical Insurance premium paid in cash.
- d. Compensation paid under voluntary retirement.
- e. Dividend received from Indian company.
- f. Reserves made for future losses.
- g. Life Insurance premium paid on the life of the mother.
- h. Donations paid to BJP a political party.
- i. "Salary" and "Sitting fees" received as member of legislative council.
- j. Professional tax paid by the employer.
- k. Academic allowances received to conduct research activities.
- l. Salaries received by a physically handicapped.

(20 Marks)
