

# C.U.SHAH UNIVERSITY

## Summer Examination-2019

Subject Name: Direct and Indirect Taxes

Subject Code: 5MS04DIT1

Branch: MBA

Semester: 4

Date: 15/04/2019

Time: 02:30 To 05:30

Marks: 70

### Instructions:

- (1) Use of Programmable calculator and any other electronic instrument is prohibited.
  - (2) Instructions written on main answer book are strictly to be obeyed.
  - (3) Draw neat diagrams and figures (if necessary) at right places.
  - (4) Assume suitable data if needed.
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### SECTION – I

**Q-1 Attempt the Following questions (07)**

- a. Under which head of income royalty received will be taxable? **1**
- b. Mr. Y has received education allowance of Rs.300 p.m each for his three children find out exempted education allowance **1**
- c. State the full name of R&OR **1**
- d. What is the meaning of tax management? **1**
- e. State any two partly agricultural income **1**
- f. Name any two allowances **1**
- g. State the previous year for Mr. Y if he starts business on Date 01/05/2018 **1**

**Q-2 Attempt all questions (14)**

- a State ways of tax planning with respect to location of business **7**
- b Explain in brief tax avoidance, tax evasion and tax planning **7**

### OR

**Q-2 Attempt all questions (14)**

- a State the rules as to determination of residential status of individual **7**
- b Define person and income **7**

**Q-3 Attempt all questions (14)**

- a Mr. Y submits below information calculate his total income & tax payable for A/Y 2019-20 **7**

Income from salary	Rs.6,00,000
Income from house property	(-) Rs.1,50,000
Income from business & profession	Rs.1,40,000
Income from other sources	Rs.2,60,000
PPF paid	Rs.1,40,000
Tution Fee of children	Rs. 30,000



- b** Mr.Y aged 26 is a retail trader from below profit & loss account and other information calculate his total income & tax payable by him for A/Y 2019-20 as per section 44AD. 7

Dr	Profit & Loss A/c		Cr
To, Cost of goods sold	90,00,000	By, Sales	1,80,00,000
		Cash 1,00,00,000	
		E Payment 80,00,000	
To, Administrative Expense	55,00,000		
To, Depreciation	18,00,000		
To, Selling Expense	7,00,000		
To, Net profit	10,00,000		
Total	1,80,00,000	Total	1,80,00,000

He pays Rs. 30,000 medi claim premium on his life.

**OR**

- Q-3 a** State any four difference in calculating book profit and profit as per income tax in case of company 7
- b** Mr. A and Mr. B are partners in firm AB & Co.net profit of the firm before interest & salary to partners Rs. 10, 00,000.Capital invested by Mr. A and Mr. B equally totaling to Rs.5, 00,000. Both partners are eligible to have remuneration permissible under income tax act. Calculate tax liability of partners & firm for A/Y 2019-20. 7
- What will be the tax liability if Mr. A and Mr. B carries sole proprietorship business and each earns profit of Rs. 5,00,000?

### SECTION – II

- Q-4 Attempt the Following questions** (07)
- What is the meaning of ALP? 1
  - Explain advance ruling 1
  - Name any two managerial decisions with respect to tax planning 1
  - State the formula for calculating EPS & P/E Ratio 1
  - State two ways of providing relief under ADT agreement 1
  - Name any two transactions considered as international transaction 1
  - State any three types of direct taxes 1
- Q-5 Attempt all questions** (14)
- Explain different methods for computing “arm’s length price” in brief. 7
  - Explain with imaginary example tax planning with respect to sale of scientific research asset 7

**OR**

- Q-5 a** Y Ltd. is deciding to purchase one Machine for Rs.10, 00,000.Rate of depreciation is@ 20% by wdv method, life of the machine is 5 years, rate of income tax is 31.20%.if above machine is purchased (1) by own fund (2) on lease rent by paying Rs 3, 00,000 at the end of every year up to 5 years. Find out by which method of purchasing the machine will be profitable. Present value at 10% rate of interest is as under. (0909,.826,.751,.683,.621.) 7
- b** Y Ltd. is an Indian company for the previous year 2018-19; the following 7



incomes are noted from the books of account of the company. Income from business in India Rs.5,20,000. Income from a business in a foreign country with whom India has ADT agreement Rs.3,50,000. According to ADT agreement Rs 3,50,000 is taxable in India .However it can also be taxed in the foreign country @ 18.54% which can be set off against Indian tax liability. Compute tax liability of Y Ltd. Indian income tax rate for company is 31.20%.

**Q-6 Attempt all questions**

**(14)**

- a** Y Ltd. is currently considering an expansion of its existing plant and the following alternatives are available.

**7**

Particulars	Alternative 1	Alternative 2	Alternative 3
Equity share capital(of Rs. 100 each)	15,00,000	9,00,000	6,00,000
6 % debentures	-	4,00,000	3,00,000
10 % loan	-	2,00,000	6,00,000

Expected rate of return (before interest and tax) is 40%. Presume income tax rate @ 31.20%. State which option company should opt on the basis of return to equity share holder .Also finds out EPS in each of the three alternatives.

- b** Explain when section 45(1) is attracted & when it is not applicable in reference to receipt of insurance compensation.

**7**

**OR**

**Q-6 Attempt all Questions**

- a** Write a detailed note on VAT

**7**

- b** How to apply for Advance Ruling and what are the procedures on receipt of Application?

**7**

