

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

Fourth Semester MBA Degree Examination, June/July 2015
Tax Management

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any THREE questions from Q.No. 1 to Q.No. 6.
2. Question No. 7 and 8 are 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. X Ltd., a Sugar Manufacturing company, owns the following Assets on April 1, 2013.

Assets	Written down value on April 1, 2013	Rate of Depreciation
Plant A	Rs 4,20,000	15 %
Plant B	Rs 17,80,000	15 %
Plant C	Rs 8,70,000	15 %
Plant D	Rs 1,23,000	40 %

On March 25, 2014, it sells plant D for Rs 4,97,000. On November 10, 2013, it acquires the following assets. (10 Marks)

Assets	Cost (Rs)	Rate of depreciation
Plant E (Second hand)	95,000	40 %
Plant F (Foreign made car)	6,80,000	15 %
Plant G (Indian car)	2,00,000	15 %
Building A	40,00,000	10 %
Know - how	21, 00, 750	25 %
Plant H (office telephone system)	91,200	40 %
Plant I (office machine)	18,000	100 %
Computer	47,170	60 %

Determine the amount of depreciation admissible for the assessment year 2014 – 15.

- 2 a. Define the term Municipal rental value and Fair Rent under income from House property. (03 Marks)
 b. Explain Section 80D, 80DD and 80DDB of Income Tax Act 1961. (07 Marks)
 c. X is a foreign citizen. He, his parents and grandparents were not born in undivided India. However, his relatives (like brothers of his father, sisters of his mother and brothers and sisters of his grandmother and grandfather) were born in undivided India. He is in India as follows : (10 Marks)

Previous year	2013-14	2012-13	2011-12	2010-11	2009-10	Before 2009-10
Presence in India	147 days	140 days	300 days	25 days	32 days	NIL

Find out the Residential status of X for the AY 2014 – 15.

- 3 a. What is VAT? What are its merits? (03 Marks)
 b. What is Minimum Alternate Tax (MAT)? When is it applicable? (07 Marks)
 c. Briefly discuss set – off and carry – forward of losses. (10 Marks)
- 4 a. Write a short note on Capital Assets. (03 Marks)
 b. Who is an Assessee? Who are the various types of assessee? (07 Marks)

c. X gives the following information :

Particulars	First Employment	Second Employment
Name of Employer	A Ltd	B Ltd
Date of joining	April 6, 1994	May 12, 1999
Date of Retirement	May 11, 1999	December 20, 2013
Whether gratuity is paid	No	Yes

A Ltd and B Ltd are under the same management and controlled by D, an industrialist. X resigned from A Ltd on May 11, 1999 to join another company B Ltd. At the time of leaving A Ltd, he did not get any gratuity but at the same time an undertaking was given that the service period with A Ltd shall be considered at the time of retirement from B Ltd for computing retirement benefits. From the information given below, find out the amount of gratuity chargeable to tax for the assessment year 2014 – 15.

- Gratuity paid by B Ltd Rs 7,00,000 (under the payment of Gratuity Act).
- Salary at the time of retirement Rs 14000 per month.
- Dearness Allowance at the time of retirement Rs 2000 for month.
- Annual Bonus – Rs 18000.

(10 Marks)

- What incomes are chargeable to tax under the head income from other sources? (03 Marks)
 - Brief about “Under – Valuation and Over – valuation of stock”, with a suitable example. (07 Marks)
- From the following information provided by Mr. Singh calculate his taxable capital gains for the current assessment year [CI I for 1981 – 82 is 100, 2001 – 02 is 426 , 2006 – 07 is 519 , 2007 – 08 is 551 and 2013 – 14 is 939].
 - Machinery purchased in 2001 – 02 for Rs 3,00,000 is sold on 11.10.2013 for Rs 9,50,000. There was an addition during the year 2006 – 07 for Rs 1,50,000.
 - Furniture purchased on 22-12-2013 for Rs 85000 was sold on 22-01-2014 for Rs 1,10,000.
 - Agricultural land in Tumkur purchased in 1979 – 80 for Rs 2,50,000 was sold on 21-03-14 for Rs 40,00,000. The Fair market value as on 01-04 – 1981 for the land being Rs 4,00,000.
 - Depreciable machinery purchased in 2002 – 03 was sold for Rs 1,25,000 on 03-04-2013. The WDV as on 01-04-2013 was Rs 45000.
 - House property costing Rs 16,00,000 purchased on 2006-07 was sold for Rs 40,00,000 on 22-12-2013. Assume another house property was purchased for Rs 3,00,000 on 12-03-14 from the sale consideration. (10 Marks)
- What do you understand by (Corporate Dividend Tax) Dividend Distribution Tax?(03 Marks)
 - Briefly enumerate objects and provisions of Central Excise Act. (07 Marks)
 - From the following Profit & Loss A/c of a firm, calculate
 - Book profit
 - Remuneration and
 - Taxable income. (10 Marks)

Profit & Loss A/c

Particulars	Amt	Particulars	Amt
Remuneration to partners : X	25000	Sales	5,00,000
Y	30000		
Z	40000		
Interest to partners : X	14000	House property income	50,000
Y	21000		
Z	7000		
Expenses related to other heads of Income	6000		
Net profit	4,07,000		
Total	5,50,000	Total	5,50,000

- 7 Skill based question (Compulsory) :
- Persons who should have PAN CARD compulsorily? (05 Marks)
 - If an assessee submitted his / her return of income through Electronic Media is known as _____ also mention the steps. (05 Marks)
 - Who should sign return of income? (Mention any 5 assessees). (05 Marks)
 - Mention any Five Exempted Incomes U/s 10. (05 Marks)

8 **CASE STUDY : [Compulsory] :**

- From the particulars given below calculate salary income of Mr. Sathish who is working in West Bengal and receives the following during the previous year.
Basic pay = ₹ 20,000 pm ; DA - ₹ 1500 pm [enters into service benefits]
Education allowance - ₹ 200 p.m per child for his two children.
Tribal Area Allowance - ₹ 300 pm ; CCA - ₹ 125 pm ; Conveyance - ₹ 100 pm
Helper allowance - ₹ 50 pm. (05 Marks)
- X (28 years) is a businessman. He maintains books of accounts on Mercantile basis and his main source of income is commission agency. Profit & Loss A/c of X of the year ending March 31, 2014 is given below :

Profit and Loss A/c			
Particulars	Amt (Rs)	Particulars	Amt (Rs)
Opening stock	3,20,000	Sales	85,00,000
Purchase of goods	52,00,500	Gifts received from friends at time of X's marriage	70,000
Salary & wages	6,15,000	Gift received from Mother	68,000
Rent of generator	3,00,000	Sale price of Van	4,15,000
Rent of office owned by X's father	1,20,000	FD interest (net of TDS)	90,000
Rent of Godown owned by Mrs X.	9,00,000	TDS on FD interest	10,000
Repairs	80,000	IT refund including interest of Rs 9000	27,000
Income tax of X.	47,000	Closing stock	2,10,000
IT paid on behalf of X's father	25,000		
Wealth Tax paid	17,000		
Medical expenses to staff	18,000		
Miscellaneous Expenses	3,20,000		
Depreciation to Factory	17,000		
Depreciation of Van	72,000		
Advance IT paid	90,000		
Interest for late payment of sales tax	8,000		
Net profit	12,40,500		
	93,90,000		93,90,000

Additional Information :

- Expenditure on purchase of goods includes a payment of Rs 45000 to a local dealer made in cash as the recipient does not have bank account. Another Expenditure of Rs 26000 is given in cash pertains to purchase of goods from Y. Y manufactures goods without the aid of power in a cottage industry.
- Tax is not deducted at source in respect of purchase of goods.
- Salary includes a contribution of X to unrecognized provident fund account of employees of Rs 65000.

4. Rent of godown is paid half yearly 50 percent is paid on Sept 30, 2013 (tax is not deducted on Sept 30, 2013 but it is deducted on April 1, 2014 and deposited on the same day). Balance 50 percent is paid on March 31, 2014 after deduction of tax at source. Tax which is deducted on March 31, 2014 is deposited on April 7, 2014.
 5. Office is taken on rent from X's father. No Tax is deducted at source. Market rent of the same office is Rs 1,50,000.
 6. Godown is taken on rent from Mrs. X, amount is paid by account payee cheques.
 7. Half of the office is used as residence of X.
 8. X purchases a van on May 10, 2013 for Rs 5,00,000. It is used for office and personal purposes. Approximately. 15 percent expenditure is attributable towards personal use of X and his family. Van is sold on March 24, 2014 for Rs 4,15,000.
 9. Salary includes sales of driver of Van of Rs 48,000.
 10. Miscellaneous expenses include maintenance expenditure of van of Rs 60,000.
- Find out Business Income of X for the Assessment year 2014 – 15. (15 Marks)
