

UNIVERSITY DEPARTMENT OF MANAGEMENT SCIENCE

MID-SEMESTER EXAMINATION – MAR 2012
EXECUTIVE MBA

FUNCTIONAL EFFECTIVE 402 (b)

Paper 3

A. Direct Taxes – part I

1. Tick APPROPRIATE alternative out of given 4 alternatives
2. Total Qs are 20 AND TOTAL MARKS ARE 10.
3. Each correct answer shall be awarded 1/2 mark and each incorrect answer shall be awarded zero mark.
4. THE QUESTION PAPER WITH DULY TICKED ALTERNATIVE IS TO BE RETURNED BACK TO THE SUPERVISOR.

ROLL NO OF THE CANDIDATE:

SIGNATURE OF SUPERVISOR:

MARKS OBTAINED:

SIGNATURE OF EXAMINER:

- Q.1) The term 'exempt income' means
- a. Receipt which is excluded from definition of income
 - b. Receipt which is of capital nature and excluded from definition of income
 - c. Receipt which is of non-capital nature and excluded from definition of income
 - d. None of the above
- Q.2) In order to understand the meaning of expression "salary", one has to keep in mind
- a. That there prevails the relationship of principal and agent between the payer and the payee.
 - b. That there prevails the relationship of employer and employee between the payer and the payee during subsistence of employment.
 - c. That there prevails the relationship of employer and employee between the payer and the payee during and after the employment.
 - d. That there prevails the relationship of employer and employee between the payer and the payee during and after the employment.

- Q.9) Mr Suresh becomes a partner in M/s PQR & Co w.e.f. 28-12-2010.
- Therefore, 2010-11 is his first AY for assessment.
 - Therefore, 2011-12 is his first PY for assessment.
 - Therefore, 2011-12 is his first AY for assessment.
 - Therefore, 2010-11 is his first PY for assessment.
- Q.10) Which of the following statement is incorrect?
- Person includes individual as well as firms
 - Person includes association of persons, which are registered only.
 - Person includes companies whether Indian or Foreign
 - Person includes a local authority
- Q.11) Out of Rs 25,000 p.m. received by Mrs Rastogi from her husband for household expenses, she saves approx. 600 pm which is deposited by her in a bank account. Hence -
- Rs 600 pm is her income
 - Rs 600 pm less 30% is her income
 - Rs 600 pm less 33.33% is her income
 - Rs 600 pm is not her income
- Q.12) Mr Kaustubh receives from Govt of India a family pension of Rs 2,580 pm.
- It is his income from Salaries
 - It is his income from Other sources
 - It is his income from Gains
 - It is his income not taxable under the law.
- Q.13) Salary income does not include
- Salary received by President of India
 - Salary received by Chairman of a Public Ltd listed company.
 - Salary received by Partner of Unregistered Firm
 - Salary received by Partner of Firm
- Q.14) Which of the following allowance received by employee is capable of being claimed as fully or partially exempt
- Children Education Allowance
 - Tiffin Allowance
 - Servant Allowance
 - All the above allowances
- Q.15) Which of the following statement is correct in respect of provisions of "Clubbing of Income"
- Positive income and negative income, both are not ignored
 - Only positive income is considered
 - Only negative income is considered
 - Positive income is considered but negative income is ignored

- Q.16) Rs 130,000 are received by a farmer from his agricultural activity. He puts the money in fixed deposit of a nationalized bank. Interest earned on this deposit
- Is exempt from tax
 - Is not exempt from tax
 - Is taxable as income from other source
 - Is taxable as income from business activity
- Q.17) Land owned by Mr Kapoor is acquired by state government under Land Acquisition Proceedings. He was awarded Rs 10 lacs as compensation. Being aggrieved, he files a suit for higher compensation. After dedicated efforts, he gained additional compensation from the government worth Rs 2 lacs. This additional compensation is his
- Income not chargeable to tax
 - Income chargeable as income from other sources
 - Income chargeable as business income
 - Income chargeable as capital gains
- Q.18) Sitting fees received by a directors
- are considered remuneration of directors and hence taxed as salary income
 - are considered out of pocket expenses of directors and hence not taxed in their hands
 - are not remunerations to directors and hence charged as business income
 - are considered gratuitous payment and hence charged under income from other sources
- Q.19) Which of the following is not a business income
- Prize money received by Vishwanathan Anand as "World Chess Champion"
 - Prize Money received by a university student as "Best Student of the Year"
 - Money stolen by professional pocket-picketer
 - Begging money received by professional beggar
- Q.20) What is taxed under Income Tax Act as business profits are
- Notional profits
 - Anticipated profits
 - Real profits
 - Profit as per Profit and Loss account

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A. Direct Taxes – part II

WRITE THE ANSWERS TO THE FOLLOWING ON SEPARATE ANSWER SHEETS PROVIDED.

Q 1. Write short note on **any one** of the following 5 Marks

- a) Impact of Residential status of an individual on the taxability of his income
- b) Conditions to qualify an income as agricultural income as stated in Raja Binoy Kr Sahas Roy's case.
- c) Taxability of leave encashment and VRS compensation received by employee

Q 2. Mr Chiatanya residing in Pune, receives the following allowances during FY 2010-11 apart from getting a basic salary of Rs 20,000 pm and wants to know taxable amount of salary.

Entertainment allowance Rs 1,500 pm; HRA Rs 2,400 pm (actual rent paid Rs 2,000 pm); Helper allowance Rs 800 pm from out of which he pays Rs 500 pm to helper employed by him; Rs 10,000 towards uniform making allowance and Rs 400 pm towards uniform maintenance allowance. This amount is fully spent for the said purpose. Transport allowance Rs 4,000 pm; children educational allowance of Rs 600 pm per child (his all the three children are school going) and hostel expenditure allowance of Rs 800 pm per child is received for his two children who stay in hostel for studies. 10 Marks

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