

**BALLARI INSTITUTE OF TECHNOLOGY & MANAGEMENT**

(Autonomous Institute under Visvesvaraya Technological University, Belagavi)

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Course Code 

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Third Semester MBA Degree Examinations, April 2023

**DIRECT TAXATION**

Duration: 3 hrs

Max. Marks: 100

*Note: 1. Answer any FOUR full questions from Question No. 1 to 7.**2. Question No. 8 is compulsory**3. Missing data, if any, may be suitably assumed*

<u>Q. No</u>	<u>Question</u>	<u>Marks</u>	<u>(RBT:CO:PO)</u>
1.	a. Annotate the meaning of a person in IT Act.	03	(2 : 1 : 1)
	b. Describe previous year with exceptions.	07	(3 : 1 : 1)
	c. Messi a citizen of Argentina visits India for 125 days every year since 2014-15. Determine his residential status for the AY.	10	(3 : 1 : 1)
2.	a. Mention the types of allowance.	03	(2 : 2 : 2)
	b. Mr. Siraj retires from a company after serving for 18 years 5 months (covered under POGA) on 1/8/2022. His Last drawn Basic salary is Rs. 16,000 p.m. and DA Rs. 5,000 p.m. He received a gratuity of Rs. 2.5 lakhs. Compute the Taxable gratuity.	07	(3 : 2 : 2)
	c. Mr. Sardar is an employee in a limited company at Hubli. He gives you the following information for the previous year 2021-22: a. Basic Salary Rs. 16,000 per month b. DA (enter into retirement) Rs. 4,000 p.m. c. Bonus (equal to four months basic salary) d. Project allowances Rs. 1600 p.m. e. Travelling allowances Rs. 800 p.m. f. House Rent Allowance Rs. 4,000 p.m. (Rent paid PM Rs 8,000) g. Contribution to RPF by company and by him at 18% of salary h. Interest credited to RPF balance at 12.50% p.a amount to Rs. 12,000. He paid a professional tax of Rs. 2,400 during the year.  Compute the income from Salary for the Assessment Year 2022-23	10	(3 : 2 : 2)
3.	a. Describe the meaning of depreciation.	03	(3 : 3 : 3)
	b. Workout the amount of depreciation from the following:	07	(3 : 3 : 4)

Assets	WDV	Rate
Building	15,00,000	10%
Godown	2,15,000	10%
Machinery	3,50,000	15%

The machinery additionally purchased for Rs. 1,50,000 on 1/8/2021 for manufacturing purposes.

c. From the following compute the income from business:

10

(3 :3 : 4)

Particulars	Amount	Particulars	Amount
To Salaries	52,000	By gross profit	150,000
To Interest on capital	6,000	By profit on car	40,000
To General expenses	14,000	By Recovery of	
To Bad debts	2,000	bad debts	10,000
To Advertisement	7,400	By Interest on	
To Insurance pre	2,000	Govt Securities	7,000
To Depreciation	11,000	By Dividends	8,000
To RDD	4,000	By Gifts on	
To Income Tax	14,000	Birthday	17,400
To donations	4,000		
To car expenses	5,000		
To net profit	1,11,000		
	<b>2,32,400</b>		<b>2,32,400</b>

**Additional Information:-**

- i. Salaries include Rs.24,000 being salary to proprietor.
- ii. General expenses include Rs.5000 compensation paid to an
- iii. Accountant who had to be removed from service in the interest of the business.
- iv. Depreciation allowable as per IT rules Rs.8000.
- v. Of the recovery of bad debts the assessing officer had disallowed Rs.6000 in the earlier years.

4. a. How do you calculate indexed cost of acquisition? **03** (2 :4 : 4)
- b. Describe any 3 exemptions in capital gains. **07** (3 :4 : 4)
- c. From the following information compute the taxable capital gain of Mr. Sunil for the assessment year 2022-23. **10** (3 :4 : 4)

Particular	Jewellery	Non-listed shares
Cost of acquisition	400,000	63,000
Year of purchase	1989-90	2002-03
Cost of improvement	234,000	-
Year of improvement	2005-06	-
Selling expenses	-	2,000
Selling proceeds	3199200	788600
Year of sale	2021-22	2021-22

The fair market value of jewellery as on 01-04-2001 was Rs. 560,000. The costs of inflation index were: 2001-02=100, 2003-03=105, 2005-06=117, 2007-08=129 and 2021-22=317.

5. a. What is the limit U/s 80 C. **03** (2 :5 : 5)
- b. Describe the set off and carry forward of losses. **07** (3 :5 : 5)
- c. Explain the any 5 deductions of Sec 80. **10** (3 :5 : 5)
6. a. What is the limit of Section 24 in house property? **03** (2 :2 : 2)

- b. Describe the different perquisites in salary. **07** (3 :2 : 2)
- c. From the following , compute the income from house property: **10** (3 :2 : 2)

Description	SOP	LOP
<b>Municipal value</b>	32,000	60,000
<b>Rent Received</b>	----	96,000
<b>Fair rental value</b>	65,000	75,000
<b>Municipal Taxes</b>	3,200	6,000
<b>Interest on loan</b>	2,000	10,000
<b>Unrealized rent</b>	NA	3,000

The LOP was vacant for **one** month.

7. a. What is block of asset in depreciation? **03** (2 :3 : 3)
- b. Explain the meaning of inadmissible incomes with 5 examples. **07** (3 :3 : 3)
- c. From the following, compute income from profession for the AY. 2022-23: **10** (3 :3 : 3)

Receipts	Rs.	Payments	Rs.
Cash on hand	2000	Dispensary expenses	22000
Consultation fees	130000	Periodicals	800
Visiting fees	20000	LIC premium	12000
X-ray fees	50000	Staff salaries	60000
Share from UTI	8000	Domestic expenses	55200
Loan from bank	65000	Donations	20000
Rent from HP	24000	Deposits in bank	60000
		Car expenses	6000
		Surgical Equipments	60000
		Cash on hand	3000
	<b>299000</b>		<b>299000</b>

Depreciation as per Rules Rs. 5,000/-

8. Venkatesha of Bangalore gives the following information for the previous year 2021-22:

**Salary Details:**

- Basic salary Rs.60,000 p.m.
- Dearness allowance Rs.30000 p.m.( enters into retirement benefit)
- City compensatory allowance Rs.6000 pm.
- Entertainment allowance Rs.3000p.m.
- House rent allowance Rs.15000p.m. He is living in rented house paying rent of Rs.12000 p.m.
- Professional tax Rs.600 p.m.

**HP Details:**

He is having house property in Adoni which is let out at a monthly rent of Rs. 24000.The municipal taxes of Rs. 22500.During the year he repaid housing loan of Rs.60000 which includes Rs.30000 interest on loan.

**Capital Gain :**

Long Term Rs. 1,50,000

**Other Sources:**

He has also having the following incomes:

- Interest on fixed deposit with syndicate bank Rs.60000

ii. Interest on savings bank account in syndicate bank Rs.36000

iii. Winning from lotteries Rs.3,00,000(gross)

**Deductions:**

➤ Paid life insurance premium on the life of Own life Rs.30, 000,on wife's life Rs.30000.

➤ Maintenance of person with disability Rs.56,000

Compute the total income of Venkatesha for the A.Y.2022-23

- |                                    |           |            |
|------------------------------------|-----------|------------|
| a. Compute the Gross total income. | <b>10</b> | (3 :5 : 5) |
| b. Compute the Tax liability.      | <b>10</b> | (3 :5 : 5) |

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