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P.E.S. College of Engineering, Mandya - 571 401

(An Autonomous Institution under VTU, Belgaum)

Fourth Semester – Master of Business Administration (MBA)

Semester End Examination; June/July - 2015

Tax Management

Time: 3 hrs

Max. Marks: 100

Note : Answer FOUR full questions from PART – A and PART – B (Case Study) is compulsory.

PART – A

- 1 a. Mr. Sanath, a non-citizen of India leaves India after a period of 10 years stay on 1-6-2011. During the financial year 2012-13, he comes to India for a period of 46 days. Later he returns to India for good on 10-08-2013(F.Y2013-14). Determine his residential status for the Assessment Year 2014-15. 3
- b. Mr. Yogendra has the following incomes during the Assessment year 2014-15

Particulars	₹
Interest on American Development Bonds (2/5 th is received in India)	80,000
Income from Agriculture in Sri Lanka, received there but later on ₹50,000 is remitted to India (Agricultural activity is controlled from Sri Lanka)	1,84,500
Gift in foreign currency from a friend received in India on 24-01-14	95,000
Income earned from business in USA which is controlled from Delhi (₹15,000 is received in India)	75,000
Dividend paid by a foreign company, but received in India on April 10, 2013	35,500
Pension from former employer in India, received in Sri Lanka	46,000
Profits from business in Chennai and managed from outside India.	77,000

Determine the taxable Income of Mr. Champak for the P.Y 2013-14 if he is.

(i) Resident (ii) Resident but not ordinarily Resident (iii) Non-Resident.

- c. Write Short notes on: i) Capital Receipts and Revenue Receipts ii) Income 10

OR

- 2 a. Explain the term Person – Section 2(31). 3
- b. What are the permissible deductions in computing Income from the head House property? 7
- c. Mr. Suraj (31 years), an employee of Amazon India. He receives the following salary and perquisites from his employer during the previous year 2013-14. You are required to compute the taxable income from salary of Mr. Suraj for the AY 2014-15:

- Basic Pay ₹ 7,20,000
- Dearness Allowance (included for terminal benefits) ₹ 44,000
- Bonus ₹ 34,500
- Commission on Sales at 1% of turnover (Turnover for the year ended 2014 achieved by Suraj ₹ 36,00,000)
- Advance salary of April, May and June 2013 ₹ 1,80,000 10
- Conveyance Allowance ₹ 4,000 p.m. which is fully utilized for official purposes.
- Rent Free Furnished house in Mumbai (Lease rent of unfurnished house paid by employer ₹ 82,500, rent of furniture ₹ 32,000)
- Free services of a gardener (salary ₹ 1,000 p.m.)
- Free services of a personal attendant (salary ₹ 8,000 p.m.)
- Free services of watchman (salary ₹ 5,000p.m.)
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Contd....2

- 3 a. List out any 6 Incomes that are fully Exempt under section 10 of the income Tax, 1961. 3
- b. Mr. Rajesh is engaged in retail trade in Nasik, reports a turnover of ₹ 38 lakhs for the financial year 2013-14. His income from the said business as per books of accounts is computed at ₹ 2.4 lakhs. Retail trade is the only source of income for Mr. Rajesh.
- i) is Mr. Rajesh eligible to opt for presumptive determination of his income chargeable to tax for the AY 2014-15? If so, determine his income as per the applicable presumptive provision. 7
- ii) In case Mr. Rajesh does not opt for presumptive taxation of income from retail trade, what are his obligations under the income Tax Act, 1961? What is the due date for filing his return of income under both the options?
- c. From the following information of M/s star Manufacturers Private Limited compute the depreciation allowable under sec 32 of the income Tax Act, 1961:

Assets	WDV as on 1-04-2013	Rate of Depreciation
Building	15,47,380	10%
Godowns	2,15,740	10%
Machinery	35,00,000	15%
Motor Bus	1,50,000	30%
Furniture	25,170	10%

- i) The company purchased and installed a new machinery on 31st Oct 2013 at cost of 5,00,000.
- ii) One Godown was completely destroyed by fire (WDV on 1-04-2013 – 1,15,600) on 1-09-2013 and 1,00,000 was received from the insurance company.

OR

- 4 a. When is a person required to maintain books of accounts under section U/s 44AA of the IT Act, 1961? 3
- b. Explain as to how Capital losses and Business losses can be Set off and carried forward? 7
- c. Mrs. Harini inherited a vacant land during 1991-92, which was purchased in 1979 by her father. The market value as on 1-04-81 of the vacant land was ₹ 200,000. During April 2013 she entered into agreement to sell the land. She ultimately sold the land in August 2013 for ₹ 44,00,000 out of which brokerage of ₹ 68,000 was paid. She purchased a house property in January 2014 for ₹ 20,00,000. Registration and stamp duty expenses amounted to ₹ 166,000. Find out the capital gain to Mrs. Harini and tax payable thereon. 10
- Indexation: 1981-82: 100
1991-92: 199
2013-14: 939
- 5 a. What are the conditions for the levy of excise duty under the Central Excise Act, 1944? 3
- b. Write Short notes on: i) Taxation of companies with respect to MAT u/s 115JB. 7
ii) Goods & Service Tax (GST)
- c. The Profit and Loss Account of ABC & Co, a partnership firm for the previous year 2013-14 is given below:

Particulars	₹	Particulars	₹
To Purchase less returns	1,10,00,000	By Sales	2,75,00,000
“ Direct and indirect expenses	16,00,000	“ Gross dividend from Indian Companies	1,00,000
“ Interest to partners	8,00,000		
“ Remuneration to partners	17,00,000		
“ Net Profit	1,25,00,000		
	2,76,00,000		2,76,00,000

You are informed:

- i) Direct and indirect Expenses include expenses not deductible under Sec 30 to 36 and 37(1) amounting to ₹ 5,60,000.
- ii) Expenses deductible under section 37(1) but not debited to profit and loss account ₹ 14,50,000.
- iii) There are three partners, Arvind, Bharat and Chetan sharing profit and loss in the ration of 4 : 3 : 3.
- iv) Interest to the partners has been paid @ 16% per annum which is authorized by the partnership deed.
- Compute the total remuneration allowable to the partners, total income of the firm and tax liability for the AY 2014-15

OR

- 6 a. What are the objectives of Central Sales tax? 3
- b. Explain the Types of Custom's Duty Charged. 10
- c. Explain in brief the concept of VAT. Mention any 5 benefits using VAT. 7
- 7 a. "Tax planning is within four corners of the Act and it is not a colourable device to avoid the tax" Comment. 3
- b. What is service Tax? Explain its chargeability. 7
- c. How do you treat the following items for income tax purposes, Give reasons?
- i) Raw materials worth ₹ 35,000 were purchased from a dealer in Delhi and the payment was made in cash on the same day.
- ii) Bad debts allowed during earlier year is ₹ 30,000, provision for Bad debt made during the previous yer 2013-14 ₹ 35,000. 10
- iii) Legal expenses incurred in relation to acquisition of capital asset.
- iv) Foreign travel expenses incurred to purchase machinery for factory.
- v) Provident fund and ESI contribution of ₹ 150,000 of P.Y 2013-14 pending as on the date of filing the return of Income.

OR

- 8 a. Write short notes on: i) Unabsorbed Depreciation ii) Bond washing 10
- iii) Slump sale iv) Tax evasion.
- b. Mr. Bhagwandas is a registered medical practitioner. He keeps his books on cash basis, and his summarized cash account for the year ended 31st March, 2015 is as under:

Particulars	Amount (Rs.)	Particulars	Amount(Rs.)
Balanced b/d	122000	Cost of Medicines	10000
Loan from Bank for private purposes	3000	Surgical Equipments`	8000
Sales of Medicines	25250	Motor car	120000
Consultation fees	155000	Car expenses	6000
Visiting fees	24000	Salaries	4600
Interest on Govt. Securities	4500	Rent of Dispensary	1600
Rent from property(not subject to local taxes)	3600	General Expenses	300
		Personal Expenses	111800
		Life Insurance Premium	3000
		Interest on Loan from Bank	300
		Insurance of property	200
		Balance c/d	71550
Total	337350	Total	337350

Compute his income from profession and house property for the previous year 2010-11 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 @ 15%.

PART – B

Case Study (Compulsory)

9. Mr. Ajesh furnishes the following particulars relevant for the A.Y. 2014-15. Compute his Income from business and tax liability for the PY 2013-14.

Particulars	₹	Particulars	₹
To, Salary	1,84,000	By, Gross Profit	8,86,000
" Miscellaneous expenses	33,000	" Commission & Discount	1,17,000
" Advertisement 44,000		" Miscellaneous receipts	23,000
Add: Payable 35,000	79,000		
" Fire insurance premium	5,000		
" Diwali Expenses	6,000		
" Entertainment expenses	5,000		
" Mahurat Expenses	2,100		
" Bad debts written off	6,900		
" Reserve for Losses	10,000		
" Interest on X's capital	14,000		
" Interest on Bank Loan	14,000		
" Patents	67,000		
" Depreciation on Plant & Machinery	28,000		
" Provision for VAT, Excise Duty Payable	13,000		
Net Profit	5,59,000		
	10,26,000		10,26,000

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- Salaries include payment of ₹54,000 to a relative, out of which ₹6,000 is excessive.
- Miscellaneous expenses include -
 - Expenditure of ₹ 5,400 on Training of apprentice,
 - ₹ 8,000 paid as commission for securing a business order, and
 - ₹ 11,600 paid as compensation to an employee to termination of his service-
- Advertisement expenditure includes ₹ 12,600, being cost of 6 Pen sets (costing 2,100 each) presented to customers.
- Depreciation on Plant & Machinery allowable as per I.T. Rules is ₹ 33,000.
- ₹ 8,000 is deposited towards VAT and excise duty payable, on 10-7-2014 (before due date of filing of return). The balance remains unpaid.

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