

Internal Assessment Test - 2

Sub:	Direct Taxation	Code:	18MBAFM303
Date:	18/10/2019	Duration:	60 mins
		Max Marks:	50
		Sem:	III
		Branch:	MBA

		Marks		OBE	
		CO	RBT	CO	RBT
Part A - Answer all the questions (15* 1 = 15 marks)					
1	Children education allowance is exempted from tax upto a. Rs.300 pm per child b. Rs.300 pm c. Rs.100 pm d.Rs.100 pm per child	2		1	
2	Current exemption limit for the individual assessee with more than 80 years age a. Rs.2,50,000 b. Rs.3,00,000 c. Rs.5,00,000 d. None	2		1	
3	Current exemption limit for gratuity is a. Rs.10,00,000 b. Rs.20,00,000 c. Rs.25,00,000 d. None	2		1	
4	Tax treatment of bonus is a. Fully exempted b. Fully taxable c. Partly taxable d. None	2		2	
5	Tax treatment of pension (other than UNO employees) is a. Fully taxable b. Fully exempted c. partly taxable d. None	2		2	
6	Tax treatment of family pension received by survivors of armed personnel is a. Fully taxable b. Fully exempted c. Partly exempted d. None	2		2	
7	Meaning of salary for the purpose of HRA is a. Basic + DA + Variable commission b. Basic + DA (If it enters into retirement benefit)+ commission c. Basic + DA (If it does not enters into retirement benefit)+Variable commission d. Basic + DA (If it enters into retirement benefit)+Variable commission	2		2	
8	Children hostel allowance is exempted from tax upto a. Rs.300 pm b. Rs.300 pm per child c. Rs.300 p.a. per child d.Rs.300 p.a.	2		1	
9	Standard deduction for the current AY 2020-21 is a.Rs.25,000 b. Rs.40,000 c.Rs.50,000 d. None	2		1	
10	Taxable value of RFA u/s17(2) if the bungalow is not owned by the employer and population of the city of staying is more than 25 lakh is a.7.5% of salary b. 10% of salary c.15% of salary d. 15% of Salary or Lease rent/Rent whichever is less	2		2	
11	If furnished accommodation is provided by the employer to employee a.10% of cost of furniture or hire charges is added to RFA calculated u/s 17(2)(i) b.10% of hire charges or cost of furniture is added to RFA calculated u/s 17(2)(i) c.Hire charges or cost of furniture is added to RFA calculated u/s 17(2)(i) d.None	2		2	
12	Which is correct about entertainment allowance received by the govt employees? a. Exemption available u/s16(ii) b. Deduction available u/s16(ii) c. Fully exempted d. None	2		2	
13	Tax treatment of family pension (other than armed personnel) is a. Fully taxable u/h Income from salary b. Fully taxable u/h Income from other sources c. Partly taxable u/h income from salary d. Partly taxable u/h income from other sources	2		2	
14	Commutated value of pension received by govt. employee is a. Fully taxable b. Fully exempted c. Partly taxable d. None	2		2	
15	Tribal area allowance is exempted upto a. Rs.200 pa b. Rs.200 pm c. Rs.300 pa d. Rs.300 pm	2		2	
Part B – Practical problems (7*5=35 marks)					
16	Mr.Z, an employee of A Ltd. receives Rs.1,00,000 as gratuity (he is covered under the Payment of Gratuity Act, 1972). He retires on December	2		3	

31, 2019 after rendering service for 24 years and 7 months. At the time of retirement the monthly basic salary and DA was Rs.3,000 and Rs.1,000 respectively. What is exempted amount of Gratuity?

- a. Rs.1,00,000 b. Rs.20,00,000 c. Rs.57,692 d. Rs.42,308

17 In the Q.No.16 What would be taxable amount of Gratuity?
a Rs.1,00,000 b. Rs.20,00,000 c. Rs.57,692 d. Rs.42,308

18 Mr.X had joined the service of the Union Govt. in 1991. In 2008, he was deputed to a public sector corporation. During 2019, he retires voluntarily from the service of the Govt. He is entitled either to draw pension or commute the same. He exercises the latter option and accordingly receives Rs.1,80,000. What is the tax treatment of such amount?
a. Fully taxable b. Fully exempted c. Partly exempted d. None

19 Mr.Pratap Chowdari, a resident of Mumbai, receives Rs.3,00,000 p.a. as basic salary during the p.y. 2019-20. In addition he gets Rs.25,000 as DA forming part of basic salary, 10% commission on sales made by him (sale made during the relevant p.y. is Rs.1,00,000) and Rs.30,000 p.a. as HRA. He however pays Rs.50,000 p.a. as house rent. What is taxable HRA?
a. Rs.13,500 b.Rs.30,000 c. Rs.16,500 d. Rs.1,67,500

20 Mr.X, who resides in Kanpur, receives Rs.1,80,000 as basic pay during the P.Y. 2019-20. He stays in his father's house up to September 30, 2019 for which he does not pay any rent and thereafter in an accommodation taken on monthly rent of Rs.5,000. The employer, however, pays Rs.4,000 p.m. as HRA throughout the p.y. How much exemption is available for HRA?
a. Rs.3,000 b. Rs.24,000 c. Rs.21,000 Rs.36,000

21 Mr.X retires from P Ltd. On March 31, 2019. P Ltd. Pays Rs.2,600 p.m. as pension but does not pay any gratuity. On the request of X, P Ltd. Pays Rs.80,000 in lieu of commutation of 25% of pension on January 31, 2020. What is taxable pension?
a. Rs.26,000 b Rs.29,900 c. Rs3,900 d. None

22 In the Q.No.21, what would be taxable commuted value of pension?
a. Rs.80,000 b. Rs.1,60,000 c. Zero d. None

2	3
2	3
2	3
2	3
2	3
2	3

Course Outcomes		PO1	PO2	PO3	PO4	PO5
CO1:	Understand the basics of taxation and process of computing residential status.	1a,b,c 2a,b,c 3a,b,c				
CO2:	Calculate taxable income under different heads			4		
CO3:	Understand deductions and calculation of tax liability of Individuals.					
CO4:	Know the corporate tax system.					

Cognitive level	KEYWORDS
L1	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss

L3	calculate, predict, apply, solve, illustrate, use, demonstrate, determine, model, experiment, show, examine, modify
L4	classify, outline, break down, categorize, analyze, diagram, illustrate, infer, select
L5	grade, test, measure, defend, recommend, convince, select, judge, support, conclude, argue, justify, compare, summarize, evaluate
L6	design, formulate, build, invent, create, compose, generate, derive, modify, develop, integrate

PO1–Theoretical Knowledge; PO2–Effective Communication Skills; PO3–Leadership Qualities; PO4 –Sustained Research Orientation; PO5 –Self-Sustaining Entrepreneurship

CCI

HOD

Scheme

Q.No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
	d	c	b	b	a	b	d	b	c	d	a	b	d	b	b	c	d	b	a	c	b	c

Part B – Practical problems (7*5=35 marks)										
16	<p style="text-align: center;">Least of the followings is exempted u/s 10(10)(ii)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">a</td> <td style="width: 85%;">Amount of Gratuity received</td> <td style="width: 10%; text-align: right;">Rs.1,00,000</td> </tr> <tr> <td>b</td> <td>Ceiling limit</td> <td style="text-align: right;">Rs.20,00,000</td> </tr> <tr> <td>c</td> <td>15 days salary for each completed years of service (15/26 x 4,000 x 25)</td> <td style="text-align: right;">Rs.57,692 Exempted</td> </tr> </table> <p style="text-align: center;">Taxable Gratuity 1,00,000 – 57,692 = Rs.42308</p>	a	Amount of Gratuity received	Rs.1,00,000	b	Ceiling limit	Rs.20,00,000	c	15 days salary for each completed years of service (15/26 x 4,000 x 25)	Rs.57,692 Exempted
a	Amount of Gratuity received	Rs.1,00,000								
b	Ceiling limit	Rs.20,00,000								
c	15 days salary for each completed years of service (15/26 x 4,000 x 25)	Rs.57,692 Exempted								
19	<p style="text-align: center;">Least of the following is exempted u/s 10(13A)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">a</td> <td style="width: 85%;">Actual HRA received</td> <td style="width: 10%; text-align: right;">Rs.30,000</td> </tr> <tr> <td>b</td> <td>40% of salary (50% of Rs.3,35,000)</td> <td style="text-align: right;">Rs.1,67,500</td> </tr> <tr> <td>c</td> <td>Excess of Rent paid over 10% of salary [50,000 - (10% of 3,35,000)]</td> <td style="text-align: right;">16,500 Exempted</td> </tr> </table> <p style="text-align: center;">Taxable HRA = Rs.30,000 – 16,500 = Rs.13,500</p>	a	Actual HRA received	Rs.30,000	b	40% of salary (50% of Rs.3,35,000)	Rs.1,67,500	c	Excess of Rent paid over 10% of salary [50,000 - (10% of 3,35,000)]	16,500 Exempted
a	Actual HRA received	Rs.30,000								
b	40% of salary (50% of Rs.3,35,000)	Rs.1,67,500								
c	Excess of Rent paid over 10% of salary [50,000 - (10% of 3,35,000)]	16,500 Exempted								
20	<p style="text-align: center;">Least of the following is exempted u/s 10(13A)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;">a</td> <td style="width: 85%;">Actual HRA received (4,000 x 6 months)</td> <td style="width: 10%; text-align: right;">Rs.24,000</td> </tr> <tr> <td>b</td> <td>40% of salary (40% of Rs.1,80,000 x 6/12)</td> <td style="text-align: right;">Rs.36,000</td> </tr> <tr> <td>c</td> <td>Excess of Rent paid over 10% of salary [30,000 – (10% of Rs.1,80,000*6/12)]</td> <td style="text-align: right;">Rs.21,000 Exempted</td> </tr> </table>	a	Actual HRA received (4,000 x 6 months)	Rs.24,000	b	40% of salary (40% of Rs.1,80,000 x 6/12)	Rs.36,000	c	Excess of Rent paid over 10% of salary [30,000 – (10% of Rs.1,80,000*6/12)]	Rs.21,000 Exempted
a	Actual HRA received (4,000 x 6 months)	Rs.24,000								
b	40% of salary (40% of Rs.1,80,000 x 6/12)	Rs.36,000								
c	Excess of Rent paid over 10% of salary [30,000 – (10% of Rs.1,80,000*6/12)]	Rs.21,000 Exempted								
21	<p style="text-align: center;">Taxable Pension: Rs.2,600 x 10 months Rs.26,000 ¾ of Rs.2,600 x 2 months Rs.3,900</p> <p style="text-align: right;"><u>Rs.29,900</u></p>									
22	<p>a. Rs.80,000 b. Rs.1,60,000 c. Zero d. None</p> <p>Taxable CVP: CVP Received Rs.80,000 Less: Exemption (1/2 x 100/25 x Rs.80,000) = Rs.1,60,000 Nil</p>									