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14MBAFM409

**Fourth Semester MBA Degree Examination, June/July 2016**  
**Tax Management**

Time: 3 hrs.

Max. Marks: 100

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

- 1 Who is a Specified Employee? (03 Marks)
- 2 Name any six persons whose property income is not taxed. (03 Marks)
- 3 What is the amount of deduction allowed against Entertainment allowance for Government Employee U/S 16(ii)? (03 Marks)
- 4 What is MAT? (03 Marks)
- 5 What are the basic conditions for levy of Central Excise duty? (03 Marks)
- 6 Briefly explain deduction available under Section 80E of Income Tax Act. (03 Marks)
- 7 List any six assets which are not considered as capital assets. (03 Marks)

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

- 1 Mr. Steve, an American citizen has been visiting India for a period of 102 days every year since 2005-06. During the previous year 2015-16 also he visited India for the same period. What is his residential status for the AY 2016-17. (07 Marks)
- 2 Mr. Harish retired on 31<sup>st</sup> Jan 2016 from a private company after 30 years and 7 months of service. He gets Rs 3,80,000 as gratuity. His salary details for the Financial year 2015-16 are, Basic pay Rs 16,000 PM, DA Rs 8000 PM, CCA Rs 2,000 PM & HRA Rs 5500 PM. DA enters into retirement benefits. What is the taxable value of gratuity if he is covered under payment of gratuity Act? (07 Marks)
- 3 What are the conditions for allowing Interest on borrowed capital as deduction under section 24(b)? (07 Marks)
- 4 WDV of a machinery (Rate of Depreciation @ 15% Rs 5,00,000. New machinery purchased on 31/12/2015 having same rate of depreciation Rs 1,00,000. Compute the depreciation for the AY 16-17. (07 Marks)
- 5 Explain deduction under section 54F of Income Tax Act while computing income from capital gains. (07 Marks)
- 6 List any seven incomes which are taxed under the head 'Income from other sources'. (07 Marks)
- 7 Mr. Prasad aged around 60 years earned a lottery income of Rs 1,20,000 (gross) during the PY 15-16. He also had a business income of Rs 30,000. He invested an amount of Rs 10,000 in PPF account and Rs 24,000 in NSC. What is the total income of Mr. Prasad for the AY 2016-17? (07 Marks)

**SECTION - C**

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

- 1 What are the basis of computing excise duty payable? (10 Marks)
- 2 Mr. Raju acquired a residential house in Jan 2000 for Rs 10,00,000 and made some improvement by way of additional construction to the house incurring an expenditure of Rs 2,00,000 in October 2004. He sold the property in Oct 2015 for Rs 75,00,000. The value of property was adopted as Rs 80,00,000 by the state valuation authority for Registration purpose. He acquired a residential house in Dec 2015 for Rs 25,00,000. He deposited Rs 20,00,000 in capital gain bonds of NHAJ in July 2016. Compute the capital gain chargeable to tax for the AY 2016-17.  
[CII for 1999 – 2000 : 389 , 2004 – 05 : 480, 2015-16 : 1081]. (10 Marks)
- 3 What are the conditions for allowing deduction U/S 37(1) while computing income from business / profession? (10 Marks)
- 4 Briefly explain any 5 deduction which are available to a salaried individual under section 80C to 80U. (10 Marks)
- 5 Mr. Karthik, a qualified CA has acquired the following assets for his office during the FY 2015-16. Calculate the amount of depreciation that can be claimed from his professional income for the AY 2016-17. (10 Marks)

Sl.No	Description	Rate of Depreciation	Date of Acquisition	Date when put to use	Amount (Rs)
1	Computer	60%	27/9/15	1/10/15	35000
2	Computer Software	60%	2/10/15	8/10/15	8500
3	Computer Printer	60%	1/10/15	1/10/15	12500
4	Books	100%	1/4/15	1/4/15	13000
5	Office furniture	10%	1/4/15	1/4/15	300000
6	Laptop	60%	26/9/15	8/10/15	43,000

- 6 Abhishek, Basavaraj and Chandru are partners (3:2:3) of Xx & Co., a firm engaged in manufacturing of plastic goods. The profit & loss account for the previous year ending 31<sup>st</sup> March 2016 is as follows : (10 Marks)

	Rs		Rs
Cost of goods sold	1,50,000	Sales	29,04,000
Salary to staff	19,00,000	LTCC	4,00,000
Theome tax	24000	STCG U/S 111 A	50,000
Depreciation	1,80,000	Other STCG	40,000
Remuneration to partners :		Debenture Interest	40,000
Abishek	204000		
Basavaraj	60000		
Chandru	204000		
Interest on capital to partners :		Other business receipts	4000
Abishek (20%)	30,000		
Basavaraj (24%)	2,20,000		
Chandru (20%)	70,000		
Other expenses	180,000	Interest on drawings received from Abishek	16000
Net profit :			
Abishek	87,000		
Basavaraj	58,000		
Chandru	87,000		
Total	34,54,000	Total	34,54,000

Other Information :

- The firm satisfy conditions U/S184 and 40(b).
- The firm is not eligible for deduction U/S 80 IA/80IB.
- Depreciation as per sec 32 is Rs 96,000.
- Other expenses to the tune of Rs 82,000 is not deductible U/S 30 to 43D.

From 1<sup>st</sup> April 2015, Partnership deed amended to pay remuneration as follows :

Abishek (working partner) Rs 17,000 PM ; Basavaraj (sleeping partner) Rs 5000 PM.  
Chandru (working partner) Rs 17,000 PM.

Compute Income from business of a firm for the AY 2016-17.

- 7 Briefly explain the provisions relating to set – off and carry forward of losses. (10 Marks)

### SECTION - D

#### CASE STUDY – [ Compulsory ]

Answer both the Questions :

- 1 Mr. Rithwik , employed as a Manager in a company furnishes the following information for the year ended 31-3-2016.

- Basic salary upto 31-10-15 Rs 50,000 PM.  
From 1-11-15 Rs 60,000 PM.
- Dearness allowance – 40% of Basic pay (not part of Retirement benefit)
- Bonus Rs 50,000.
- Contribution of employer to RPF. @ 16% of Basic pay.
- Professional tax paid by Ritwik Rs 3000.
- 1.9 Ltr car is provided by employer from 1-11-2015. All expenses are met by employer. Ritwik is using the car for both official and private purpose. Compute taxable salary of Mr. Ritwik. (10 Marks)

- 2 Dr. Krishna, a Medical practioner provides details of his professional income. Compute Income from profession for the AY 2016-17. (10 Marks)

Receipts	(Rs)	Payments	(Rs)
To Balance b/d	35,000	By Rent of clinic	85,000
To, consultation fees		By Electricity and water	12,000
2013-14	25000		
2014-15	130,000		
2015-16	2,25,000		
To visiting fees	1,30,000	By Purchase of professional books	18,000
To loan from bank for professional purpose	2,25,000	By Household expenses	97,000
To sale of medicine	1,73,000	By Purchase of car	2,50,000
To gift from patients	15,000	By purchase of surgical equipment	44,000
To remuneration from articles in professional journal	26,000	By Income tax	40,000
To, rent from house property	96,000	By Life insurance premium	80,000
To, interest on POSB	17,000	By Interest on loan	20,000
		By Medical council fees	10,000
		By, balance C/d	4,41,000
Total	10,97,000	Total	10,97,000

Additional Information : a) Depreciation on car is allowed @ 15% b). Cost of medicine of Rs 80,000 is not included in the above receipt and payment account c) Depreciation on surgical instrument is allowed @ 15% and book 100%.