

USN

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

CMRIT LIBRARY
BANGALORE - 560 037

14MBAFM409

Fourth Semester MBA Degree Examination, June/July 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 Explain the words 'Assessee' and 'Assessee in Default' as per IT act. (03 Marks)
- 2 Mention any three incomes chargeable under the head income from other sources. (03 Marks)
- 3 What is cost inflation index? (03 Marks)
- 4 Explain the concept of business as per the IT act. (03 Marks)
- 5 Explain carry forward and set off of capital loss arising out of computation of capital gains. (03 Marks)
- 6 What do you mean by minimum alternative tax? (03 Marks)
- 7 What is bill of entry? (03 Marks)

SECTION - B

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

- 1 What do you understand by tax evasion, tax avoidance, and tax planning? (07 Marks)
- 2 Briefly explain various types of provident fund. (07 Marks)
- 3 Mr. X (44 years) is a citizen of India. He leaves India for the first time on Sept 20, 2016 for the purpose of working on an overseas project of his employer company ABC Ltd. an Indian company. He will come back on October 10, 2017. Find out his residential status for the AY 2017-18 and 2018-19. (07 Marks)
- 4 Mr. GMK retired from his service on 31/12/2015 after serving for 26 years, 8 months in a private company. At the time of retirement he was entitled to a salary of Rs.15000/month, DA of Rs.1000/month (no retirement benefits) and commission at a fixed percentage of 2% on sales, on an average he had achieved monthly sales of Rs.2,00,000. During his service time he had availed 14 months leave and he received Rs.2,50,000 as leave encashment. Compute his taxable leave salary for the AY 2016-17. (07 Marks)
- 5 What are the basic principles for arriving at business income? (07 Marks)
- 6 Briefly explain any seven permissible deductions U/S 80C of income tax act. (07 Marks)

- 7 From the following particulars furnished by Mr. Vinay compute his income from capital gains for the AY 2016-17.

Particulars	Rs.
Date of purchase of house property	01-07-1980
Cost of acquisition	1,00,000
Cost of addition in 1980	50,000
Fair market value on 1/4/1981	1,50,000
Cost of improvement in 1994-95	57,700
Sale proceeds in 2015-16	27,20,000
Selling commission	20,000

[CII : 1981-82 = 100; 1994-95 = 259 and 2015-16 = 1081]

(07 Marks)

SECTION - C

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

- 1 For the PY 2015-16, Mr. Mahesh Rao reports the following income:

i)	Fees for technical services paid by a non-resident company for a project situated outside India (Income is received outside India and later on it is gifted to Mr. Mahesh)	97,000
ii)	Income from a profession set up in India service is rendered from India but amount is received in USA.	1,24,000
iii)	Rental income from house property situated in Kenya (amount is received in USA which is entirely used for the education of his daughter in USA)	80,000
iv)	Agricultural income from Bhutan (received in Nepal & agricultural operations are controlled from India)	2,00,000
v)	Agricultural income from Kerala.	70,000
vi)	Rental income of property situated in Kenya pertaining to the PY 2014-15 is remitted to India in the current year.	75,000
vii)	Technical fees paid by government of India for a foreign project (amt is received outside India)	90,000

Find out the income of Mahesh chargeable to tax for the AY 2016-17 if Mahesh is (i) Resident and ordinarily resident, (ii) Resident but not ordinarily resident, (iii) Non-resident in India.

(10 Marks)

- 2 What is capital asset? Highlight few transactions are regarded as transfer in relation to capital assets U/S 2(47). (10 Marks)

- 3 Write a short note on the following:

- Central Excise Act
- Central Sales Tax
- Value Added Tax (VAT)

(10 Marks)

- 4 List out any five allowances for the following three categories:

- Fully exempted
- Fully taxable
- Partially taxable

(10 Marks)

- 5 The following is the P/L account of Mr. Pradeep for the 31st March 2015. Compute his taxable business income for the year 2016-17.

Dr	P/L Account		Cr
Particulars	Rs.	Particulars	Rs.
To Opening stock	15,000	By Sales	80,000
To Purchases	40,000	By Closing stock	20,000
To Wages	20,000	By Gift from father	10,000
To Repairs of car	3,000	By Sale of car	17,000
To Rent	6,000	By IT refund	3,000
To Wealth tax	2,000		
To Medical expenses	3,000		
To General expenses	10,000		
To Depreciation	5,000		
To Advance IT paid	1,000		
To Net profit	25,000		
	1,30,000		1,30,000

Additional information:

- i) Mr. Pradeep on his business from rented premises, half of which is used for residence.
 - ii) He bought a car during a year for 20000. He charged 25% depreciation on the value of car. The car was sold during the year for Rs.17000. The use of car was 3/4th was business 1/4th personal.
 - iii) Medical expenses were incurred when Pradeep was sick.
 - iv) Wages include Rs.250 p.m. on account of Mr. Pradeep's driver for 10 months.
 - v) General expenses include expenditure incurred by Mr. Pradeep amounting to Rs.5000 for promotion of family planning among employees. (10 Marks)
- 6 Briefly explain the concept of partnership firms in Indian Tax System. (10 Marks)
- 7 Dr. Harish is a professor in a MBA college. From the following information compute his total income for the AY 2016-17.
- i) Basic salary at Rs.12,000 pm.
 - ii) D.A. 45% of salary.
 - iii) Warden allowance at Rs.400 p.m.
 - iv) Examination remuneration = Rs.3000
 - v) Royalty from books for college (computed) = Rs.22,500
 - vi) Gross interest on Govt. securities = Rs.5000
 - vii) Interest on debentures (gross) = Rs.3000; debentures are issued by a public center company.
 - viii) Dividend on shares of a foreign company = Rs.2500
 - ix) Income from house property = Rs.10000 (computed)
 - x) Contribution of statutory provident fund = Rs.5000.
 - xi) Contribution to PPF = Rs.12000
 - xii) Premium paid by cheque on medical insurance policy on health of dependent father = Rs.3000.
 - xiii) Donation to approved charitable institution = Rs.10,000. (10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

Mr. JR (46 years) is appointed by a company in Patna on salary of Rs.33,000 p.m. In addition to salary he gets DA at the rate of 48% of basic salary out of which 10% is part of salary for calculating pension and gratuity. Besides he gets club allowance of Rs.900 p.m. which is increased to Rs.1500 p.m. from Jan 1st 2016. Further, he gets HRA at the rate of Rs.6000 p.m. (rent paid is Rs.9000 p.m. at NOIDA). The employer – company has provided him a sweeper, watchman, cook and gardener (salary paid by the employer: Rs.1200 p.m. per person). However, the facility of gardener has been withdrawn from March 1st 2016. From this date he gets servant allowance of Rs.1500 p.m.

He has been provided a car (1000 cc). Car can be used for official and private purposes. Total expenditure incurred by the company is Rs.42000 (approximate 5% of the expenditure is attributable towards personal use of the car). The employer and employee each contribute 14% of salary towards RPF. However, with effect from Nov. 1st 2015, he makes an additional contribution of Rs.15000 p.m.

Find out net income and tax liability of Mr. JR for the AY 2016-17 on the assumption that income of JR from other sources is Rs.7,50,000 and employer pays Rs.13000 as income-tax on behalf of Mr. JR on non-monetary perquisites provided to him. (20 Marks)

* * * * *