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18MBAFM303

Third Semester MBA Degree Examination, July/August 2022
Direct Taxation

Time: 3 hrs.

Max. Marks:100

Note: 1. Answer any FOUR full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.

- 1 a. What do you mean by Assessment year? (03 Marks)
b. Write a short note on i) Tax planning ii) Tax Evasion iii) Tax avoidance. (07 Marks)
c. Determine the residential status of Mr. Ram for the previous year 2019-20 who left India for the first time on 15-9-2015 and came back on 1-9-2018. He again left for Dubai on 15-06-2019 and came back on 14-2-2020 to settle in India. (10 Marks)
- 2 a. Define perquisites U/S 17(2) (i). (03 Marks)
b. Mr. Ram retired from a factory after serving for 30 years and 8 months in June, 2019. His monthly wages (including dearness allowances but excluding all other allowances) on the date immediately preceding the date of retirement was Rs.20,800. He received Rs.3,72,000 from his employer as gratuity under the payment of Gratuity Act, 1972. Compute the exempted amount of gratuity. (07 Marks)
c. Mr. Ved Prakash is a teacher in a private school, run by a Society, on a monthly salary of Rs.14,000. Besides salary he gets 100% of salary as dearness allowance, Rs.800p.m entertainment allowance and Rs.400p.m as proctor's allowance. During the year he gets Rs.250p.m as additional D.A. He contributes 10% of his salary to provident fund. The school contributes an equal amount. Interest credited to his provident fund @12% amounted to Rs.10,000. Three children of Mr. Ved Prakash are studying in an institution run by the Society, which runs the school for which he paid nothing. Normally expenditure in an institution of that standard comes to Rs.1500p.m for one student. Mr. Ved Prakash is provided with a rent-free accomodation in a city (population 13 lakh) which is owned by the school. Its fair rental value is Rs.2,500p.m. A gardener for the upkeep of the garden on the backside of the house is also provided. The salary of gardener amounting to Rs.200p.m is also paid by the school. During the year Mr. Ved Prakash proceeded on two months leave with full pay to his home at Jaipur. The school paid Rs.10,000 being the airfare to and from Jaipur for him and his wife for this purpose.
Compute the taxable salaries income of Mr. Ved Prakash for the year ending on 31st March 2020. (10 Marks)
- 3 a. What do you mean by Blocks of Assets u/s 2(ii)? (03 Marks)
b. X Ltd. owns 2 plants: Plant A and Plant B on 1/4/2019 (rate of depreciation 15%, WDV on 1/4/2019 Rs.2,37,000). The company purchases plant C on 31/5/2019 for Rs.20,000 and company sells plant A (10/4/2019). Plant B (12/12/2019) and plant C (1/3/2020) for Rs.10,000, Rs.15,000 and Rs.24,000 respectively. Find out depreciation amount of the block. (Compute 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.

- c. Dr. Surendra is a renowned medical practitioner who maintains books of account on cash basis, furnishes his receipts and payments account for the financial year 2019-2020:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Balance b/d	14,000	Rent of clinic: 2018-19	600
		2019-20	4,800
		2020-21	600
Consultation Fees: 2018-19	3,000	Electricity and water bills	2,000
2019-20	15,000		
2020-21	2,000		
Visiting Fees	30,000	Purchase of professional books	4,000
Loan from Bank for professional purposes	25,000	Household expenses	7,800
Sale of Medicines	60,000	Collection charges on dividend income	100
Gifts and presents	5,000	Motor-car purchased	30,000
Remuneration from Articles published in professional Journals	6,000	Surgical equipments	4,800
Dividend	10,000	Income tax	10,000
Interest on post office savings bank account in joint name	7,000	Salary of staff	15,000
		Life Insurance Premium	15,000
		Gift to wife	5,000
		Interest on loan	2,000
		Car expenses	15,000
		Purchases of Medicines	40,000
		Balance c/d	20,300
	1,77,000		1,77,000

Compute his taxable professional income for the assessment year 2020-21 after taking into account the following additional information:

- 1/3rd of the use of car relates to his personal use.
 - Depreciation on motor-car allowable is 15%, on books it is @40% and on surgical equipments it is 15%.
 - Gifts and presents include Rs.3000 from patients in appreciation of his medical service and Rs.2000 received as Birthday gifts from relatives.
 - Closing stock of medicines amounted to Rs.5,500. (10 Marks)
- 4 a. What do you mean by tax holiday as per Income Tax Act? (03 Marks)
- b. Explain what is included in and excluded from Capital Asset. (07 Marks)
- c. Mr. X sells agricultural land situated in Delhi city for Rs.58,00,000 on May 15, 2019, which was purchased by him in June, 2004 for Rs.11,30,000. On 1st April, 2020, he purchased agricultural land for Rs.20,00,000 and deposited Rs.6,00,000 in capital gain account in State Bank of India in order to get exemption under section 54B. He purchased another agricultural land on 30th April, 2021 for Rs.5,50,000 by withdrawing from the capital gains deposit in State Bank. The balance of amount left in capital gains deposit account is withdrawn in October, 2021. Find out the taxable capital gains for the assessment years 2020-21 and 2022-23. The cost inflation indices are: 2004-05-113, 2019-20-289. (10 Marks)

- 5 a. State the chargeability under head Income from house property. (03 Marks)
- b. i) Salary income of A is Rs.4,50,000 (computed).
 ii) He deposited Rs.20,000 in PPF, Rs.25,000 in RPF and purchased NSC VIII issue Rs.15,000.
 iii) He deposited Rs.20,000 in pension fund of LIC of India.
 iv) He paid interest of Rs.20,000 on loan taken from a financial institution for his higher education and load instalment Rs.25,000.
- Compute his total income for the assessment year 2020-21. (07 Marks)
- c. Mr. Hanuman submits the following particulars about sale of assets during the year 2019-20:

Particulars	Jewellery (Rs.)	Plot (Rs.)	Gold (Rs.)
Sale price	7,00,000	18,24,000	5,00,000
Expenses on sale	NIL	24,000	NIL
Cost of acquisition	1,29,000	2,26,000	1,48,000
Year of Acquisition	2007-08	2004-05	2009-10

He has purchased a house for Rs.15 lakh on 1-3-2020. Calculate the amount of taxable capital gain if CII for 2004-05, 2007-08, 2009-10 and 2019-20 are 113, 129, 148 and 289 respectively. (10 Marks)

- 6 a. What is MAT? (03 Marks)
- b. Explain the provisions regarding set-off and carry forward of losses. (07 Marks)
- c. Following is the Profit and Loss Account of Chandan for the year ending 31-03-2020:

Particulars	(Rs.)	Particulars	(Rs.)
To Salaries	3,30,000	By gross profit	7,50,000
To Office expenses	36,000	By bad debts recovered	20,000
To Depreciation	28,000	By Dividends	12,000
To GST	18,000	By Rent from house property	18,000
To Legal expenses	16,000		
To Income tax	14,000		
To Expenses on acquisition of patent rights	24,000		
To Donation in cash	4,000		
To Repairs	12,000		
To Provision for bad debts	6,000		
To General expenses	24,000		
To Net profit	2,88,000		
	8,00,000		8,00,000

Additional information:

- i) Salaries include Rs.12,000 paid to the workers employed at home.
 ii) Depreciation includes Rs.6,000 being unabsorbed depreciation of earlier years.
 iii) Legal expenses include Rs.2,000 paid to the lawyer in connection with personal case.
 iv) General expenses include Rs.8,000 as contribution to staff welfare fund.
 v) Out of bad debts recovered only Rs.8,000 were allowed as deduction earlier.
- Calculate the income of Chandan from the business for the assessment year 2020-21. (10 Marks)

- 7 a. What is Gross Total Income? (03 Marks)
 b. Mention any seven incomes chargeable to tax under the head income from other sources. (07 Marks)
 c. Compute the taxable income of M/s Shanmugam Ltd. for the previous year 2019-20 from the information given below:

Profit and Loss Account

To Office cleaning charges	20,000	By gross profit	5,00,000
To Salaries to staff	80,000	By long term capital gain	20,000
To Insurance on stock	25,000	By interest	5,000
To Printing and stationary	5,000		
To General charges	20,000		
To General reserve	25,000		
To Interest of loan	40,000		
To Provision for IT	2,10,000		
To Net profit	1,00,000		
	5,25,000		5,25,000

Additional information:

- i) The amount of interest is for Government securities.
 ii) The depreciation admissible under the Act is Rs.15000.
 iii) General expenses include Rs.2000 for office rent, Rs.3000 to bonus to staff, Rs.1000 for donation given to NDF. (10 Marks)

8

Compulsory:

The Profit and Loss Account of Zeal Company Ltd. for the year ending 31.03.2020 is as follows:

Particulars	(Rs.)	Particulars	(Rs.)
To Wealth tax paid	90,000	By sale of goods	50,00,000
To Proposed dividend	16,10,000	By LTCG	10,00,000
To General reserve	1,20,000	By amount withdrawn from general reserve	40,000
To Income tax paid	90,000		
To Expenses related to sales	15,00,000		
To Expenses related to goods manufactured	20,00,000		
To Provision for liabilities which is not ascertained	50,000		
To Net profit	5,80,000		
	60,40,000		60,40,000

Other information:

- i) Brought forward loss as per books of account is Rs.1,20,000 while the brought forward depreciation as per books of account is Rs.1,00,000.
 ii) Brought forward unabsorbed depreciation as per Income Tax is Rs.8,00,000.
 iii) Brought forward loss under the head Capital Gain Rs.6,00,000.

Calculate:

- a. Total income of the company under normal provisions.
 b. Book-Profit and Tax Liability as per Section 1153B.
 c. Tax liability of the company. (20 Marks)
