

**Internal Assessment Test - II**

Sub:	DIRECT TAXATION	Code:	20MBAFM304
Date:	08-02-2023	Duration:	90 mins
	Max Marks:	50	Sem: III
	Branch:	MBA	

		Marks	OBE																						
			CO	RBT																					
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>																									
1	(a) Describe the difference between GAV and NAV.	[03]	CO2	L2																					
	(b) Analyze the following case with justification. Mr. X the owner of two houses, occupies one for his own residence and the other he lets to a tenant at a monthly rent of Rs. 500. The Municipal valuation of the house occupied is Rs. 2600 and of the other is Rs. 5200. The Municipal taxes of the two amounted to Rs. 600. The other expenses in respect of the two houses are as follows: Insurance Premium (for both houses) = Rs. 1200 Annual charge in respect of the house occupied = Rs. 300 Ground rent for the house let = Rs. 100 Repairs of the house occupied = 700 Interest on loan taken to repair the two houses = 400 Mr. X also had income from other sources amounting to Rs. 20000 during the year. Calculate Mr. X's income from house property and Total Income.	[07]	CO2	L4																					
	(c) Outline the case as P and Q are officers in the SBI. The bank has allotted free of rent identical flats to both P and Q in Nariman Point Mumbai (Population above 25 lakhs) the Fair market rent of each flat being Rs. 16000 pm. in April 2021. P was promoted its chief officer but he continues to occupy the same flat. The bank has also furnished the above flats. The original cost of furniture provided in each flat works out to Rs. 250000. The salary particulars of P and Q are as follows:	[10]	CO2	L4																					
	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 30%;">Amount/ Rs</th> <th style="width: 30%;">Amount/ Rs</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td>60000 pm</td> <td>50000 pm</td> </tr> <tr> <td>Dearness pay (enter)</td> <td>10000 pm</td> <td>8000 pm</td> </tr> <tr> <td>Dearness Allowance</td> <td>20000 pm</td> <td>16000 pm</td> </tr> <tr> <td>Education Allowance</td> <td>1300 pm</td> <td>1300 pm</td> </tr> <tr> <td>Children Hostel Allowance</td> <td>1800 pm</td> <td>1500 pm</td> </tr> <tr> <td>Petrol Allowance</td> <td>900 pm</td> <td>900 pm</td> </tr> </tbody> </table>		Amount/ Rs	Amount/ Rs	Basic	60000 pm	50000 pm	Dearness pay (enter)	10000 pm	8000 pm	Dearness Allowance	20000 pm	16000 pm	Education Allowance	1300 pm	1300 pm	Children Hostel Allowance	1800 pm	1500 pm	Petrol Allowance	900 pm	900 pm			
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	Determine the perquisite value of the flat in the hands of P and Q. Two children are studying and staying in hostel in each case.																								

2 (a) Define the term Business Income.	[03]	CO2	L1
(b) Explain the Professional Income with reference to Doctor.	[07]	CO2	L2
(c) Examine about the computation of Business Income.	[10]	CO2	L3
3 (a) Recite the difference between Vacancy period and URR.	[03]	CO2	L1
(b) Examine the below problem. The following particulars of Plant and assets (15% Block) are furnished by a limited company relating to the accounting year ending on 31-3-2022: Written down value as on 1-4-2021 = Rs. 750000 Additions: New machinery installed on 15-6-2021 = Rs. 120000 2 <sup>nd</sup> Hand Machinery installed on 30-6-2021 = Rs. 30000 An item costing Rs. 10000 which was full use till 1-10-2021 was sold on this date for Rs. 15000 and WDV of this asset on 1-4-2021 was Rs. 6100. You are requested to compute depreciation and WDV to be carried forward.	[07]	CO2	L2
(c) Judge the below case and solve the same. Mr. Mahalingam furnishes the following particulars, compute his income from business for the assessment year 2022-23: a) Legal expenses to the extent of Rs. 5000 represent the amount spent for curing the defect in the title of business asset and balance amount on acquiring the asset. b) Know how was developed in a laboratory financed by the State Government. c) Actual bad debts amounted to Rs. 3000 only. d) Advertisement expenditure was paid in cash.	[10]	CO2	L5
<b>PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2022</b>			
Trade expenses	101500	Gross Profit	500000
Wages and salaries	133000	Refund of Income Tax penalty levied earlier	22150
Advertisement expenses	20000		
Income tax	7500		
Contribution to Staff Welfare Fund	1000		
Donation to Rural Development Fund (approved)	2000		
LIP on own life	750		
Provision for Doubtful Debts	5000		
Interest on capital	3550		
Provision for GST	9000		
Expenditure on Know how	18000		
Gifts to 20 customers	2000		
FIP	850		

Legal Expenses	8000		
Net profit	210000		
	522150		522150

**Part B - Compulsory (01\*10=10 marks)**

4 **Case Study**

Analyze the case given below.

Mr. Kedambi, an advocate, furnishes the following receipts and payments for the previous year 2021-22:

[10]

CO2

L4

RECIPTS AND PAYMENTS ACCOUNT			
To Bal b/d	6540	By Rent	2400
To Legal Fees	84400	By Telephone	3000
To Salary (as a part time law lecturer)	3600	By Salaries	2400
To Int on Debentures (Not-listed)	2700	By Subscription to Law Journals	240
To Gifts from Clients	10000	By Travelling	560
To Rent	6000	By Office Expenses	600
To Int on Foreign security	8000	By Purchase of Stamp Paper and court fee stamps	7600
To Refund from Compulsory Deposit	2000	By Int on Loan	870
		By Donation to a school	5000
		By Income Tax paid	8420
		By Municipal Tax	600
		By LIC Premium	7600
		By Bal c/d	89950
	123240		123240

- The loan was borrowed for constructing his residential house. Its rental value is Rs. 300 per month.
- School is recognized for I.T purposes.
- Gifts from clients includes Rs. 2000 received from his father.

Compute the Professional Income.

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

<b>Cognitive level</b>	<b>KEYWORDS</b>
L1 - Remember	list, define, tell, describe, recite, recall, identify, show, label, tabulate, quote, name, who, when, where, etc.
L2 - Understand	describe, explain, paraphrase, restate, associate, contrast, summarize, differentiate interpret, discuss
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L6 - Create	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***

**CI**

**CCI**

**HOD**

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	Marks	OBE	
		CO	RBT
<b>Part A - Answer Any Two Full Questions ( 2* 20 = 40 marks)</b>			
1 (a) Difference between GAV and NAV According to the Income Tax Act, the Net Annual Value (NAV) of the house property is calculated by deducting the municipality taxes from the Gross Annual Value of the same. In other words, NAV = GAV less Municipality tax paid by the owner.	[03]	CO2	L2
(b) Determination of House Property SO = (133); LO = 3653 & IFHP = 3520. TOTAL INCOME = 23520	[07]	CO2	L4
(c) P = 156760 & Q = 134440.	[10]	CO2	L4
2 (a) Define the term Business Income. Business income may include income received from the sale of products or services. For example, fees received by a person from the regular practice of a profession are business income. Rents received by a person in the real estate business are business income.	[03]	CO2	L1
(b) Professional Income with reference to Doctor Professional Income less Professional Expenses.	[07]	CO2	L2
(c) Computation of Business Income Net Profit as per P&L a/c Add: Inadmissible Expenses Less: Income does not belongs to the other heads of income.	[10]	CO2	L3
3 (a) Difference between Vacancy period and URR A property may remain vacant for some time during the year, i.e., due to non-availability of tenant. In such a case, the taxpayer can claim but in casr of Unrealized Rent it cannot be claimed.	[03]	CO2	L1
(b) Normal Depreciation = Rs. 1,32,750/-, Additional Depreciation = Rs. 24,000/- & WDV = Rs. 7,28,250.	[07]	CO2	L2

(c) Business Income = Rs. 2,33,150/-

[10]

CO2	L5
CO2	L4

**Part B - Compulsory (01\*10=10 marks)**

4 **Case Study**

Professional Income = Rs. 92,400/-, Professional Expenses = Rs. 10,800 and [10]  
Professional Gain = Rs. 81,600/-.

Course Outcomes (COs)		PO1	PO2	PO3	PO4	PO5
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CO2:	Calculate taxable income under different heads.					
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**SCHEME OF VALUATION – Internal Assessment Test - II**

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(b) Determination of House Property SO = (133); LO = 3653 & IFHP = 3520. TOTAL INCOME = 23520	[07]	CO2	L4
(c) P = 156760 & Q = 134440.	[10]	CO2	L4
2 (a) Business Income Definition.	[03]	CO2	L1
(b) Professional Income Format need to be written. Professional Income Less Professional Expenses.	[07]	CO2	L2
(c) Business Income Format need to be written.	[10]	CO2	L3
3 (a) Vacancy Period ad URR differentiation.	[03]	CO2	L1
(b) Depreciation Amount = Rs. 1,32,750/-, Additional Dep = 24,000/- & WDV = 7,28,250/-.	[07]	CO2	L2
(c) Business Income = Rs. 2,33,150/-.	[10]	CO2	L5
<b>Part B - Compulsory (01*10=10 marks)</b>			
4 <b>Case Study</b>			
Professional Income = Rs. 92,400/-; Professional Expenses = Rs. 10,800 & Professional Gain = Rs. 81,600/-.	[10]	CO2	L4

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