

**Avinashilingam Institute for Home Science and Higher Education for Women
(Deemed to be University) Coimbatore-641043.**

**Master's Degree Examination – November 2018
III Semester**

**Class : II PG
Major : Business Administration / MBA -IT**

**Time: 3 hours
Max. Marks: 60**

17MBAC22F/17MBMC23F TAX PLANNING AND MANAGEMENT

Part A

10 x 1/2 = 5

Choose the correct answer

1. Income of the Previous Year 2017-18 is taxable in the assessment year _____
a. 2016-17 b. 2017-18 c. 2018-19 d. 2019-20
2. As per the first basic condition to determine residential status, a person should have been in India during the previous year concerned for _____
a. 60 days or more b. 120 days or more c. 182 days or more d. 240 days or more
3. Children Education allowance is exempted upto _____
a. Rs.200 p.m. per child b. Rs.300 p.m. per child
c. Rs.100 p.m. per child d. Rs.400 p.m. per child
4. Profits earned from an illegal business are _____
a. Taxable b. Tax free c. Ignored by Tax Authorities d. Treated as 'Other Income'
5. Loss under the head capital gain can be carried forward for _____ years
a. 8 years b. 4 years c. 10 years d. Unlimited period
6. The maximum interest allowed on interest on capital of a partner is _____
a. 6% b. 12% c. 15% d. 18%
7. In case of domestic company, if the income exceeds Rs.10 Crore, the surcharge levied will be @ _____
a. 10% b. 12% c. 15% d. 20%
8. _____ means the "art of dodging tax without breaking the law".
a. Tax Planning b. Tax Avoidance c. Tax Evasion d. Tax Management
9. Tax is levied under VAT at _____
a. Last stage of sale b. Multi Stage c. First stage of sale d. First and last stage of sale
10. Service tax was first introduced in India in the year _____
a. 1993 b. 1995 c. 2004 d. 1994

PART – B (5 *4 =20)
Answer all the Questions

Answer should not exceed 200 words or one page

11.a. Distinguish between direct and indirect taxes.

(OR)

11.b. What are the objectives of tax planning? Explain

12.a. Mr. Y a resident of Trichy receives Rs.1,00,000 p.a. a Basic salary and Rs.30,000 p.a. as D.A (2/3rd of which is forming part of salary) and he also receives a commission of Rs.1,000 p.m. bonus of Rs.15,000 p.a. and H.R.A., Rs.24,000 p.a. (Rent paid at Trichy Rs.30,000). Commission on purchases @ 1% (purchases Rs.40,000) Commission on profits @2% (profits Rs.50,000). Compute exempted HRA.

(OR)

12.b. From the following details, compute the taxable income under the head income from business. Profit before adjusting the following items is Rs. 7, 00,000.

	Rs.
Trade expenses	5,000
Establishment expenses	10,000
Household expenses	2,000
Discount allowed.	1,000
Income tax	700
Provisional for bad debts	1,000
Donation to national Defense fund	1,000
Audit fees	200

13.a. Compute the book profit of a firm (partners are Chartered Accountants) (PFAS)

Profit earned by the firm in the year 2013-14 (After charging the following amounts)
Rs.5,00,000

- a. Interest on capital to partners @18% Rs.54,000
- b. Remuneration to working partners as per partnership deed Rs.1,00,000
- c. Donation to an approved educational institution Rs.10,000
- d. Business expenses Rs. 5,000
- e. Income Tax Rs.1,000

(OR)

13.b . Calculate the firm's income under the head profit and gains from business and profession from the data given below:

	Rs.
Net profit as per P&L A/c (after debiting the following)	20,000
Salary to Partner A	60,000
Salary to Partner B	40,000
Commission to A	20,000
Interest on Capital @ 21% to A	14,000
Interest on Capital @ 21% to B	7,000

The payments to partners have been made in accordance with partnership deed.

14.a. From the following particulars, compute the total income of Z Ltd., an Indian Company.

	Rs.
a. Interest on securities	2,000
b. Business income	3,00,000
c. Interest on debentures of	
i. Indian Paper Mills Ltd.,	50,000
ii. Another Indian Company	20,000

Compute total income of Z Ltd. It has distributed dividend of Rs. 50,000 only

(OR)

14.b. What are the tax planning involved in make or buy decisions? Explain

15.a. What are the features of Service Tax? Explain.

(OR)

15.b. What are the methods of computation of VAT? Explain

PART – C

(5*7=35)

Answer the following

Each answer should not exceed 600 words or three pages

(Q 20 is Compulsory)

16.a. Mr. Sanjay works in an Indian ship. He leaves India on 1-8-2017 as a crew member of the ship. His stay during the four years preceding the previous year 2017-18 was as follows:

2016-2017 : He was out of India from 1-5-2016 to 1-8-2016

2015-2016 : He was out of India from 1-8-2015 to 1.1.2016

2014-2015 : He was out of India from 1.6.2014 to 1.2.2015

2013-2014 : He was out of India from 1.11.2014 to 1.1.2015

2012-2013 : He was out of India from 1.12.2012 to 31.1.2013

1. Determine the residential status of Mr. Sanjay for the previous year 2017-18.

2. What will be his residential status if Mr. Sanjay has left India on 1.12.2017, instead of 1.8.2017?

(OR)

16.b . What are the methods of tax planning? Explain

17.a. Mr. Murugesan gives you the following particulars of his income earned during the previous year 2017-18. He is a Government employee working in Erode.

i. Net Salary (after deduction of tax deducted at source and own contribution to RPF) Rs.1,40,000

ii. Tax Deducted at source by employer Rs.10,000

iii. Own contribution to RPF Rs.10,000

iv. Employer contribution to RPF Rs.10,000

v. Entertainment Allowance Rs.1,000 p.m.

vi. Professional tax paid Rs.1,500

vii. House Rent Allowance (Actual Rent paid by him is Rs.600 p.m. at Erode) Rs.750 p.m.

viii. Interest credited to the P.F. @15.5% on 15.3.2015 Rs.3,300

Determine the taxable salary of Mr. Murugesan for the Assessment Year 2018-19.

(OR)

17.b. From the following P&L A/c calculate income from business:

Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,10,000	By Sales	5,00,000
To Purchases	1,00,000	By Closing Stock	3,00,000
To Wages	50,000		
To Donations	5,000		
To House hold expenses	2,000		
To Depreciation on Car	3,000		
To Motor Car expenses	2,000		
To Net Profit	5,28,000		
	8,00,000		8,00,000

Additional information:

- 50% of the Motor Car is used for personal use
- Opening stock is over valued by 10% and closing stock is over valued by 15%

18.a. Mr. Gupta furnishes the following particulars of his income for the assessment year

2018-19. Calculate his total income:

	Rs.
i. Pension from Govt of India (Gross)	96,000
ii. Rent from house property (p.a.)	12,000
iii. Income from agency business	50,000
iv. Loss from cloth business	70,000
v. Speculation business income	5,000
vi. Short-term capital gain	4,000
vii. Long-term capital gain	19,500
viii. Income from securities	10,000

The carry forward items from the assessment year 2017-18:

	Rs.
i. Loss in agency business	1,500
ii. Speculation loss	6,000
iii. Loss from house property	4,500
iv. Short-term capital loss	6,000
v. Long term capital loss	6,500
vi. Loss from interest on securities	1,200

(Or)

18.b) X, Y and Z are partners in a firm sharing equally, for the assessment year 2018-19, following particulars are available:

	Rs.
Loss as per P&L A/c (after debiting partners Remuneration and interest)	2,44,000
Remuneration to partners (as per deed)	
X	90,000
Y	60,000
Z	30,000
Interest on Capital at 12% as per deed,	
X (1,00,000 * 12%)	12,000
Y (1,00,000 * 12%)	12,000
Z (1,00,000 * 12%)	12,000

Compute the business income of the firm

19.a. What are the eligible deductions u/s 80 for the computation of Company's total income? Explain

(OR)

19.b. Examine the tax planning in relation to own or lease type of business decisions

20.a. Compulsory Question

Sri Mukunda furnishes the following particulars of his incomes for the previous year 2017-18. Compute his total income:

	Rs.
i. Dividend on equity shares (Gross)	600
ii. Dividend on preference shares (Gross)	3,200
iii. Interest on deposits with SBI (Gross)	60,000
iv. Director's sitting fees	1,200
v. Ground rent	800
vi. Income from undisclosed sources	10,000
vii. Income from lotteries gross	10,000
viii. Income from agricultural land in India	2,000
ix. Interest on Bank deposits with UCO Bank	1,00,000
x. Mukund received the following sums as gifts during 2017-18 :	

Rs. 55,000 from his sister on 4.10.2017

Rs. 27,000 from his friend on 16.08.2017

Rs. 29,000 from his another friend on 30.01.2018

Mukund receives following properties from his friends without any consideration:

- House property situated at Chennai, stamp duty value Rs. 50,000
- House property at Madurai, stamp duty value Rs. 5,00,000

The following deduction are claimed by him :

Collection charges of dividend Rs.20

Interest on Capital borrowed for investment in preference shares Rs.1,000