

January 2016

Master of Business Administration (MBA) Examination

III Semester**Tax Planning and Management**

Time : 3 Hours]

[Max. Marks : 80

Note : Attempt any two questions from Section A which carries 20 marks. Each question carries equal marks. Attempt any three questions from Section B which carries 60 marks each question carries equal marks.

Section A

1. Define 'Assessment Year' and 'Previous Year', "Income of the Previous Year is chargeable to the immediately following Assessment Year." Is there any exception to this rule? Explain.
2. What do you understand by 'Advance Tax'? How is it computed? Discuss the provision of Income Tax Act regarding its payment.
3. Write short notes on any two of the following:
 - (a) Ten Exempted Incomes
 - (b) Deduction U/S 80 C
 - (c) Gross Total Income
 - (d) Residence and Tax Liability.
4. Discuss the provision of Income Tax Act relating to Filing of Return of Income.

Section B

5. Mr. N, Posted by Z Ltd. at Kanpur (having population of 22 lakh), discloses the following particulars of his income/investment/contribution, earned or made by him during the previous year 2014-15:
 - (a) Salary : He joined Z Ltd. w.e.f. 1 March, 2010 at a salary of Rs. 10,000 per month. Yearly increment is Rs. 500. Salary falls due on the 1st day of the next month.
 - (b) Dearness Allowance : It is paid @ 40% of the salary. 50% of it is a part of superannuation benefits.
 - (c) Contributions to Fund : He contributes 10% of the salary and dearness allowance to; recognized provident fund, but the employer contributes @ 15% on a similar bases.

- (d) Servant Facility : Free services of watchman and gardener have been provided to him, costing the employer Rs. 400 per month for each servant.
- (e) House Accommodation : The employer has allotted him a house owned by it. The municipal value of the house is Rs. 90,000. Its Fair Rent and Standard Rent under Rent Control Act amount to Rs. 1,20,000 and Rs. 80,000 respectively. The employer has also provided furniture costing Rs. 30,000 but market value of which is Rs. 40,000.
- (f) Motor Car : He is given a motor car of 1.8 litres cubic capacity for official and personal purposes. The facility costs Rs. 60,000 p.a. to the employer. However, the employer is charging only Rs. 3,000 p.a.
- (g) Medical Allowance : Employer paid him medical allowance @ Rs. 2,000 per month. The allowance has been fully spent in getting his wife treated in Hospital, New Delhi.
- (h) Bonus : A sum of Rs. 6,000 is due on account of bonus for the Previous Year 2014-2015 but bonus for 2013-2014 amounting to Rs. 5,000 has been paid during the year 2014-2015.
- (i) Income Tax : The employer has paid his Income Tax Demand Notice of Rs. 6,000.

Compute Taxable Salaries for the Assessment Year 2015-2016

6. Miss Neelam. Resident in India, disclose the following particulars of her income for the Previous Year 2014-2015:

Rs.

(1) Interest on 5 years Fixed Deposits into Bank (Interest Credited on 31-3-2015)	36,000
(2) Mining Rents and Royalties	50,000
(3) Winning from Lottery	1,05,000
(4) Insurance Commission Received in December 2014	90,000
(5) Cash Gift from N, a close friend in January 2015	50,000

She claims the following expenses.

- (a) Purchases of lottery tickets Rs. 20,000.
- (b) Expenses incurred in insurance commission business Rs. 25,000.

Compute her Taxable Income from Other Sources for the Assessment Year 2015-2016.

7. Mr. Mahesh Puranik purchased a plot for Rs. 40,000 on 1st August, 1977. The fair market value of the plot on 1st April, 1981 was Rs. 80,000. On 1st August 2014. Mr. Puranik sold the plot for Rs. 15,00,000 and

paid brokerage @ 2% on sale consideration. Out of the sale consideration, he invested Rs. 7,35,000 in the construction of a residential house which was completed before 30th June, 2015.

Compute the Taxable Capital Gains for the Assessment Year 2015-2016 assuming that he does not own any other residential house.

8. The following is the Profit and Loss Account of Mr. Sumit Verma, resident in India, for the year ending on 31 March, 2014. compute his Profits and Gains of Business and Profession for the Assessment Year 2015-2016.

Profit and Loss Account

Expenditure	Rs.	Receipts	Rs.
To Purchases	1,93,000	By Sales Less Returns	5,70,800
To Salaries and Wages	1,40,000	By Bad Debts Recovered,	
To Purchase of Trademarks	50,000	allowed in earlier years	
To Rent, Rates and Taxes	6,000	by the Assessing Officer	10,000
To Discount Allowed	10,000	By Interest on Securities (gross)	20,000
To Household Expenses	20,000	By Dharmada, Mandir and	
To Advertisement		Gaushala's Receipts	2,000
Bill Paid in Cash	30,000	By Refund on Income Tax	16,000
To Income Tax Paid	10,000	By Proceeds of Life Insurance	
To VAT Paid	15,000	Policy on Maturity	40,000
To Purchase to Technical			
Know-how	20,000		
To Expenses Incurred on			
Income Tax and Sales			
Tax Proceedings	15,000		
To Staff Welfare Expenses			
Incurred	10,000		
To OYT Deposit	5,000		
To Postage	5,000		
To Donation to National			
Defence Fund	5,000		
To Life Insurance Premium			
on the Life of the Assessee	15,000		
To Interest on Capital	10,000		
To Interest on Loan taken to			
Pay Income Tax	2,000		
To Audit Fee	10,000		
To Entertainment Expenditure	30,000		
To Net Profits	57,800		
	<u>6,58,800</u>		<u>6,58,800</u>

9. Mr. J and Mr. K are two brothers. Mr. J own three houses. Particulars of the three houses for the Previous Year 2014-2015 are as follows :

House Usage	House A Self-occupied by Mr. J	House B Occupied by Mr. K	House C Let Out to Mr. L
Date of Completion	1-4-2014	15-5-2014	1-4-2014
Particulars	Rs.	Rs.	Rs.
Municipal Value	4,00,000	5,00,000	6,00,000
Fair Rent (p.a.)	4,50,000	4,60,000	7,00,000
Standard Rent (p.a.)	3,70,000	4,80,000	6,50,000
Actual Rent (p.a.)	Nil	Nil	7,50,000
Municipal Taxes Paid	48,000	60,000	90,000
Insurance Premium Paid	10,000	15,000	20,000
Repairs of the House	50,000	40,000	70,000
Collection Charges of Rent	XXX	XXX	15,000
Interest on loan taken on 1-4-2012, for the house, paid during the year 2014-2015 (However, interest certificate from the payee has not been produced in respect of House B but produced in respect of House A and C)	2,00,000	1,00,000	3,00,000

Compute Income from House Property of Mr. J for the Assessment Year 2015-2016.

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