

Roll No. \_\_\_\_\_

University of Pune  
Department of Management Sciences (PUMBA)  
Executive MBA  
**2<sup>nd</sup> Year External Exam May - 2013**  
**405(B) Risk Management & Taxation Laws**

Time: 2.30 hrs

Marks: 50

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**Instructions : Sec-I & Sec-II Use the Separate Answer sheet**

**Section I**

**Risk Management**

Marks 25

**Question 1 is compulsory. Solve any two from the rest. Q. 1 carries 5 marks. Q. 2 to Q. 5 carries 10 marks each.**

Q. 1) Calculate the price of 3-month SBI future, if SBI (FV RS. 10) quotes Rs. 540 on NSE, and the three months future price quotes at Rs. 565. One month borrowing rate is given at 12% and the expected annual dividend yield is nil p.a. payable before expiry. What arbitrage strategy does this create?

**OR**

Q.1) Explain in brief In-the money, At-the-money and Out-of-the-money Options.

Q.2) What is a derivative contract? Explain various types of derivative instrument?

Q.3) Briefly explain various types of Risks.

Q.4) Explain in brief various hedging techniques.

Q.5) Consider 3 month expiry futures contract on a non-dividend paying stock. The underlying stock is available for Rs. 70 (FV Rs. 10). With continuously compounded Risk free rate of 8 % per annum.

- a. Find the price of futures.
- b. If the stock pays a dividend of 5 %, find the price of futures.
- c. If a stock pays a dividend of Rs. 1.50 in one month's time find the price of futures.

## Section II

### DIRECT TAXES

**Marks 25**

N.B.

- 1) Attempt question 1 mandatorily.
- 2) Attempt any two questions out of remaining.
- 3) Applicable A.Y. is 2012-13
- 4) Support your answers by adequate working notes/ examples

- Q1. State the conditions for claiming depreciation u/s 32. 5 Marks
- Q2.a.State and explain the provisions for claiming HRA as exempt under the Act. 5 marks
- b. State and explain the concept of deemed to have let out house property. 5 Marks
- Q3. a. Mrs Mamata is a senior citizen. She won a lottery ticket of Rs 50,000 issued by Maharashtra State Govt. The ticket was given to her by her brother. She intends to claim exemption of this prize money under Income tax Act and seeks your advise. 2 Marks
- b. Mr Joshi bought a commercial property in his name on 1-Apr-2011 for Rs 75 lac. During the year concerned, the same was leased out to Bank of India for total sum of Rs 440,000. He has paid property tax of Rs 38,900 and the property is depreciable @ 10%. Compute the taxable portion of his income under appropriate head. 3 Marks
- c. Advocate Bora is a practising lawyer. During the marriage ceremony of his son who is a practising doctor, he invited 300 clients and their families for party. Adv Bora wants to know whether the cost of these invitees is eligible for claim as business expenditure. 3Marks
- d. Mr Sarang and his friends decided to celebrate Ganapati festival & Durga Pooja festival. They formed an informal group and collected Rs 200,000 as voluntary contributions from colony residents. They spent in all Rs 189,000 and surplus of Rs 11,000 is left over. Judge the taxability, if any, of the surplus sum. 2 Marks
- Q4 .a. Income from Other Source is many a time referred as income under residual head. Explain the logic behind this. 2 Marks

b. Mr Shah went to Dubai for pleasure trip. On way back he purchased few articles worth Rs 10,000 meant for presentation to his friends. One of his friends was presented with a decorative piece purchase cost of which was Rs 1,000. The friend accepted the gift but paid Mr Shah Rs 2,000 towards the cost. Mr Shah hesitantly accepted the money and now want to know if this is an income and if yes under which head of income and why so?

2 Marks

c. Camlin Ink Ltd purchased a second hand subsidiary machine for Rs 5,80,000 on 1-Jul-2011 and debited the cost to miscellaneous expenses under P & L a/c. Since the amount is not material, the accountant has not capitalised the sum which other wise will qualify for depreciation @ 15% under section 32. Do you agree with this treatment. Support your answer with an argument.

3 marks

d. Ms Jyoti is a partner in M/s Delhi Fast Foods. During PY 2011-12 she earned profit of Rs 235,000 to her credit. Decide the taxability of this sum in her hands.

2 Marks

e. Rewrite only the sentence after choosing correct answer. 1 Mark

The term 'exempt income' means

- i. Receipt which is excluded from definition of income
- ii. Receipt which is of capital nature and excluded from definition of income
- iii. Receipt which is of non-capital nature and excluded from definition of income
- iv. None of the above

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