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MBAS 506

Third Semester M.B.A. Degree Examination, December 2018
BUSINESS ADMINISTRATION
Tax Planning

Time : 3 Hours

*Sri Dharmasthala Manjunatheshwara
College of Business Management, Mangalore
Post Graduate Centre for Management
Studies and Research Library*

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. Elucidate the areas of corporate tax planning.
2. Describe the advantages of GST to the government.
3. Discuss the objective of tax planning.

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. Discuss the steps involved in e-filing income tax returns.
5. From the following information determine whether the company should purchase the machine on installment or hire it.
Five interest free annual installments of Rs. 2,40,000 each payable in the beginning of each year for installment sales.
Hire charges Rs. 2,00,000 P A for eight years payable in the beginning of each year.
Residual value Rs. 40,000 after eight years.
Rate of depreciation 20 percent and cost of capital 10 percent.
Corporate tax rate is 30 percent.
Loss on sale of machine set off against short term capital gain.

P.T.O.



6. Explain the tax incentives to amalgamated company.
7. Mr. X received offers from two companies with the following salary structure.

Particulars	A	B
	(Rs.)	(Rs.)
Salary	6,40,000	4,40,000
HRA	-	48,000
Travelling allowance (for coming to office from residence and back)	-	9,600
Contribution to approved superannuation fund by the employer	-	1,20,000
Mobile phone	-	22,400

Other informations are :

- a) His qualifying savings U/S 80C will be Rs. 50,000.
- b) He will pay house rent of Rs. 6,500 p.m.
- c) He needs a mobile phone for private purpose.

Which offer should he accept and why ? All your calculations should be based on the tax rates of 2018 – 19 financial year.

8. A company requires Rs. 60,00,000 to finance an expansion project. The expected rate of return before interest and tax is 25 percent of the investment. The company has the following three financing option.

Source of Finance	Options		
	I	II	III
Equity	60,00,000	40,00,000	20,00,000
12% Debenture	-	20,00,000	40,00,000

Corporate tax rate applicable to the company is 30 percent plus 10 percent surcharge (If the total income exceeds Rs. 1 crore) and 3 percent education cess.

The company decided to distribute the entire earnings as dividend. The corporate dividend tax on the amount of dividend distributed is 17 percent plus 10 percent surcharge and 3 percent education cess. Suggest the best financing option to the company and offer your comment.



SECTION – C
(Compulsory)

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Answer to the question should **not** exceed 6 pages.

(1×14=14)

9. A private sector employee's salary is Rs. 1,10,000 P.M. His salary consists of Rs. 50,000 basic, Rs. 40,000 DA and Rs. 20,000 HRA. He pays Rs. 200 per month as professional tax.

His investments and expense details are as follows :

Life Insurance : Rs. 2,000 P M and Term Insurance Rs. 25,000 PA

PPF Rs. 2,000 PM and ULIP Rs. 2,500 PM

Medical insurance for Self and dependent Rs. 35,000

Premium paid towards Central Government's Pension Scheme Rs. 3,000 PM

ELSS Rs. 5,000 PM and NSC Rs. 20,000 P A

Group Insurance Rs. 250 PM

He is paying Rs. 24,000 housing loan for his residential house which consists of 60 percent interest. He is repaying his children's education loan, for which he pays Rs. 1,20,000 PA including Rs. 40,000 interest. He contributed Rs. 12,000 to CRY a recognised trust and Rs. 10,000 to Prime Ministers Relief Fund. He purchased Rs. 50,000 worth shares in secondary market. He also spends Rs. 80,000 for medical treatment of one of his handicapped dependent with 40 percent disability in the current year. His employer deducts Rs. 5,000 PM as TDS. Compute his tax liability for the assessment year 2018 – 19.
