

CBCS SCHEME

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20MBAFM304

Third Semester MBA Degree Examination, Feb./Mar. 2022 Direct Taxation

Time: 3 hrs.

Max. Marks:100

**Note: 1. Answer any FOUR full questions from Q1 to Q7.
2. Question No. 8 is compulsory.**

- 1 a. What is MAT? (03 Marks)
- b. Mr. Vishal (resident) was employed in a company. He retired from service on 1/1/2021 after completing 30 years of service. From 1/07/19, his pay scale was Rs. 8000 – 200 – 10,000 – 300 – 13000 and with DA@20% of his pay. He had 7 month earned leave to his credit (on the basis of 30days per year), which was approved. Hence he was paid Rs. 57000 as salary and Rs.11,480 as DA. Compute the taxable leave encashment for the A.Y 2021-22 ignoring Alternative tax regime. (07 Marks)
- c. Mrs. Vinaya, a citizen of India went to England on 2/10/2014 for higher studies for a period of two years. After she come back, she was employed in a multinational company in India. The company sent her for 6 months training to Germany on 1/3/2017. She was transferred to the company's head office in New York on 15/8/2018. However she left India on 2/10/2018 and reported for duty on 5/10/2018. She visited India during the month of Nov and Dec 2019. The company transferred her back to her original post in India and she returned to India on 26/10/2021. Determine her residential status for the A.Y.21-22. (10 Marks)
- 2 a. What is capital gain? Name any two. (03 Marks)
- b. Mr. Tony, marketing specialist is working with two companies – Alpha Co. and Beta Co. He retires from Alpha company on 30/11/2015 and receives Rs. 22,000 as gratuity out of which Rs.20,000 is exempt. He also retires from Beta Company on 10/12/2020 after 28 years and 8 months of from service and receives Rs.2,90,000 as gratuity. His average basic salary draw from Beta Company for proceeding 10 months ended on 30/11/2020 is Rs.18,200. Besides, he had received Rs.1000 p.m as DA 80% of which forms part of salary and 6% commission on turnover achieved by him during 10 months ending on 30/11/2020 his total turnover achievement is Rs.2,00,000. Find out taxable amount of gratuity for the A.Y.2021-22 ignoring Alternative tax regime. (07 Marks)
- c. Mrs. Hema (age 42 years) is working as a director in Maruthi Suzuki Ltd., Mumbai her salary income detail as follows :
- Basic Salary Rs. 21,000p.m, Bonus 2 months basic pay. Commission 3% on sales. During the year she reached a sales target Rs.50,00,000. DA forming part of salary Rs. 7,000 p.m. Medical allowance Rs. 1400p.m (medical expenses were Rs.20,000), Entertainment allowance Rs.3,000 p.m, Children's hostel allowances for her two children @ Rs.500p.m, per child Rs.12000. RPF company's contribution Rs.6,000p.m RPF own contribution Rs.5000p.m. Diwali gift Rs.7000, holiday home facility at Kulu @26,000. Rent free furnished accommodation in Mumbai for which company pays monthly rent of Rs.10,000 and cost of furniture is Rs.60,000. Honda city car above 1600CC has been provide along with driven for both private and official use. Company owns the car and spent Rs.55000 on petrol and Rs.36,000 on drivers salary. Hema paid professional tax Rs.2400. compute taxable salary for the A.Y.2021-22 (Ignore Alternative tax regime). (10 Marks)

- 3 a. What is tax planning? (03 Marks)
- b. Mr. Raman (age 45 years) is working as assistant in the marketing department of TTD Ltd Bengaluru. His income details are as follows :
Basic salary Rs.15,000 p.m, Dearness allowance Rs.5,000 p.m, Dearness pay Rs.2,000p.m, commission Rs.45,000p.a., Entertainment allowance Rs.700p.m (6000 spent on entertainment during the year). House rent allowance Rs.7,500p.m (rent paid 9000p.m). Compute taxable salary for the A.Y. 2021-22. (07 Marks)
- c. Following is the profit and loss account of Mr. Chandan for the year ending 31/3/2021.

Particulars	Rs.	Particular	Rs.
To salaries	3,30,000	By gross profit	5,00,000
To office expense	36,000	By bad debt recovered	20,000
To depreciation	28,000	By dividends	6000
To GST	18,000	By rent form hour property	18,000
To legal expense	16,000		
To income tax	14,000		
To expense on acquisition of patent right (half of 48000 being cost of patent rights acquired on 15/12/2020)	24,000	By commission	20,000
To repairs	12,000	By brokerage	20,000
To donations	4,000	By sundry receipts	10,000
To provision of B.D	6,000	By share of income form HUF	6,000
To general expense	24,000		
To Net profit	88000		
	6,00,000		6,00,000

- i) Salaries include Rs. 12,000 paid to workers employed at home.
ii) Depreciation of Rs.6000 being unabsorbed depreciation of earlier years not recorded.
iii) Legal expenses include Rs.2000 paid to lawyers in connection with personal case.
iv) General expense include Rs.8000 as contribution to staff welfare fund.
v) Out of bad debts recovered only Rs.8000 were allowed as deduction earlier.
- Calculate income from business for the A.Y.2021-22. (10 Marks)
- 4 a. What are prerequisites? Name any two. (03 Marks)
- b. Explain the exemptions/deductions under capital gain. (07 Marks)
- c. Explain the permissible deductions under sec 80c – 8U. (10 Marks)
- 5 a. What are set off and carry forward losses? (03 Marks)
- b. Explain the tax treatment of pension under Sec 10(10A). (07 Marks)
- c. During the previous year ending 31st Mar 2021 Mr. Jagan sold following assets.

Asset	Date of sale	Sale proceed	Cost of acquisition	Year of purchase	Fair market value 1/4/2001
Shares (unlisted)	10 th April 2020	15,50,000	1,70,000	2010/11	-
Agricultural land in rural area (outside municipal limits)	25 th May 2020	17,00,000	2,30,000	1973/74	3,40,000
Personal Car	July 1, 2020	125,000	70,000	2001/02	NA
Agricultural land in Urban area	10 th June 2020	30,00,000	2,50,000	1978/79	2,00,000

On Mar 31st 2021, Mr. Jagan purchases another agricultural land for Rs. 95,000. The cost inflation index for 2009/10 is 148 2020-21 is 301. Find capital gain chargeable to tax for the A.Y. 2021-22. (10 Marks)

- 6 a. What is direct and indirect tax? (03 Marks)
 b. The depreciated value of a block assets (consisting of asset A and B) (rate of depreciation 10%) is Rs.1,17,000 on 1/4/2020

Assets	Rate of depreciation (percent)	Data of purchase	Use	Actual Cost
Assets C	10	10/3/2020	10/4/2020	20,000
Assets D	10	1/3/2020	3/2/2021	30,000
Assets E	10	6/5/2020	6/5/2020	40,000
Assets F	10	15/5/2020	2/1/2021	60,000
Assets G	10	6/6/2020	6/4/2021	80,000
Plant A is sold on 16/8/2020 for Rs.86,000				

- Compute the amount of depreciation. (07 Marks)
 c. Explain the income from house property. (10 Marks)
- 7 a. Mr. Sai Praksh is a special advisor under Ministry Agriculture, Andhra Pradesh. He has basic pay Rs.15,000p.m DA Rs.5000p.m, a residential house at Hyderabad (license fee for house determined by Govt is 1500p.m) Cost of furniture provided by Govt Rs.30,000. Rent for the house payable by Sai Prakash is Rs.500p.m. Furniture rent payable by him Rs.75p.m Calculate RFA. (03 Marks)
 b. Explain the various income from other sources. (07 Marks)
 c. From the follow compute tax liabilities of XYZ Ltd. Keep in view the provisions of MAT u/s 115 JB for the AY 2021-22

To expenses related to business	4,50,000	By long term capital gain	1,00,000
To Income Tax paid	20,000	By sales	7,00,000
To general reserve	40,000	By deferred tax	1,00,000
The provision for contingent liability	40,000		
To provision for diminishing in the value of asset	50,000		
To proposed dividend	50,000		
To balance c/d	2,50,000		
Total	9,00,000	Total	9,00,000

- i) Brought forward loss as per books of accounts 1,00,000
 ii) Brought forward depreciation as per books of accounts 80,000
 iii) Brought forward loss under the head capital gain computed as per Income Tax Act 60,000
 iv) Brought forward unabsorbed depreciation Rs.3,00,000 for A.Y 2020-21 (10 Marks)

8 CASE STUDY [Compulsory]

From the following particulars of Mr. Goyal (resident) Calculate his tax liability for the A.Y 2021-22 under existing and Alternative Tax Regime.

Gross salary	1,79,000
Business Income	70,000
Royalty on books for colleges	30,000
Rent from house property	20,000
Dividend income	15,200
Bank interest	8,800
Income of a minor son	50,000
Long-term capital gain	30,000
Contribution to PPF	3,000
Life Insurance Premium paid	1000
Health insurance premium paid	800
Donation to National Defense Fund	5,000

(20 Marks)
