

USN

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

14MBAFM409

**Fourth Semester MBA Degree Examination, Dec.2018/Jan.2019**

**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 a i) Deemed Assessee ii) Assessee in default? (03 Marks)
- 2 What conditions are laid under sec 54 EC for investment in specified assets? (03 Marks)
- 3 State any six 'profits chargeable to tax' under the head Business Income. (03 Marks)
- 4 Define the terms Municipal Rental Value and Fair Rent under Income from House property? (03 Marks)
- 5 State the provisions relating to deduction in respect of repayment of loan taken for higher education U/S 80E of Income Tax Act. (03 Marks)
- 6 What do you understand by Set off and Carry forward of losses? (03 Marks)
- 7 Define Excisable goods under Central Excise Act 1944. (03 Marks)

**SECTION - B**

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

- 1 Mr. Madhu is an Indian citizen went out of India on 28th August, 2014 for a service in a Company in Japan and came back to India on 1st April, 2015 to meet his family. During the financial year 2015-16, he received the following incomes.
  - i) Incomes from salary in Japan Rs 1,70,000.
  - ii) Interest on bonds of Central Government of India Rs 28,000.
  - iii) Taxable Income from shares from foreign company Rs 7,500 , received in Japan.
  - iv) Income from agricultural land situated in Punjab Rs 10,000.
  - v) Interest received from a firm in U.K, remitted to India Rs 9,200.
  - vi) Payment from Public Provident Fund Rs 20,000.
  - vii) Commission received in India for the services given in Nepal Rs 10,000.
 Calculate the Gross Total Income of Mr. Madhu after ascertaining his Residential status for the Assessment Year 2016-17. (07 Marks)
- 2 Sri Pramod an employee of PQR Ltd., draws Rs 2,00,000 as Basic salary, Dearness allowance Rs 15,000 , Bonus Rs 20,000 , Education allowance to a son Rs 300 per month. Besides company provides a Rent free unfurnished house in Chennai. Determine the taxable value of Rent – free accommodation for the assessment year 2016-17 if the house is :
  - a) Owned by the company.
  - b) Leased by the company on lease amount Rs 20,000 per annum (as Rent). (07 Marks)

- 3 X Ltd., is engaged in the business of Manufacture of hardware since 1999. During the previous year 2015-16, the following assets are acquired and put to use.

Rate of Depreciation	Block 1 (15%)	Block 2 (30%)	Block 3 (60%)
Number of assets in the block	9,000	18,000	14,000
Depreciated value of the block on 01-04-2015	45,00,000	62,50,000	12,50,000
Additions of plants (new) during the previous year 2015-2016 :			
Plant A	1,42,50,000	-	-
Plant B	-	10,00,000	-
Plant C	-	-	42,50,000
Sale of old plants (one plant in each block)	20,000	71,75,000	1,05,00,000

Plants A and C are acquired during May 2015 and put to use during September 2015. However, Plant B which is also acquired during May 2015 is put to use during the last week of March 2016. Find out the following : i) Additional and Normal depreciation for the Assessment year 2016-17 ii) Depreciated value of the blocks on April 1, 2016. (07 Marks)

- 4 Dr. Bhagawan is a Renowned Medical practitioner, who gives the following Receipts and payments account for the year ending 31st March 2016. Calculate his Income from the professions from the details given :

- i) For official purpose 2/3rd portion of the car is used.  
 ii) Depreciation is to be charged as follows :  
 On Books 100% , On Car 15% and On Surgical Equipments 15%.  
 iii) Closing stock of Medicine is Rs 4,000. (07 Marks)

Receipts	Rs	Payments	Rs
To Balance	75,000	By Rent to clinic :	
		2016 - 17 8,000	
		2015 - 16 7,000	15,000
Consulting fees :		Purchase of professional Books	20,000
2016-17 25,000			
2015-16 20,000	45,000		
Visiting fees	20,000	Purchase of Medicine	15,000
Sale of Medicine	90,000	Purchase of Motor car	75,000
Gifts and Presents from clients	10,000	Income Tax	3,000
Interest from post office savings	12,000	Purchase of surgical equipment	15,000
Winnings from Lottery	1,50,000	Gift to wife	5,000
Dividends	10,000	By Balance	2,64,000
	4,12,000		4,12,000

- 5 How do you classify a capital gain as short term and long term capital gain? (07 Marks)  
 6 What is VAT? What are its advantages and disadvantages? (07 Marks)  
 7 Explain Section 80D , 80DD and 80DDB of the Income Tax Act 1961. (07 Marks)

### SECTION - C

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

- 1 Sri Chowdhry is purchasing officer in a Company in Kota (population exceeding 25 lakh). He furnished the following particulars regarding his income for the previous year 2015-16 :



- a) Net basic salary Rs 1,20,000 which is after deducting Rs 2,000 for Income Tax. Rs 10,000 as contribution to recognized provident fund and rent of the bungalow Rs 3,600.
- b) Bonus Rs 1,800 c) Travelling allowance for official duty travelling Rs 25,000.
- d) Reimbursement of medical bills Rs 15,000 (treatment was done in a government hospital in India).
- e) He lived in a bungalow belonging to the company. The company has provided on this bungalow the facility of a gardener and a cook each of whom is being paid a salary of Rs 250 per month and Rs 800 per month respectively. The company paid in respect to this bungalow Rs 4,800 for electricity bill and Rs 1,200 for water bill.
- f) He has been provided with a large car for official and personal use. The Maintenance and running expenses of the car (including driver) are borne by the company.
- g) The following amounts were deposited in his provident fund account :
- i) Own contribution Rs 10,000 ii) Company's contribution Rs 10,000 iii) Interest @ 9.5% p.a. Rs 9,075. Compute his taxable Income from Salary for the Assessment year 2016-17. (10 Marks)
- 2 Mr. Mohan (Resident) had two houses. The first house was occupied by himself for his residence. He got this house from his uncle as a gift on 15<sup>th</sup> July 1988. His uncle purchased this house in 1979 for Rs 56,000. Its fair market value as on 1<sup>st</sup> April 1981 was Rs 70,000. Mohan spent Rs 5,000 on its improvement on 10.09.2004 and sold it on 30<sup>th</sup> November 2015, for Rs 10,00,000. He purchased another house for his residence on 25<sup>th</sup> February 2016 for Rs 2,00,000. He had purchased the second house for Rs 60,000 in 1987 – 88 and had letout for Residential purpose. He sold this house on 15<sup>th</sup> June 2015 for Rs 5,20,000. He had purchased some Jewellery in 1987-88 for Rs 75,000. On 22<sup>nd</sup> February, 2016 he sold this Jewellery for Rs 5,50,000 and purchased on 15<sup>th</sup> March 2016 new Jewellery for Rs 75,000. C.I. for 1981-82 : 100 , 1987-88 : 150 , 1988 – 89 : 161 , 2004 – 05 : 463 and 2015 – 16 : 1,081. Compute the taxable capital gain of Mr. Mohan for the Assessment year 2016-17. (10 Marks)
- 3 ABC is a partnership firm carrying on business in which A, B and C are partners sharing profits and losses equally. In respect of Assessment year 2016-17, it furnishes the following particulars :
- a) Loss as per Profit and Loss Account after debiting remuneration to partners and interest on their capital Rs 2,50,000.
- b) Remuneration to Partners : A : Rs 90,000 ; B : Rs 60,000 ; C : Rs 30,000.
- c) Interest on Capital : A : Rs 20,000 ; B : Rs 20,000 ; C : Rs 20,000.
- d) As on 01-04-2015 the capital of each partner is Rs 1,00,000. You are required to work out the income of the firm and of the partners A, B and C assuming that the partners have no other income. (10 Marks)
- 4 The following is the Profit and Loss Account of Mr. X for the year ended on 31<sup>st</sup> March 2016. Compute his taxable income from business for that year :

Opening stock	15,000	Sales	1,80,000
Purchases	40,000	Closing stock	20,000
Wages	20,000	Gift from father	10,000
Rent	46,000	Sale of car	17,000
Repairs of car	3,000	Income tax refund	3,000
Medical expenses	3,000		
General expenses	10,000		
Depreciation of car	4,000		
Profit for the year	89,000		
	2,30,000		2,30,000



Following further information is given :

- i) Mr. X carries in his business from a rented premises half of which is used as his residence.
- ii) Mr. X bought a car during the year for Rs 20,000. He charged 20% depreciation on the value of the car. The car was sold during the year for Rs 17,000. The use of the car was  $\frac{3}{4}$ <sup>th</sup> for the business and  $\frac{1}{4}$ <sup>th</sup> for personal use.
- iii) Medical expenses were incurred during the sickness of Mr. X for his treatment.
- iv) Wages include Rs 250 per month on account of Mr. X's driver for 10 months.

(10 Marks)

- 5 Discuss the various types of customs duties levied in India. (10 Marks)
- 6 Explain the provisions for payment of Tax by companies under section 115 JB.(10 Marks)
- 7 Write a note on Tax planning and Tax evasion. (10 Marks)

### SECTION - D

#### CASE STUDY – [ Compulsory ]

Rao Ltd., a domestic Ltd, Company, provides you following Profit and Loss A/c for computation of Tax liability for Assessment year 2016-17.

To Purchases	18,75,000	By Sales	75,25,000
To Direct wages	8,45,000	By Closing stock	1,10,000
To Freight	12,500		
To Gross profit C/d	49,02,500		
	<u>76,35,000</u>		<u>76,35,000</u>
To Salaries	8,50,000	By Gross profit B/d	49,02,500
To General expenses	4,35,000	By Dividends from Indian Company	17,500
To Sales expenses	2,15,000		
To Directors remuneration	8,22,000		
To Income Tax	1,80,000		
To Penalty (excise)	10,000		
To proposed Dividend	3,20,000		
To provision for losses of subsidiary company	2,00,000		
To Net profit	18,88,000		
	49,20,000		49,20,000

Additional Information :

- i) Purchases include one bill of Rs 60,000 against which payment was made in cash.
- ii) General expenses include Rs 15,000 as interest on loan taken from Scheduled Bank. This interest has not been paid so far.
- iii)

	As per I.T.Act	As per Books of Accounts
Brought forward losses	Rs 2,80,000	Rs 1,40,000
Unabsorbed Depreciation	Rs 1,70,000	Rs 50,000

Calculate : i) Total Income and Tax Liability as per provisions of I.T. Act.

ii) Book profits and Tax liability as per section 115 J.B.

iii) Ultimate Tax liability of the company.

(20 Marks)

\*\*\*\*\*