

University of Pune
Department of Management Sciences (PUMBA)
405(B) – Risk Management & Taxation Laws

Max. Marks : 50

Time : 2 ½ Hours

Note: Answer to Section I & II are to be written on separate answer sheet.

Section I
Direct Taxes

Marks: 25

Note: 1) Attempt ALL questions
2) Applicable A.Y. is 2009-10
3) Support your answers by adequate working notes

Q1. What do you mean by Income from House Property? Explain the concept of Deemed ownership. (10 Marks)

OR

Q1. Explain the term "person" in details. What is the importance of this term in the context of the Act (10 Marks)

Q2 Write notes on : (Attempt any one)

(5 Marks)

- a. Assessment
- b. C. I. I. and its usability
- c. Taxability of agricultural income
- d. Revised return

Q3. Mr Narendra is a resident Indian whose transaction diary reveals the following.

He is employed by Mr Mahendra as an accountant on monthly ad hoc payment of Rs 12,000/-. He is separately paid reimbursement for conveyance to the tune of Rs 1,000 p.m., children education allowance of Rs 500 p.m. and incentive for regular attendance. Mr Surendra has hired services of Mr Narendra for accounts writing @ Rs 5,000 annually. Mr Narendra has in turn appointed Mr Ravindra to conduct the said job @ Rs 4,000 p.a. Narendra owns a house at Delhi which is self occupied with fair rent of Rs 5,000 p.m. Mr Narendra has purchased second hand computer for accounts writing business for Rs 10,580 on 1 st October 2008. Mr Narendra has paid Rs 287 for insurance charges of the computer. Rs 5,000/- are received by Narendra as attendance incentive in November 2008. Compute G.T.I. for Mr Narendra A. Y. 2009-10. (10 Marks)

OR

Q3. Profit and Loss Account of Nandan Sports Pvt Ltd shows a net profit of Rs 3,72,000 as on 31-3-2009. Particulars noted from accounts are as under

- a) Rs 40,000 are debited to miscellaneous expenses account for payment made to an employee for his hospitalisation expenses to cure accidental injuries suffered during office hours.
- b) Capital expenditure is incurred to the tune of Rs 80,900 for medical equipments for promoting family planning amongst employees. The date of purchase is 1-3-2008 and the expenditure is debited to P & L account
- c) Rs 10,281 is debited to Printing & Stationery account being cost of invitation cards for celebrating foundation day of the company

- d) Rs 120,099 paid for shifting registered office of the company during the year.
- e) Rs 24,590 are contributed to unrecognised staff welfare fund.
- f) Rs 5,001 are paid to local Trust for celebrating festivals.
- g) Rs 20,000 are debited to Office Expenses being underhand dealing charges paid to tax officials
- h) Rs 20,000 debited to Miscellaneous expenses which are paid for purchasing second hand subsidiary machine. Since the amount is not material, the accountant has not capitalised the sum which other wise will qualify for depreciation @ 15% under section 32.

State with reasons the impact of each of the above transactions in computing taxable income of the company for A Y 2009-10. **(10 Marks)**

Section II
Indirect Taxes

Marks: 25

Notes:

- 1) Answer any 2 questions out of Question Numbers 1,2,3 & 4, which carry 10 marks each.
- 2) Question No. 5 is compulsory & carries 5 marks.

Q. 1

What do you understand by the term 'transaction value' under section 4 of the Central Excise Act, 1944? When is the transaction value not accepted as the value of excisable goods?

Q. 2

What is 'penultimate sale' in the course of export under the Central Sales Tax Act, 1956? What are the provisions related to set off under the MVAT Act

Q. 3

Compute the assessable value and Custom duty payable from the following information : (i) F.O.B. value of machine – 10000 UK Pounds (ii) Freight paid (air) – 2,500 UK Pounds (iii) Design and development charges paid in UK – 500 UK Pounds (iv) Commission payable to local agent @ 2% of F.O.B. in Indian Rupees (v) Date of bill of entry – 24.10.2009 (Rate BCD 10%, Exchange rate as notified by CBEC Rs. 80 per UK Pound) (vi) C.V.D. payable @ 10% (ix) Insurance charges actually paid but details not available.

Q. 4

Geeta Ltd. supplies raw material to a job worker Seeta Ltd. After completing the job work, the finished product of 5,000 packets are returned to Geeta Ltd., putting the retail sale price as Rs. 20 on each packet. The product in the packet is covered under MRP provisions and 40% abatement is available on it. Determine the assessable value under the central excise law from the following details: Cost of raw material supplied – Rs. 30,000, Job worker's charges including profit – 10,000, Transportation charges for sending the raw material to the job worker – 3,000, Transportation charges for returning the finished packets to Geeta Ltd. – 3,000.

Q. 5

Write notes on any one of the following: (i) CENVAT credit as per Excise Law (ii) Export Benefits related to Indirect Taxes.

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Section I
(DIRECT TAXES)

- Note:** 1) Q 1 is compulsory. Attempt any two out of the remaining questions
2) Applicable A.Y. is 2010-11
3) Support your answers by adequate working notes

Q1. Write notes on : (Attempt any one)

(5 Marks)

- a. AOP and BOI
- b. Deductions under Salary income
- c. Income from other source is a Residual Head

Q2. Mrs X owns a residential house property. It has two equal residential units being Unit I and Unit II. While Unit I is self occupied by Mrs X for her residential purpose, Unit II is let out. Rent received is Rs 6,000 per month.

In respect of whole of the property, municipal value is Rs 130,000; standard rent is Rs 125,000 and fair rent is Rs 140,000. Tax imposed is Rs 15,600 p.a. which is paid by Mrs X.

Other expenses for the property during PY 2009-10 being repairs Rs 2,500; insurance Rs 6,000; interest on housing loan Rs 63,000.

Find income of Mrs X for AY 2010-11 on the assumption that her income from other source is Rs 180,000.

(10 Marks)

Q3. Mr Narendra is a resident Indian whose transaction diary reveals the following.

He is employed by Mr Mahendra as an accountant on monthly ad hoc payment of Rs 12,000/-. He is separately paid reimbursement for conveyance to the tune of Rs 1,000 p.m., children education allowane of Rs 500 p.m. and incentive for regular attendance. Mr Surendra has hired services of Mr Narendra for accounts writing @ Rs 5,000 annually. Mr Narendra has in turn appointed Mr Ravindra to conduct the said job @ Rs 4,000 p.a. Narendra owns a house at Delhi which is self occupied with fair rent of Rs 5,000 p.m. Mr Narendra has purchased second hand computer for accounts writing business for Rs 10,580 on 1 st October 2009. Mr Narendra has paid Rs 287 for insurance charges of the computer. Rs 5,000/- are received by Narendra as attendance incentive in November 2008. Compute G.T.I. for Mr Narendra A. Y. 2010-11. (10 Marks)

Q4. Explain in detail, giving examples, the concept of agricultural income. (10 Marks)

[P.T.O.]

Section II
(INDIRECT TAXES)

Notes

Solve any two questions from first 3 questions. Each question carries 10 Marks

Question No. 4 carries 5 Marks

Q 1

Briefly explain the following with reference to the provisions of the Central Excise Act, 1944 : (i) Return of goods for repairs (ii) Concessions to SSI units

Assessee purchased duty paid M.S. tubes from its manufacturers and cut into requisite length and were put into the swaging machine for undertaking swaging process whereby dies fitted in the machine imparted 'folds' to flat surface of M.S. Tube/Pipe. Department's view is that 'swaging process' amounts to manufacture whereas assessee denies. Discuss whether the Department's contention is correct by referring to section 2(f) of the Central Excise Act, 1944. You can take the help of decided case law, if any.

Q. 2

Briefly explain the following with reference to the Customs duty provisions

Procedures for import of goods by an importer

Anti dumping duty

Assessable value of certain goods imported from USA is Rs. 10,00,000. The packet contains 10,000 pieces with maximum retail price Rs. 200 each. The goods are assessable under Section 4A of the Central Excise Act, 1944, after allowing an abatement of 40%. The excise duty rate is 8% advalorem. Calculate the amount of Additional duty of Customs (CVD) under Section 3(1) of the Customs Tariff Act, 1975; assuming basic customs duty @ 10% advalorem

Q 3

A dealer effected following interstate sales during the quarter January-March 2011. (i) Invoice No. 1 dt. 01.01.11 Rs. 1,02,000 inclusive of tax (ii) Invoice No. 2 dt. 31.01.11 Rs. 50,000 exclusive of tax CST Rs. 1,000 Total Rs. 51,000 (iii) Invoice No. 3 dt. 01.02.11 Rs. 40,800 inclusive of CST Following further information is given - All customers gave form 'C' for purchase of goods. CST rate is 2% against C Form, State Sales Tax is 10%. Compute the taxable turnover and tax payable ?

What are the provisions related to Stock Transfer under CST?

Q 4

Write short notes on any one of the following

(a) Set off Provisions as per MVAT Act

(b) Rates of MVAT