

[4]

- ii. The following facts find out the P & L A/c- 6
- Computer purchased for Rs.23800 and furniture Rs.13000.
  - Car purchased for business Rs.40000 and maintenance expenses incurred Rs.18000
  - Termination compensation given to clerk Rs.3000.
  - Donation to election fund of BJP Rs.700.
  - Bad debt reserve Rs.3000
  - Registration expenses of trademark Rs.1200.
- Which expenses will be allowed and disallowed and why?
- OR iii. Find out taxable income from business. P & L A/c of a trader shows 6
- Net profit Rs.3,38,000 after debiting the following items-
- Income tax paid Rs.7000 & Income tax procedure expenses Rs.1100.
  - Interest on loan taken for payment of Income tax Rs.1000.
  - Sales tax Rs.18000 and penalty interest Rs.5000 for delay payment of VAT. Penalty for sales tax evasion Rs.4000.
  - Cash payment to A creditors Rs.18000 (paid in two instalments Rs.10000 and Rs.8000 on 28 Jan.2018) and to B Rs.19700 (on 28 Jan. Rs.9700 and on 30 Jan. Rs.10000).
  - The aforesaid net profit includes Rs.3000 for recovery of old bad debts which was disallowed by IT officer.
  - Depreciation is allowed Rs.16800.
- Q.6 Attempt any two:
- Mr. Sanjay Bhansali has the following income for the previous year 5  
ended 31 March 2021-  
    - Business profit Rs. 4,87,300 (after deducting donation to a public hospital)
    - Capital gain in respect of short-term assets Rs. 18,000.
    - Capital gain in respect of long-term capital assets Rs. 28000.
    - Net amount received from Himachal Govt. Lottery Rs. 1,40,000.

Compute Mr. Bhansali's total income for the assessment year 2020-21.
  - Describe any five deductions from gross total income which are 5  
important for tax planning.
  - Describe any five Income from other sources. 5

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Total No. of Questions: 6

Total No. of Printed Pages:4

Enrollment No.....



**Faculty of Management Studies**  
**End Sem (Even) Examination May-2022**  
**MS5C016 Income Tax Planning & Management**  
 Programme: MBA Branch/Specialisation: Management

**Duration: 3 Hrs.**

**Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Minor income is exempt to the extent of - 1  
 (a) Rs. 1,000 (b) Rs.1,500 (c) Rs. 5,000 (d) Fully exempt
- ii. Staying in India to fulfil basic condition - 1  
 (a) At least 180 days (b) At least 182 days  
 (c) By birth (d) At least 60 days
- iii. House rent allowance is - 1  
 (a) Fully exempted (b) Exempted to a certain limit  
 (c) Exempted in big cities (d) Exempted for Govt. employees
- iv. Deduction for entertainment allowance is availed by- 1  
 (a) Govt. servant (b) No Govt. servant  
 (c) Both (a) and (b) (d) Private employee
- v. Municipal Value of let out house is Rs. 1,50,000 and tax payable on it 1  
 is Rs.15,000. He paid Rs. 10,000. Amount deductible for calculation  
 Annual value will be -  
 (a) Rs15,000 (b) Rs. 10,000  
 (c) Rs. 45,000 (d) Rs. 5,000
- vi. An assessee may choose any \_\_\_\_\_ house as self-occupied for 1  
 exemption-  
 (a) One (b) Two (c) Three (d) Four
- vii. Reserve or provision is - 1  
 (a) Allowed expenses (b) Disallowed expenses  
 (c) Partly allowed (d) Partly disallowed
- viii Types of Capital assets on the basis of period - 1  
 (a) 1 (b) 2 (c) 3 (d) 4

P.T.O.

[2]

- ix. Maximum deduction allowed u/s 80C – **1**  
 (a) Rs.50,000 (b) Rs.1,00,000  
 (c) Rs.1,50,000 (d) Rs.2,00,000
- x. Income from letting out of trademark is – **1**  
 (a) Trade income (b) Lottery  
 (c) Capital receipt (d) Casual income
- Q.2 i. What do you mean by exempted incomes? Give its example. **2**  
 ii. Compute agricultural income on the basis of following particulars- **3**  
 Rent of agricultural land Rs. 138000  
 Land revenue paid to State Government Rs. 980  
 Interest on loan taken to purchase agricultural land Rs. 43200  
 Collection charges on recovery of agricultural land Rs. 1700  
 Interest on arrears of land revenue received from tenant Rs. 16300  
 Rent received from tractor let out for agricultural work Rs. 19200  
 iii. What are the basic conditions of residential status of an individual? **5**  
 Why residential status is important?
- OR iv. The following are the particulars of Income of Mr. Vikas **5**  
 (Indian citizen) for the previous year 2017-18.  
 Profit from business in Japan received in India Rs. 100000  
 Income from House property in Bangladesh received in India Rs. 1000  
 Income from House property in Sri Lanka deposited in a bank there Rs. 2000  
 Profit from business in Burma, deposited in a bank there. This business is controlled from India Rs. 2000  
 Accrued in India but received in Malaysia Rs. 4000  
 Compute the taxable income of Mr. Vikas for the AY 2018-19 if he is:  
 I. Ordinarily resident II. Non resident
- Q.3 i. Define salary and perquisites. Elaborate any two perquisites. **4**  
 ii. Discuss rules regarding valuation of rent-free accommodation under Income Tax. **6**

[3]

- OR iii. Mr. Manohar Maheshwari is serving in Vikram cement Ltd. He **6**  
 received following cash emoluments during the previous year 2020-21 from the company-  
 (a) Basic salary Rs.18700 per month.  
 (b) City compensatory allowance Rs. 2200 pm.  
 (c) Dearness allowance Rs.1500 pm.  
 (d) Bonus equal to two-month salary.  
 (e) Education allowance Rs.1000 per month. He spent Rs.2000 per month for his three children.  
 Compute taxable Salary.
- Q.4 i. What is gross annual value? Discuss the valuation with suitable **3**  
 example.  
 ii. Discuss the procedure of computation of Income with example, from **7**  
 following houses-  
 (a) Fully let out house  
 (b) Self-occupied for a part of the year and let out for remaining part.
- OR iii. Shri Shantilal is the owner of two houses. His House property details **7**  
 for the previous year 2017-18 are as under-  
 First House-  
 This house is being used for self-residential purpose. Its municipal value is Rs. 16000 per annum. The following expenses made for this house – municipal tax Rs. 600, Repairs Rs. 500, Fire insurance premium Rs. 210.  
 Second House-  
 The municipal valuation of this house is Rs. 65000. and it is let out Rs. 5000 per month. Expenses- Municipal taxes Rs. 5000, Repair Rs. 1000, Collection charges Rs. 600, Ground rent Rs. 1000.  
 Compute Mr. Shantilal's income from House Property for the Assessment year 2020-21.
- Q.5 i. What are the categories of business as per Income Tax? **4**

P.T.O.

## Marking Scheme

### MS5C016 Income Tax Planning & Management

Q.1	i. Minor income is exempt to the extent of -	1	OR	ii. Discuss rules regarding valuation of rent-free accommodation under Income Tax.	6
	(b) Rs.1,500			iii. Compute taxable Salary.	6
	ii. Staying in India to fulfil basic condition –	1		As per the solution	
	(b) At least 182 days		Q.4	i. Gross annual value and valuation with suitable example.	3
	iii. House rent allowance is –	1		ii. Procedure of computation of Income with example, from following houses-	7
	(b) Exempted to a certain limit			(a) Fully let out house	
	iv. Deduction for entertainment allowance is availed by-	1		(b) Self-occupied for a part of the year and let out for remaining part.	
	(a) Govt. servant		OR	iii. Compute Mr. Shantilal's income from House Property for the Assessment year 2020-21.	7
	v. Municipal Value of let out house is Rs. 1,50,000 and tax payable on it is Rs.15,000. He paid Rs. 10,000. Amount deductible for calculation Annual value will be -	1		As per the solution	
	(b) Rs. 10,000				
	vi. An assessee may choose any _____ house as self-occupied for exemption-	1	Q.5	i. What are the categories of business as per Income Tax?	4
	(b) Two			ii. The following facts find out the P & L A/c- Which expenses will be allowed and disallowed and why?	6
	vii. Reserve or provision is –	1		1 mark for each (1 mark * 6)	
	(b) Disallowed expenses		OR	iii. Find out taxable income from business. P & L A/c of a trader shows Net profit Rs.3,38,000 after debiting the following items-	6
	viii Types of Capital assets on the basis of period –	1		As per the solution	
	(b) 2				
	ix. Maximum deduction allowed u/s 80C –	1	Q.6	Attempt any two:	
	(c) Rs.1,50,000			i. Compute Mr. Bhansali's total income for the assessment year 2020-21.	5
	x. Income from letting out of trademark is –	1		As per the solution	
	Income from other sources			ii. Any five deductions from gross total income	5
				1 mark for each (1 mark * 5)	
Q.2	i. Exempted incomes and its example.	2		iii. Any five Income from other sources.	5
	ii. Compute agricultural income on the basis of following particulars-	3		1 mark for each (1 mark * 5)	
	As per the solution				
	iii. basic conditions of residential status of an individual	5			
	Residential status is important.				
	As per the explanation				
OR	iv. Compute the taxable income of Mr. Vikas for the AY 2018-19 if he is:	5			
	I. Ordinarily resident II. Non resident				
	As per the solution				
Q.3	i. Define salary and perquisites. Elaborate any two perquisites.	4			

Q2 IV Computation of Taxable Income of Mr. Vikas  
For the Assessment year 2018-19

Particular	Ordinary Resident ✓	Not Ordinary Resident X	Non Resident ✓
Profit from Business in Japan received in India	100000	100000	100000
) Income from House property in Bangladesh received in India	1000	1000	1600
) Income from House property in Sri Lanka deposited in Bank	2000	—	—
) Profit from Business in Burma (Controlled in India) deposited there in Bank	2000	2000	—
) Income accrued in India but received in Malaysia	4000	4000	4000
	109000	—	105000

Only Ordinary Resident and Non Resident asked in question paper.

Q2 II Rent	138000
less → Land Revenue	— 980
Interest on loan	— 43200
Collection charges	— 1700
Agriculture Income →	92120



# Q 3 III statement of Income from Salary For the Assessment year 21-22

(1) Basic Salary $18760 \times 12$	2,24,400
2) City allowance $2200 \times 12$	26,400
3) Dearness allowance $1500 \times 12$	18,000
4) Bonus $18760 \times 2$	37,400
5) Education allowance $1000 \times 12 \Rightarrow 12,000$	9,600
less-exempted $100 \times 2 = 200$ (For 2 children) $200 \times 12 = 2,400$	
Taxable Salary	3,15,800
less S.D.	50,000
Net Income $\Rightarrow$	2,65,800

# 24 III Statemet of Income from House Property For the Assessment year 2020-21

1) self Residential House		
Gross Annual Value	Nil	
Annual Value		Nil
2) Rental House		
G.A.V	65000	
(Municipal value 65000 or Actual Rent $\rightarrow$ 60000 $5000 \times 12$ Which ever is Higher		
Less - Municipal Tax	5000	
Net Annual Value	60000	
Less > Deduction: U/S 24		
1) standard Deduction 30% $60000 \times 30\%$	18000	42000
Income from House property		42000

25 II

- (1) Cost of computer and furniture is Capital expenditure so it is not allowed depreciation will be allowed @ 40% and 10%.
- 2) Purchasing of car is Capital expenditure so it is not allowed, but running and maintenance expenses are allowed because it is an expenditure of revenue nature.
- 3) Compensation given to clerk on termination in the interest of Business is allowed.
- 4) Donation to political party is not allowed.
- 5) Reserve for Bad Debts is not allowed.
- 6) Registration expenses of trade mark is allowed.



## Q.5. III Statement of Income from Business

Net profit as per PSLAIC		3,38,000
deductible Disallowed items		
Income Tax	7000	
interest on loan for Income tax	1000	
Penalty (GST evasion)	4000	
Cash payment exceeding 10,000 in a day to 'A'		
(100% whole amount)	18000	
<del>Recovery of old Bad Debts</del>	<del>3000</del>	<del>30,000</del>
		3,68,000
less Allowed depreciation	1	16800
		351200
less Bad Debt recover (other source income)		3000
Income from Business		348200



## 26I Computation of total Income

1) Income from Business		487,300
2) Capital gain		-
(1) Short term Capital gain	18000	
(2) Capital gain from other assets	<u>28000</u>	46000
3) Income from other sources		
Winning from lottery		200000
$\frac{14000 \times 100}{70}$		
Total Income		<u>733300</u>