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14MBAFM409

Fourth Semester MBA Degree Examination, Dec.2017/Jan.2018
Tax Management

Time: 3 hrs.

Max. Marks:100

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

- 1 Define the term "Person" U/S 2(31) of IT Act of 1961. (03 Marks)
- 2 What do you understand by Slump sale? (03 Marks)
- 3 Who is a manufacturer under Central Excise Act? (03 Marks)
- 4 Differentiate between tax planning and tax evasion. (03 Marks)
- 5 What do you understand by corporate dividend tax? (03 Marks)
- 6 What are the conditions for allowing deductions on account of depreciation under Income Tax Act? (03 Marks)
- 7 What do you mean by MAT credit? (03 Marks)

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

- 1 Ascertain the residential status of the Assesses in the following cases for the assessment year 2017 - 18. (07 Marks)
 - i) Ajay is a citizen of India. He left for Iran on 18th April 2016 and could not return to India till the end of the financial year 2016-17.
 - ii) Gautham left for USA on 10th March 2014 after having lived in India for 20 years. He returned to India on 10th August 2016.
- 2 Explain the provisions regarding set – off and carry forward of losses. (07 Marks)
- 3 Mr. Arun who is not covered by the Payment of Gratuity Act 1972, retires from service on November 30th 2016 from XYZ Co. Ltd., and receives ₹ 2,50,000 as gratuity after serving for 35 years 10 months. His salary is ₹ 18000 p.m upto July 31st 2016 and ₹ 19,000 p.m from August 1st 2016. Besides he gets ₹ 1000 p.m as dearness allowance (60% enters into retirement benefits). Compute the exemptible amount of gratuity. (07 Marks)
- 4 Write a note on Tax – free perquisites. (07 Marks)
- 5 Mr. E purchased a residential property in 1958 for ₹ 60,000. In 1963 he remodeled the property spending ₹ 20,000. In 2010 he concluded an agreement to sell the property to Mr. N for ₹ 12,00,000 but the sale could not go through since Mr N did not pay consideration by the time fixed. Mr. E, therefore forfeited the advance of ₹ 50,000 given by Mr. N. Mr. E spent a further sum of ₹ 40,000 to construct additional room in 2012-13. The entire property was sold for ₹ 30,00,000 on 30th June 2016, paying a brokerage of 2 %. The FMV of the property as on 1.4.1981 ₹ 1,20,000.
Compute the taxable capital gain for the assessment year 2017-18. Also, indicate whether any provisions of the Income Tax Act would enable Mr. E to avoid payment of taxes on capital gain. C11.1981 – 82 – 100 ; 2012 – 13 – 852 ; 2016 – 17 – 1125. (07 Marks)

- 6 Discuss different types of Custom duties. (07 Marks)
- 7 The WDV of assets as on 1.4.2016 – Machinery (15%) - ₹ 5,00,000.
One Motor Truck (30%) - ₹ 3,00,000.
Additions during the year. ₹
- | | |
|--|-------------|
| Machinery on 1 st August 2016 | - 1,00,000. |
| Machinery on 1 st December 2016 | - 1,50,000. |
- Following assets were sold during the year
- | | |
|--|-------------|
| Machinery on 20 th September 2016 | - 1,25,000. |
| Truck on 1 st February 2017 | - 2,50,000. |
- (07 Marks)

SECTION - C

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

- 1 Discuss the incidence and levy of KVAT. (10 Marks)
- 2 Explain the items of income chargeable to tax under the head income from other sources. (10 Marks)
- 3 Following donations were made by Mr Rakesh Khanna. (10 Marks)

	₹
a) National Children's Fund	12,000
b) National Foundation for Communal Harmony	15,000
c) National Blood Transfusion Council	20,000
d) Rajiv Gandhi Foundation	16,000
e) Kasturba Medical college	5,000
f) Renovation of local temple	13,000
g) Construction of school building	26,000
h) Blankets to inmates of an orphanage	18,000
i) Health center for family planning	30,000

His gross total income ₹ 5,00,000 included LTCG of ₹ 1,00,000. He repaid ₹ 50,000 as interest to bank towards education loan and ₹ 30,000 towards principal, borrowed to pursue MBA. Compute Mr. Rakesh Khanna's total income.

- 4 Smt. Sahana (Age 45 years) furnishes the following particulars of her income for the previous year 2016-17. (10 Marks)
- Basic ₹ 25,000 p.m.
D.A ₹ 5,000 p.m (enters in the retirement benefits).
Tour Allowance ₹ 1000 p.m (80% spent for official purposes)
Transport Allowance ₹ 2000 p.m.
Hostel Allowance ₹ 500 p.m for one child.
The Company gave her rent for furnished house for which the Company paid a rent of ₹ 10,000 p.m. The Company paid ₹ 2000p.m. as hire charges for the furniture. She has appointed a maid for whom the company pays ₹ 3000 p.m as salary. She is also provided with a small car for personal and official purposes and the car expenses(including drivers salary) are borne by the company.
Reimbursement of medical expenses for her spouse treatment in a private hospital ₹ 35,000.
Compute taxable Income from salary for the Assessment year 2017 – 18, after considering the following :
- a) During the year Smt. Sahana paid LIC premium on her life - ₹ 5,000 and on her mother's life - ₹ 3000.

- b) Deposited ₹ 25,000 in PPF.
 c) Professional tax paid 2400 p.a.
 d) Deposited in NSC - ₹ 25,000. Also compute deductions U/S 80C.

5 Discuss exemptible capital gains. (10 Marks)

- 6 M/S Sen and Sharma is a firm of Chartered Accountants in which Sen and Sharma are working partners and Verma non – working partner sharing profits and losses in the ratio 2:1:1. The firm showed net surplus of ₹ 60,000 for the year ending 31st March 2017. The following items were debited to income and expenditure account.

		₹
a)	Salary to – Sen	7000
	Sharma	9800
b)	Commission to Verma to Sharma	6000 4800
c)	Interest on capital 20% Sen	6000
	Sharma	4000
d)	Customs penalty paid	3,000
e)	Rent paid to Sen in respect of the house let out by him to the firm.	3,600

Compute total income of the firm and the income of partners from firm. (10 Marks)

- 7 Given below is the summary of cash transactions of Mr. Karan Patil a practicing chartered Accountant.

To Audit fees		By Office expenses	
2015 - 16	2000	2015 - 16	1000
2016 - 17	156000	2016 - 17	9000
2017 - 18	1210	By Office rent	4500
To consultation fees	10,000	By Salaries & wages	12,550
To App. Tribunal appearance	15,000	By Stationary & Printing	1000
To Interest on govt. securities	10,000	By Subscription to Journals	3000
To Rent Received	10,000	By Books bought	6,300
To Presents from the clients	9050	By Travelling expenses	5,800
To Miscellaneous Receipts	20,000	By Interest on bank loan	3,000
		By Donation	5,000
		By Balance c/d	1,82,110
Total	2,33,260	Total	2,33,260

Additional Information :

- a) Outstanding stationery for the year 2016 – 17 ₹ 2000.
 b) Loan from the bank was taken to construct the house in which the assessor resides.
 c) $\frac{1}{4}$ of the travelling expenses relate to private purposes.
 d) Donation is to National Children's Fund.
 e) Books bought include annual publication ₹ 1,300. Compute taxable Income from Profession. (10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

XYZ Ltd., is engaged in the business of manufacturing of toys. The Profit & Loss A/c for the year ended 31st March 2017 is as below :

To Salary	3,10,000	By Sales	33,00,000
To General Expenses	12,00,000	By Withdrawn from general reserve	3,00,000
To Dividend proposed	70,000	By Short term capital gain	2,00,000
To Depreciation	8,20,000		
To Income tax	4,50,000		
To Donation to NDF	1,00,000		
To O/S customs duty	25,000		
To Advertisement	25,000		
To Net profit	8,00,000		
Total	38,00,000	Total	38,00,000

Additional Information :

- General expenses include : i) Payment to National Laboratory ₹ 10,000
ii) Penalty for breach of customs law ₹ 25,000.
iii) Payment made in cash ₹ 32,000.
iv) Cash transaction tax paid ₹ 5,000.
- Depreciation U/S 32 ₹ 10,00,000.
- Following losses are to be set - off.

	For Tax Purposes	For Accounting
B/f loss 2012 - 13	6,00,000	5,00,000
Unabsorbed Depreciation	-	3,50,000

- LTCG during the year ₹ 3,00,000.

Compute total income of the company for the AY 2017 – 18. Also compute Tax Liability. Apply MAT (20 Marks)
