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14MBAFM409

**Fourth Semester MBA Degree Examination, Dec.2016/Jan.2017**

**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 assessment year under IT Act 1961. (03 Marks)
- 2 What is gross total income? (03 Marks)
- 3 What are the basic principles for arriving at business income? (03 Marks)
- 4 What is slump sale? (03 Marks)
- 5 State the provisions of section 80D deduction in respect of medical insurance premia. (03 Marks)
- 6 State the conditions laid down under section 40(b). (03 Marks)
- 7 What is MAT? (03 Marks)

**SECTION - B**

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

- 1 X, a foreign citizen (not being a person of Indian origin), leaves India for the first time in the last 20 years on November 20, 2013. During the calendar year 2014, he comes to India on September 1 for a period of 30 days. During the calendar year 2015, he does not visit India at all but comes to India on January 16, 2016. Determine the residential status of 'X' for the assessment year 2016-17. (07 Marks)
- 2 X (who is posted in Delhi but resides in Noida) gets Rs.60000 per month as basic pay. He gets Rs.9000 per month as HRA, though he pays Rs.12000 per month as rent. During the previous year 2015-16, he receives Rs.5000 as advance salary of April 2016. Can he claim the entire amount of HRA as exemption from tax for the assessment year 2016-17? (07 Marks)
- 3 X Ltd owns 2 plants: plant A and plant B on 1/4/15 (rate of depreciation 15%, WDV on 1/4/15 Rs.2,37,000). The company purchases plant C on 31/5/15 for Rs.20000 and company sells plant A (10/4/15), plant B (12/12/15) and plant C (1/3/16) for Rs.10,000, Rs,15000 and Rs.24000 respectively. Find out depreciation amount of the block. (Company is not eligible for additional depreciation). (07 Marks)

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.  
2. Any revealing of identification, appeal to evaluator and /or equations written eg. 42+8 = 50, will be treated as malpractice.

- 4 Mr. Bhagwandas is a registered medical practitioner. He keeps his books on cash basis and his summarized cash account for the year ended 31<sup>st</sup> March 2016 is as under:

Balanced b/d	1,22,000	Cost of medicines	10,000
Loan from bank for private purposes	3000	Surgical equipments	8000
Sale of medicines	25250	Motor car	1,20,000
Consultation fees	155000	Car expenses	6,000
Visiting fees	24000	Salaries	4,600
Interest on govt. securities	4500	Rent of dispensary	1,600
Rent from property	3600	General expenses	300
		Personal expenses	1,11,800
		Life insurance premium	3,000
		Interest on loan from bank	300
		Insurance of property	200
		Balance c/d	71,550
	3,37,350		3,37,350

Compute his income from profession for the previous year 2015-16 taking into account the following further information:

- One-third of motor car expenses are in respect of his personal use.
  - Depreciation allowable on car and surgical equipment is at 15%. (07 Marks)
- 5 Which are the assets not treated as capital assets for computation of capital gain? (07 Marks)
- 6 Explain clearly the term 'annual value' under section 23(1) of the income tax act. (07 Marks)
- 7 List any seven incomes which are taxed under the head income from other source. (07 Marks)

### SECTION - C

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

- 1 X purchases a house property for Rs.36000 on 10<sup>th</sup> May 1964. He gets the first floor of the house constructed in 1968-69 by spending Rs.80000. He dies on 12<sup>th</sup> September, 1984. The property is transferred to Mrs. X by his will. Mrs. X spends Rs.40000 during 1985-886 for renewals/reconstruction of the property. Mrs. X sells the house property for Rs.22,50,000 on 15<sup>th</sup> March, 2016 (brokerage paid by Mrs. X is Rs.14500). The fair market value of the house on 1<sup>st</sup> April, 1981 is Rs.1,20,000. Find out the amount of capital gain chargeable to tax for the assessment year 2016-17. CII : 1981-82:100, 1985-86:133 and 2015-16:1081. (10 Marks)
- 2 X, an employee of a firm, furnished the undernoted particulars of his income for the year ended 31<sup>st</sup> March 2016:
- Basic salary Rs.144000
  - DA Rs.28,800.
  - Own contribution to RPF calculated on basic salary Rs.20160.
  - Employer's contribution to RPF Rs.20160.
  - Interest on balance in RPF (not exceeding the prescribed rate) Rs.14000.
  - Bonus Rs.12000.
  - He was provided with a small car for which the employer paid all the running and maintenance cost. The car was used for personal as well as office purposes.
  - X was also provided with rent free accommodation at Kolkata for which the employer paid a rent of Rs.1250 per month. X was allowed the use of one refrigerator and an air-conditioner costing Rs.8000 and Rs.12000 respectively while their WDV on 1-4-2015 were Rs.4500 and Rs.7500 respectively.
  - Life insurance premium of Rs.12000 was paid by X's employer on an insurance policy for Rs.2,40,000 on X's life.

Compute X's taxable salary for the A.Y. 2016-17.

(10 Marks)

- 3 A, B and C are partners in a firm with equal shares. The P & L A/C of the firm for the year ended 31<sup>st</sup> March, 2016 is as under:

	Rs.		Rs.
Interest on capital at 12%		Gross Profit	9000
A : 8000		Loss:	
B : 7000		A	1,25,000
C : 9000	24,000	B	1,25,000
Salary		C	1,25,000
A : 1,20,000			
B : 1,20,000			
C : 1,20,000	3,60,000		
	3,84,000		3,84,000

Compute book profit and total income of the firm for the AY 2016-17. The firm fulfils the conditions of Sec.184. (10 Marks)

- 4 The book profits of a company in the P.Y. 2015-16 computed in accordance with Sec.115JB of the income tax act is Rs.12,00,000. Its total income under the income-tax act for the same period is computed at Rs.3,50,000. Is the company liable to pay 'minimum alternative tax'? If yes, how much has to be paid? (10 Marks)
- 5 Explain the scope of total income of a tax payer, on the basis of his/her residential status. (10 Marks)
- 6 What are the basis of computing excise duty payable? (10 Marks)
- 7 Briefly explain the provisions relating to set-off and carry forward of losses. (10 Marks)

### SECTION - D

#### CASE STUDY – [ Compulsory ]

From the P & L A/C of X (31 years resident) for the year ending March 31, 2016, ascertain his total income and tax liability for the A.Y. 2016-17.

	Rs.		Rs.
General expenses	13,400	Gross profits	4,15,500
Bad debts	22,000	Commission	8,600
Advance tax	2000	Brokerage	37,000
Insurance	600	Sundry receipts	2,500
Salary to staff	26,000	Bad debts recovered	
Salary to X	51,000	(earlier allowed as deduction)	11,000
Interest on overdraft	4,000	Interest on debentures	
Interest on loan to Mrs. X	42,000	(i.e. net amount Rs.22500 +	
Interest on capital	23,000	tax deducted at source: Rs.2500)	25,000
Depreciation	48,000	Interest on deposit with a	
Advertisement expenses	7000	company (non trade) (net interest:	
Contribution to employee's recognized		Rs.11,700 + TDS Rs.1300)	13,000
Provident fund	13,000		
Net profit	2,60,600		
	5,12,600		5,12,600

Other information:

- i) The amount of depreciation allowable in Rs.37300 as per the income tax rules. It includes depreciation on permanent sign board.
- ii) Advertisement expenses includes Rs.3000, being cost of permanent sign board fixed on office premises.
- iii) Income of Rs.4500 accrued during the previous year, is not recorded in the profit and loss account.
- iv) X pays Rs.6000 as premium on own life insurance policy of Rs.70000.
- v) General expenses include:
  - Rs.500 given to Mrs. X for arranging a party in honour of a friend who has recently come from Canada.
  - Rs.1000 being contribution to a political party.
- vi) Loan was taken from Mrs. X for payment of arrears of income-tax. (20 Marks)

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