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14MBAFM409

Fourth Semester MBA Degree Examination, June/July 2017

Tax Management

Time: 3 hrs.

Max. Marks: 100

SECTION - A

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Who is an Assessee as per Sec 2(7) of IT Act? (03 Marks)
- 2 What is Taxpayer's identification number (TIN)? (03 Marks)
- 3 Define perquisites under the section 17(2)(i). (03 Marks)
- 4 What are the losses which can be carried forward as per IT Act? (03 Marks)
- 5 When is a sale or purchase of goods said to take place in the course of inter-state trade or commerce? (03 Marks)
- 6 What do you mean by capital asset? (03 Marks)
- 7 What are the conditions for claiming deduction of remuneration of partners under Sec 40(b)? (03 Marks)

SECTION - B

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Mr. Avinash, an Indian citizen, leaves India for the first time on Sept 20th 2014 for the purpose of employment. He comes to India for a visit of 146 days on April 10th 2015. He finally comes back on May 16th 2016. Find out the residential status of Mr. Avinash for the A.Y 2017-18 or P.Y 2016-17. (07 Marks)
- 2 What are the pros and cons of VAT? (07 Marks)
- 3 Write a short note on capital and revenue receipts. (07 Marks)
- 4 Miss. Navya sells the following capital assets during the P.Y 2016-17.

Particulars	House Property	Land	Non-Listed Shares
Sale consideration (Rs.)	25,00,000	30,00,000	28,00,000
Year of acquisition	1985-86	1993-94	1995-96
Cost of acquisition (Rs.)	3,50,000	5,50,000	3,00,000
Cost of improvement (Rs.)	5,00,000	3,00,000	--
Year of improvement	1990-91	1995-96	--

Compute the capital gain of Miss. Navya for the A.Y. 2017-18. Cost of inflation index are as follows. (2016-17 = 1125, 1985-86 = 133, 1993-94 = 244, 1995-96 = 281, 1990-91 = 182). (07 Marks)

- 5 For the A.Y 2017-18, Mr. Sahil furnishes the following information. Determine the GTI-Gross total income for the A.Y 2017-18.

	Rs.
Income from house property	2,18,500
Business Income	1,05,000
Short-term capital gains	4,22,000
Long-term capital gains	2,02,500
Income from owning and maintaining race horses	1,15,000
Income from card games	2,16,000
<u>Besides, Mr. Sahil has the following brought forward losses/allowances:</u>	
Brought forward business loss of the A.Y. 2012-13	1,12,000
Unabsorbed depreciation allowance of the A.Y. 2010-11	2,06,000
Long-term capital loss in respect of the A.Y. 2015-16	2,47,200
Brought forward loss from the activity of owning and maintaining race horses of the A.Y. 2014-15	1,25,000
Speculation losses of the A.Y. 2013-14	30,000

(07 Marks)

- 6 Mr. Raj who resides in Bangalore gets Rs.5,00,000 per annum as basic salary. He receives Rs.60,000 per annum as house rent allowance. Rent paid by him is Rs.70,000 per annum. Find out the amount of taxable house rent allowance for the A.Y. 2017-18. (07 Marks)

- 7 Mr. Ravi owns the following assets on April 1st 2016.

Assets	WDV on April, 2016	Rate of Depreciation
Furniture	20,170	10%
Building	9,00,500	10%
Plant and Machinery	2,10,000	20%
Plant and Machinery	64,00,000	15%
Plant and Machinery	2,05,000	40%

During the P.Y. 2016-17, the following assets are purchased by Mr. Ravi:

Date of Purchase	Date when the asset is put to use	Asset	Cost (Rs)	Rate of Depreciation
Oct 1 st 2016	9 th Oct 2016	Trade mark	15,000	25%
20 th June 2016	22 nd June 2016	Plant	1,90,000	40%
30 th Nov 2016	1 st Dec 2016	Foreign made car	1,40,000	15%
Dec 6 th 2016	10 th Dec 2016	Books for professional use	2,700	100%

Determine the amount of depreciation for the A.Y. 2017-18.

(07 Marks)

SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 Explain section 80C, 80DD, 80E, 80DDB and 80U of Income Tax Act 1961. (10 Marks)
- 2 Briefly explain some of the exemptions available on capital gain of IT Act 1961. (10 Marks)
- 3 Miss. Radhika furnishes the following particulars of her income earned during the P.Y 2016-17 relevant to the A.Y. 2017-18.
 - i) Capital gain on sale of a house situated in Pune (sale consideration is received in Nepal Rs.10,00,000).
 - ii) Consultancy fees received from an Indian company (for a project situated in U.K (amount is deposited in his account with Citi Bank, Pune branch, however, it is withdrawn by her in Japan) Rs.9,50,000).

- iii) Dividend declared by an Indian company is Rs.15000.
- iv) Profit on sale of a building in India but received in Singapore Rs.2,00,000.
- v) Pension from a former employer in India, received in Bangalore is Rs.3.00,000.
- vi) Past untaxed profit of 2002-2003 brought to India in 2016-17 is Rs.8,00,000.
- vii) Gift in foreign currency from a friend received in India on Jan 23rd 2017 is Rs.90,000.
- viii) Salary received in India for service rendered in outside India is Rs.60,000.
- ix) Income from agriculture in Kerala but received in Uttar Pradesh, is Rs.2,50,000.

(10 Marks)

- 4 Briefly explain various types of provident funds and its tax treatment. (10 Marks)
- 5 Mr. John, who is not covered by the payment of gratuity Act, 1972 is marketing specialist of Bangalore is working with 2 companies Viz., A Co. and B Co. He retires from A company on November 30th 1988 (salary at the time of retirement: Rs.2600) and receives Rs.22,000 as gratuity out of which Rs.20,000 is exempt under Sec 10(10)(iii).
He also retires from B, company on 10th Dec 2016 after 38 years and 11 months of service and receives Rs.5,50,000 as gratuity amount. His average basic salary drawn from B company for the preceding 10 months ending on Nov 30th 2016 is Rs.18200 per month. Besides he has received Rs.1000 per month as D.A.. 75% of which forms part of salary for the purpose of computation of all retirement benefits. Determine the amount of gratuity exempt from tax of Mr.John for the A.Y 2017-18. (10 Marks)

- 6 Profit and loss account of XY and Co. (a limited liability firm) for the year ending 31st March 2017 are as follows:

	Rs.		Rs.
Cost of goods sold	2,80,000	Sales	7,92,000
Other expenses	3,91,000	Net loss	2,72,000
Interest to partners	1,25,000		
Remuneration to partners	2,68,000		
	10,64,000		10,64,000

Out of other expenses debited to profit and loss account, Rs.63,600 is not deductible. Interest to partners is not deductible to the extent of Rs.17100. The firm satisfies all conditions of sections 184 and 40(b). Determine the taxable income (net) of the firm for the A.Y. 2017-18. (10 Marks)

- 7 Miss Meera (35 years) is a business woman in Mumbai. Determine her income from business on the basis of the following profit and loss account for the year ending 31st March 2017.

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 and rates	1,31,000		
Commission	21,500		
Household expenses	20,000		
Income Tax for 2016-17	36,100		
Advertisement	5,000		
Postage & Telegram	4,000		
Interest on own capital	84,000		
R.D.D	3400		
Depreciation of furniture	18,000		
Net profit	8,50,250		
	94,61,000		94,61,000

Other information:

- i) Closing stock and opening stock has consistently been valued at 10% below cost price.
- ii) Depreciation on furniture, as per tax provisions is Rs.17,200.
- iii) Amount of sales includes a sum of Rs.41250 representing the value of goods withdrawn for the use of Meera's family members. These goods were purchased at cost of Rs.27,850. Market value of these goods is Rs.45,240. (10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

Mr. M (age 51 years), an employee of LMN Ltd. receives the following emoluments during the P.Y. 2016-17. Basic salary Rs.4,80,000 p.a., D.A. Rs.48,000 p.a. (not forming part of basic pay), commission at 2% of fixed turnover (turnover achieved by Mr. M during the P.Y. is Rs.16,00,000), arrears of bonus of the P.Y.2011-12: Rs.9,000 (not taxed earlier), employer contribution towards R.P.F. is Rs.68,000; interest credited to the provident fund account @ 11% is Rs.80,000; conveyance allowance is Rs.10,000 (60% of which is utilized for official purposes), education allowance for Mr. M's three sons @ Rs.200 per month per child is Rs.7,200, rent free furnished house in Calcutta (lease rent of unfurnished house paid by the employer: Rs.1,80,000, rent of furniture is Rs.8,000), free service of gardner, cook and watchman (salary of Rs.6,000, Rs.9,000 and Rs.12,000 respectively).

He runs a business, during the P.Y. income from business is Rs.11,02,000. Mr. M has contributed towards R.P.F of Rs.42,000 and he has purchased NSE VIII issue of Rs.1,40,000. Determine the net income and tax liability of Mr. M for the A.Y. 2017-18. (20 Marks)

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