

**Fifth Semester B.B.M. Degree Examination,
October/November 2019**

(CBCS Scheme)

Management

TAXATION MANAGEMENT

Time : 3 Hours]

[Max. Marks : 90

Instructions to Candidates : Answers should be written in English only.

SECTION – A

1. Answer any **TEN** sub-questions from the following. Each sub-question carries **2** marks : **(10 × 2 = 20)**
- (a) Define the term 'previous year'.
 - (b) What is bond working transaction?
 - (c) Give the provision of calculation of HRA.
 - (d) What are the different types of provident funds?
 - (e) Give the meaning of deemed to be let out.
 - (f) Give the definition of block of asset.
 - (g) Who is an ordinary resident?
 - (h) State any four authorities of income tax.
 - (i) Give the meaning of custom area.
 - (j) What do you understand by long term capital asset?
 - (k) Define "Business".
 - (l) Define the term 'person'.

SECTION – B

Answer any **FIVE** questions from the following. Each question carries **5** marks : **(5 × 5 = 25)**

2. Mr. Huvan a foreign national, came to India for the first time on 12.9.2015 and went back to his country on 27.7.2017 again he came to India on 22.10.2018 and went back on 14.4.2019.

Determine his residential status for the assessment year 2019-20.

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3. State whether the following are admissible or inadmissible while computing taxable income from business :

- (a) Interest on proprietor's capital
- (b) Contribution to National Laboratory for scientific research
- (c) Provisions for sales tax
- (d) Fees paid to tax consultant for filing the income tax return
- (e) Purchase of machinery for business purpose.

4. What are the objectives of Goods and Services Tax?

5. Briefly explain the powers and functions of commission of Income Tax.

6. Write a note on :

- (a) Indexed cost of acquisition
- (b) Total income.

7. From the following information compute net annual value :

Municipal value	Rs. 1,20,000 p.a.
Standard rent	Rs. 96,000 p.a.
Actual rent	Rs. 11,000 p.m.
Vacant period	1 month
Municipal tax paid by the assessee	Rs. 8,000
Municipal tax paid by the tenant	Rs. 4,000
Ground rent	Rs. 5,000
Repair charges	Rs. 10,000
Unrealised rent	Rs. 6,000

8. Mr. Rohan a non government employees of Bengaluru his basic pay Rs. 25,000 p.m. (from 1.1.2019 Rs. 27,000 p.m.), dearness allowance Rs. 6,000 p.m. (60% of which forming part of salary) travelling allowance Rs. 600 p.m. (75% spent for office use) commission as purchases Rs. 7,500.

Professional tax of Rohan paid by the company Rs. 300 p.m.

The company has been provided him a rent free accommodation, its fair rental value Rs. 96,000 p.a. the cost of furniture provided Rs. 40,000.

Compute taxable value of perquisite in respect of accommodation for the assessment year 2019-20.

SECTION – C

Answer any **THREE** questions. Each question carries **15** marks : (3 × 15 = 45)

9. Mrs. Pushpalatha gives her particulars of income for the financial year 2018-19.
- (a) Interest on German development bonds Rs. 10,000.
 - (b) Agricultural income near Bengaluru received in London Rs. 30,000.
 - (c) Profits from a business at London and the business being controlled from Bengaluru ($\frac{1}{2}$ received in Delhi) Rs. 1,00,000.
 - (d) Agriculture income in Dhaka Rs. 1,50,000, received these and spent Rs. 50,000 for personal purpose and the balance remitted to India.
 - (e) Profits from a business at Delhi controlled from Bengaluru but received in London Rs. 50,000.
 - (f) Interest from post office savings bank account Rs. 8,000.
 - (g) Salary received in Australia for the service rendered in India Rs. 60,000.
 - (h) Gift received from father in law Rs. 75,000.
 - (i) Income from house property in Iran, received in Srilanka Rs. 40,000.
 - (j) Dividend from an Indian company Rs. 40,000.
 - (k) Profit on sale of machinery of London ($\frac{1}{2}$ received in India) Rs. 50,000
 - (l) Untaxed foreign income for the year 2015-16 brought into India during 2018-19 Rs. 2,00,000.

Compute gross total income of Mrs. Pushpalatha for the assessment year 2019-20 if she is

- (i) An ordinary resident
 - (ii) Not ordinary resident
 - (iii) Non resident.
10. Miss Unnathi working in MN Pvt. Ltd., Mumbai ; Her salary details for the year 2018-19 were as follows :
- Basic salary = 20,000 p.m. (upto 30.6.2018 it was Rs. 18,000 p.m.)
- Dearness allowance – 75% of basic salary
- Bonus equal to 10% of basic salary
- City compensatory allowance – Rs. 600 p.m.
- HRA – Rs. 3,000 p.m. (rent paid by her Rs. 2,500 p.m.)



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The company reimbursed medical bills of ENT hospital Rs. 25,000 and unapproved hospital Rs. 10,000. The company provided her a car (1800 cc) with driver. Which is used by her for both private and official purpose the expenditure paid by the company Rs. 52,000.

The company provided free meal facility for 100 days. The cost of each meal Rs. 80.

She contributes to RPF at 15% of salary, the company also contributes an equal amount.

Interest credited to RPF at 10% p.a. Rs. 12,000.

The company paid professional tax of Unnathi Rs. 200 p.m.

She incurred Rs. 20,000 to entertain the customers of company during the previous year.

Compute taxable income from salary for the assessment year 2019-20.

11. Mrs. Girishma is the owner of four house properties the details of which are as follows :

Particulars	House - 1	House - 2	House - 3	House - 4
How occupied	Let out for residence	Self occupied for residence	Self occupied for business	Let out for business
Municipal value (p.a.)	96,000	1,20,000	84,000	72,000
Fair rent (p.a.)	1,08,000	1,08,000	92,000	84,000
Standard rent (p.a.)	96,000	-	72,000	-
Actual rent (p.m.)	10,000	-	-	8,000
Municipal tax on municipal value	10%	10%	10%	10%
Unrealised rent -				
2015-16	5,000	-	-	6,000
2018-19	-	-	-	4,000
Vacant period	1 month	2 month	-	-
Interest on loan	15,000	25,000	-	10,000
Annual wages	10,000	6,000	-	-
Repair charges	15,000	10,000	4,000	6,000

50% of the municipal tax in respect of house 4 was paid by the tenant. The loan taken on House - 1 is for personal purpose. Compute taxable income from business of Mrs. Girishma for the assessment year 2019-20.

12. Mr. K. Swamy presents you the trading and profit and loss account for the previous year ended 31st March 2019 and requires you to compute taxable income from business for the assessment year 2019-20.

Particulars	Amount	Particulars	Amount
To Opening stock	85,000	By Sales	3,94,000
To Purchases	2,40,000	By Closing stock	1,10,000
To Wages	35,000		
To Carriage inward	12,000		
To Gross profit	1,32,000		
	<u>5,04,000</u>		<u>5,04,000</u>
To Staff salary	18,750	By Gross profit	1,32,000
To Audit fees	12,000	By Interest on debentures	17,800
To General expenses	18,650	By Bad debts recovered	6,000
To Income tax	32,000	By Sundry income	3,000
To Donations	10,000	By Winning from lottery	1,20,000
To Car expenses	15,000		
To Purchase of patent rights	30,000		
To Interest on capital	16,000		
To Provision for sales tax	6,000		
To Bad debts	5,000		
To Depreciation on car	18,000		
To Net profit	97,400		
	<u>2,78,800</u>		<u>2,78,800</u>



Additional Information :

- Opening stock is undervalued by 15% where as closing stock is over valued by 10%.
- Purchases includes a cash payment of Rs. 15,000 to a supplier.
- Out of provision for sales tax Rs. 2,500 paid before the due date of filing the income tax return.
- 1/2 of car is used for private purpose.
- General expenses included Rs. 2,000 paid to chartered accountant to take tax advice Rs. 500 paid to a poor student as clarity.
- Donation included Rs. 4,000 contribution to scientific laboratory to carry out scientific research.
- Out of bad debts recovered Rs. 4,000 was not allowed earlier.

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13. Mr. Pasha is a leading tax consultant, who maintains his books on cash basis. Furnish the following receipts and payments account for the previous year 2018-19 :

Receipts	Amount	Payments	Amount
Balance b/d	22,000	Office Rent	
Fees from clients		2017-18	15,000
2017-18	10,000	2018-19	1,24,000
2018-19	1,50,000	Computer purchased	30,000
2019-20	10,000	Books purchased (annual)	10,000
Gifts and presents	25,000	Car expenses	12,000
Bank loan (profession)	2,40,000	Salary to staff	40,000
Winning from lottery	50,000	Car purchased	2,50,000
Accounting works	1,35,000	Income tax	5,000
Dividend	10,000	Professional tax	3,000
Articles published in professional magazine	5,000	Medical insurance premium	8,000
		Balance c/d	1,60,000
	<u>6,57,000</u>		<u>6,57,000</u>

Additional information :

- (a) 40% of usage of car is for personal purpose.
- (b) Depreciate car at 15%, books @ 100%, computer at 40%.
- (c) Gifts and presents included Rs. 18,000 received from clients.
- (d) Office rent for the year 2018-19 is outstanding Rs. 5,000.

Compute taxable income from profession for the assessment year 2019-20.