

USN

--	--	--	--	--	--	--	--	--	--

08MBAFM428

Fourth Semester MBA Degree Examination, June/July 2011
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 Assessment Year under IT Act 1961. (03 Marks)
b. When is the income deemed to accrue or arise in India? (07 Marks)
c. Mr. Anand furnishes the following particulars of his income earned during the previous year relevant to the Assessment year 2010 – 11.
- | | |
|---|----------|
| 1. Interest on German Development Bonds
(One – Third is received in India) | 51,000 |
| 2. Income from Agriculture in Bangladesh, remitted to India | 31,000 |
| 3. Income from property in Canada received in USA | 1,10,000 |
| 4. Income earned from business in Kuwait, business being controlled from Mumbai. (Rs 25,000 is received in India) | 65,000 |
| 5. Dividend from an Indian Company | 15,000 |
| 6. Royalty received in Singapore from Mr. David, a resident in India, for technical services provided for a business carried on in Singapore. | 25,000 |
| 7. Profit form a business in Chennai, this business is controlled from Singapore | 1,25,000 |
| 8. Profit on sale of a building in India, but received in Nepal. | 2,50,000 |
| 9. Income from Agriculture in Punjab, received in Mumbai. | 30,000 |
| 10. Profit form business in Indonesia, this business is controlled from Delhi. (60% of the profit deposited in a Bank there and 40% is Remitted to India) | 40,000 |
| 11. Interest received from Mr. Dayal, a Non – resident on the loan provided to him for a business in India. | 28,000 |
- Compute his Gross Total Income, if he is i) Ordinarily resident ii) Not ordinarily resident and iii) Non – Resident. (10 Marks)
- 2 a. Who is an assessee under the IT Act 1961? (03 Marks)
b. Explain in detail section 10A if the IT Act 1961. (07 Marks)
c. Mr. X came to India for the first time on 1st Nov 2007. During his stay in India up to 30th Oct, 2009, he stayed at Bombay up to 30th May 2009 and thereafter remained in Bangalore till his departure from India. Determine his residential status for the Assessment Year 2010-11. (10 Marks)
- 3 a. Define salary under section 17(1) of the IT Act 1961. (03 Marks)
b. How do you determine a value of rent free accommodation provided by the employer? (07 Marks)
c. Mr. Raghu Raj is employed with Bhoruka Power Corporation Ltd., as G.M. Finance on a monthly salary of Rs 26,000. He has been provided with the following perquisites.
1. Rent free accommodation is provided in Bangalore.

2. The company has given him housing loan of Rs 4 lakhs repayable in 8 years during the previous year @ 3% p.a. No repayment is made during the previous year (SBI rate is 10%).
3. The company had purchased a car on 01-05-07 for Rs 2,50,000. This car is sold to Mr. Raghu Raj on 1-7-09 for Rs 1,20,000.
4. He made the Diwali purchases of Rs 19,000 on his credit card. This amount along with the annual fee of Rs 1,500 was paid by the company.
5. He was allowed to use the video camera and Laptop belonging to the company. The company had purchased these assets for Rs 40,000 and Rs 2,00,000 respectively.

Compute Taxable salary of Mr. Raghu Raj for the Assessment year 2010 – 11. (10 Marks)

- 4 a. Define Excisable goods under Central Excise Act 1944. (03 Marks)
- b. Explain section 44AD, 44AE and 44AF of IT Act 1961. (07 Marks)
- c. When is a sale or purchase deemed to be taken place in the course of Inter – state trade or commerce and within the state. (10 Marks)

- 5 a. Define Business under IT Act 1961. (03 Marks)
- b. Explain deemed profits under section 41. (07 Marks)
- c. M/s RCL Ltd., obtained a 10 year license for operating the International telephonic / voice mail services, from Telephone Regulatory Authority of India. This license was obtained on 29.03.2009. However, the commencement of Business took place effectively only from 01-10-2009. The total commitment includes a down payment of Rs 110 crores for license fees and an operating fee of 60 paise per minute of usage time.

On 20-03-2012, 30% of the license was sold by M/s RCL Ltd., to another company. The total consideration received was Rs 40 crores.

On 01-10-2013, another 50% of Total license was sold by M/s RCL Ltd., to Vodafone for a consideration of Rs 75 crores.

Compute the deduction allowable U/S 35ABB to M/s RCL Ltd., from Assessment year 2010 – 11 to Assessment year 2014 – 15. (10 Marks)

- 6 a. Define Transfer U/s 2(47) of the IT Act 1961. (03 Marks)
- b. Explain section 80D, 80DD and 80 DDB of IT Act 1961. (07 Marks)
- c. The Government compulsorily acquired land of Mr. Balaji in June 2008 and paid compensation of Rs 5,00,000 in April 2009. The land was acquired by Mr. Balaji in May 1997 for Rs 3,00,000. Mr. Balaji claimed more compensation and court awarded additional compensation of Rs 8 lakhs in Jan 2009 and it was paid in April 2010. Compute the taxable capital gain from the above transaction indicating the relevant Assessment year. Expenses in connection with compulsory acquisition was Rs 20,000 and for obtaining enhancement of compensation was Rs 40,000. (CII : FY 1997 – 98 – 331 , 2008 – 09 – 582 , 2009 – 10 – 632). (10 Marks)

- 7 a. Define Capital Asset U/s 2(14) of the IT Act 1961. (03 Marks)
- b. When is a person required to maintain the Books of Accounts U/S 44AA of the IT Act 1961? (07 Marks)
- c. Compute the amount of Depreciation Allowable for the Assessment year 2010 – 11 from the following particulars.

Assets	WDV on 1-4-09	Rate of Depreciation
Buildings	15,47,380	10%
Godowns	2,15,740	10%
Machinery	35,00,000	15%
Motor Bus	1,50,000	30%
Furniture	25,170	10%

The factory purchased and installed new machinery on 31st Oct 2009 at a cost of Rs 5,00,000, at the same rate of depreciation.

One Godown (whose WDV on 1-4-09 was Rs 1,15,600) was completely destroyed by fire on 1-09-09 and Rs 1,00,000 was received from the Insurance Company in respect thereof.

(10 Marks)

8 CASE STUDY : (Compulsory)

The following is the Balance Sheet of SS Ltd., as on 31-08-2009 on which data division III has been transferred by way of slump sale for a consideration of Rs 1,060 lakhs.

Balance Sheet as on 31-08-2009

Liabilities	Rs in Lakhs	Assets	Rs in Lakhs
Paid up capital	2,000	Fixed Assets:	
		Division – I	180
		Division – II	270
		Division - III	600
Reserves	800	Other Assets :	
Liabilities :		Division – I	550
Division – I	50	Division – II	930
Division – II	150	Division - III	570
Division - III	100		
Total	3,100	Total	3,100

Additional Information :

- i) Fixed assets of Division – III includes land which was purchased at Rs 40 lakhs in 2003 and revalued at Rs 80 lakhs on 31-3-09.
- ii) Fixed assets of Division – III reflected at Rs 520 lakhs (Rs 600 lakhs less land value of Rs 80 lakhs) is written down value of depreciable assets as per books. However, the written down value of these assets U/S 43(b) computed under the IT Act is Rs 480 lakhs.
- iii) Other assets of division III reflected at Rs 570 lakhs represents book value of non – depreciable assets.
- iv) Division – III is in existence since April 2003.

(20 Marks)

