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Fourth Semester MBA Degree Examination, June / July 2013
Tax Management

Time: 3 hrs.

Max. Marks: 100

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

- 1
 - a. Who is an Assessee as per IT Act? (03 Marks)
 - b. Explain Income Tax provisions governing Dividend income and winning from Lotteries. (07 Marks)
 - c. Elucidate the provisions of Section 10A of Income tax. (10 Marks)
- 2
 - a. What is deemed income? (03 Marks)
 - b. Mention the conditions to be met to attract central excise. (07 Marks)
 - c. Mrs X (Age 51 years) is a part time lecturer in a private college Delhi owned by A Ltd. During the year 2012 – 13, she gets monthly salary of Rs 52,300 upto June 30, 2012 and Rs 62,700 afterwards. Besides she gets 30 percent of basic salary as house rent allowance, Rs 16,300 per month as dearness allowance (71 percent of it forms part of salary for computation of all retirement benefit) and Rs 5000 per month as conveyance allowance which is entirely used for personal purposes. On July 10, 2012 the employer transfers a music system to Mrs X on completing 10 years of service (purchased on 1.9.2011 for Rs 22,470) for Rs 7,500. She and employer contributes 12 percent of salary to recognized provident fund. She also makes an additional contribution of Rs 6000 per month to the provident fund. She also receives Rs 65, 698 for valuation work during the previous year. She pays rent of Rs 14,000 per month. Determine taxable income and tax liability for the annual Year 2013 – 14. (10 Marks)
- 3
 - a. X an employee of LMN Ltd., receives Rs 45,000 as gratuity under the payment of gratuity Act 1972. He retires on November 10, 2012 after rendering services of 30 years and 4 months. At the time of retirement monthly salary was Rs 2340 (inclusive of dearness allowance of Rs 200 per month). Calculate amount of gratuity chargeable to tax. (03 Marks)
 - b. X a foreign citizen (not being a person of Indian origin) leaves India for the first time in the last 20 years on November 20, 2010. During the calendar year 2012, he does not visit India at all but comes to India on January 16, 2013. Determine residential status of X for the Assessment year 2013 – 14, considering that during the calendar year 2011, he comes to India on September 1 for a period of 30 days. (07 Marks)
 - c. Explain the provisions of central sales tax. (10 Marks)
- 4
 - a. State the conditions laid down under section 40(b). (03 Marks)
 - b. How do you classify a capital gain as short term and long term capital gain? (07 Marks)
 - c. Profit and loss account of A co. (a firm of chartered accountants which satisfies all conditions of section 184 and 40(b) for year ending March 31, 2013 is as follows :

Expenses	2,88,000	Receipts from clients for tax advice	3,60,000
Depreciation	2,32,000	Audit fees	2,72,000
Remuneration to partners	2,75,000	Net loss	2,18,000
Interest on capital to partners	55,000		
Total	8,50,000	Total	8,50,000

1. Out of expenses of Rs 88,000, Rs 57,250 is not deductible under sections 36 and 37.
 2. Depreciation as per section 32 is Rs 3,23,100.
 3. Interest on capital to partners not deductible under section 40(b) is Rs 17,900. (10 Marks)
- 5
- a. What do you mean by cenvat? (03 Marks)
 - b. Elucidate Indian Income and Foreign Income. (07 Marks)
 - c. X purchases a house property for Rs 26,000 on May 10, 1962. He gets the first floor of the house constructed in 1967 – 68 by spending Rs 40,000. He dies on September 12, 1978. The property is transferred to Mrs. X by his will. Mrs. X spends Rs 30,000 and Rs 26,700 during 1979 – 80 and 1985 – 86 respectively for renewals / construction of the property. Mrs X sells the house property for Rs 21,50,000 on March 15, 2013 (brokerage paid by Mrs X is Rs 11500). The fair market value of the house on April 1, 1981 is Rs 1, 60,000. Find capital gain chargeable to tax. (C I I : 1981 – 82 100 ; 1985 – 86 133 ; 2012 – 13 852). (10 Marks)
- 6
- a. What is Inter source (Intra head) and Inter head adjustment? (03 Marks)
 - b. X Ltd owns the following assets on April 1, 2012.

Assets	Rate of Depreciation	Depreciated value on April 1, 2012
Plant A	15%	Rs 4,05,000
Plant B	15%	Rs 1,95,000
Plant C	15%	Rs 7,05,700

On June 10, 2012 it acquires plant D for Rs 20,000 (rate of depreciation 15%). Plant D is not eligible for additional depreciation. The company sells the following assets during the year 2012 – 13. (07 Marks)

Assets	Sale consideration	Expenses on transfer
Plant A	Rs 2,12,000	Rs 12,000
Plant B	Rs 6,17,500	-
Plant C	Rs 4,30,000	-
Plant D	Rs 95,000	200

- c. X and Co. (a firm of XYZ with unlimited liability) is engaged in the business of whole sale trading (turnover of 2012 – 13 being Rs 57,80,000). It wants to claim the following deduction.

Salary and interest to partners (as permitted by section 40(b))	60,000
Salary to employees	4,90,000
Depreciation	2,70,000
Cost of material used	45,90,000
Other expenses	3,45,000
Total	57,55,000
Net profit (Rs 57,80,000 – 57,55,000)	25,000

Determine the net income of X & Co, for the assessment year 2013 – 14 assuming that long term capital gain is Rs 40,000 and the firm is eligible for a deduction of Rs 5000 under section 80(G). (10 Marks)

- 7
- a. X, who resides in Madras, gets Rs 3,00,000 per annum as basic salary. He receives Rs 50,000 per annum as house rent allowance. Rent paid by him is Rs 40,000 per annum. Find out the amount of taxable house rent allowance for the Assessment year 2013-14. (03 Marks)
 - b. Mr. Vaibhav (Age 51 years) made following contributions during the previous year 2012-13. Find out the amount deductible U/S 80C.
 - Insurance premium on own life Rs 20,000 (sum assured 1,50,000) policy purchased on 10/4/2012.
 - Insurance premium on life of Mother Rs 3800.

- Insurance premium on the life of his wife Rs 20,000 (sum assured Rs 80,000).
 - Contribution to public provident fund Rs 50,000.
 - Tution fee of X's son Rs 15,000.
- c. Write a note on Tax planning, Tax evasion. (07 Marks)
(10 Marks)

8 Compulsory :

X (Age 34 years) is a businessman in Mumbai. Determine his net income and tax liability on the basis of the following Profit & Loss account for the year ending March 31, 2013.

Opening Stock	1,04,000	Sales agency business	92,51,000
Purchases	80,08,750	Closing stock	2,10,000
Salaries & Wages	1,75,000		
Rent & Rates	1,31,000		
Commission	21,500		
House hold expenses	20,000		
Income tax for 2012-13	36100		
Advertisement	5000		
Postage Telegram	4000		
Interest on own capital	84,000		
Reserve for Bad debts	3400		
Depreciation on furniture	18,000		
Net profit	8,50,250		
Total	94,61,000	Total	94,61,000

1. Closing stock & Opening stock valued at 10% below cost.
 2. Depreciation on furniture as per tax provision Rs 17,200.
 3. Amount of sales include a sum of Rs 41,250 representing value of goods with drawn for the use of X's family members. These goods were purchased at a cost of Rs 27,850. The market value of goods is Rs 45,240.
 4. Household expenses include a contribution of Rs 1000 towards public provident fund.
 5. On September 20, 2012 X has received a gift of Rs 96000 from a friend settled in U.K.
 6. X purchased notified bonds of an infrastructure company on April 2, 2013 for Rs 1,02,000.
- (20 Marks)
