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MBAS 506

Third Semester M.B.A. Degree Examination, December 2017
BUSINESS ADMINISTRATION
Tax Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A

Note : Answer **any two** questions. **Each** question carries **10** marks. Answer to **each** question should **not** exceed **5** pages. **(2×10=20)**

1. Bring out and explain the need for tax planning.
2. What would be the role of GST council ? Explain.
3. Explain the permissible deduction under section 80 C.

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SECTION – B

Note : Answer **any three** questions. **Each** question carries **12** marks. Answer to **each** question should **not** exceed **6** pages. **(3×12=36)**

4. Describe the area of corporate tax planning.
5. What are the consequences a deductor would face if he fails to deduct TDS or after deducting ?
6. Explain the steps involved in the computation of taxable income.
7. A company wants to acquire an industrial equipment costing Rs. 20 lakhs. There are two alternatives available.
 - i) To buy the equipment by taking a loan of Rs. 20 lakhs repayable in five equal instalments annually together with 15 percent interest.
 - ii) To take lease basis for a period of 5 years at annual lease rent of Rs. 5,00,000 payable at the end of each years.
Rate of depreciation applicable to industrial equipment is 25 percent. The company has a policy of evaluating the capital budgeting proposals at 16 percent. The corporate tax rate is 30 percent. As a tax consultant you are asked to suggest which of the above two options should be adopted ?



8. ABC Ltd. requires Rs. 75,00,000 to finance its expansion programmes. It has the following three options.

	Alternatives (Rs.)		
	I	II	III
Share Capital	75,00,000	30,00,000	15,00,000
9% Debentures	30,00,000	20,00,000
Loan from IDBI (12%)	15,00,000	40,00,000
Total	75,00,000	75,00,000	75,00,000

The expected rate of return before interest and tax is 25% for the past few years and the company has been declaring a dividend of 16%. The tax rate applicable to company is 30 percent plus surcharge 7 percent and education cess 3 percent. Now, the board of directors have decided not to distribute any dividend as the company has plough back the entire profits. The surcharge is applicable if the total income of the company exceeds Rs. 1 crore. Which is the best alternatives for the company ? Why ?

SECTION – C
(Compulsory)

Note : Answer to **each** question should **not** exceed **6** pages.

(1×14=14)

9. An employee earns Rs. 48,000 PM salary (Basic + DA) and Rs. 36,000 HRA. He paid Rs. 200 per month as professional tax.

His investment for the financial year as follow :

Life Insurance Rs. 24,000

Term Insurance Rs. 10,000

PPF Rs. 6,000

Medical Insurance for Self and dependent Rs. 10,000



Sukanya Samridhi Scheme Rs. 12,000

Premium paid towards approved pension scheme Rs. 24,000

ELSS Rs. 10,000

Group Insurance Rs. 250 PM.

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He is paying Rs. 18,000 housing loan PM for his residential house which consists of 60 percent interest. He also paid Rs. 20,000 tuition fees for his children's. He contributed Rs. 1,200 to CRY a recognized trust. He also spends Rs. 80,000 for medical treatment of one of his handicapped dependent with 50 percent disability in the current year. His employer deducts Rs. 3,000 as TDS per month. Compute his tax liability for the assessment year 2017-18.