

Reg. No.

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|



MBAS 506

**III Semester M.B.A. Degree Examination,
November/December 2019**

BUSINESS ADMINISTRATION

Tax Planning

Time : 3 Hours]

[Max. Marks : 70

SECTION - A

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

1. Describe the significance and objectives of tax planning.
2. Discuss the tax incentives of amalgamated company.
3. Discuss the role and powers of GST council.

SECTION - B

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

4. Bharath Ltd. a company engaged in manufacture of electronic utensils is a widely held company. It is considering a major expansion in its production facility and intends to import latest technology which is expected to improve its profitability from the present rate of 20 percent to at least 25 percent (before tax). The finance manager has given the following proposals :

| | (Rs. in lakh) | | | |
|--------------------------------|---------------|-----|-----|-----|
| | A | B | C | D |
| Share capital (Equity) | 40 | 20 | 30 | 50 |
| 14% Preference shares | 20 | 20 | - | 10 |
| 16% Non Convertible debentures | - | 20 | - | 40 |
| Term Loans from bank (20%) | - | 40 | 70 | - |
| Lease finance (22%) | 40 | - | - | - |
| Total | 100 | 100 | 100 | 100 |



- (a) The rate of dividend on equity has not been below 24% in the past
- (b) The tax rate payable by the company is 33.99%

Your opinion with detailed reasons is sought on the above.

5. Mr. A wants to start a business. Keeping in view the provision of 44 AD and based on the following information, suggest him whether he should run the business as a sole proprietary concern or a partnership firm.

Estimated sales for the year 2018-19 Rs. 90,00,000

Estimated profit u/s 44 AD Rs. 72,000

If he runs the business as a sole proprietary concern, he will pay Rs. 10,000 per month as salary to his son.

If he runs the business as a partnership firm both partners (Mr. A and his son) will receive salary of Rs. 10,000 per month each.

Capital of the business will be Rs. 3,00,000 contributed equally.

The firm will pay interest at 12 percent per annum to the partners.

6. Mrs. X is offered an employment by ABC Ltd. at a basic salary of Rs. 24,000 p.m. and other allowances according to rules of the company are :

Dearness allowance : 18 percent of the basic pay (not forming part of the salary)

Bonus : one month basic pay

Project allowance : 6 percent of basic pay

The company gives Mrs. X an option either to take a rent free unfurnished accommodation at Bhopal for which the company would directly bare the rent of Rs. 15,000 P.M. Or to accept a HRA of Rs. 15,000 P.M and find out her own accommodation if Mrs. X opt for HRA, she will have to pay Rs.15000 PM as rent. Which one of the two options should be opted by Mrs. X in order to minimize her tax liability?



7. Describe the allowable expenses, deductions and taxable benefits of an individual.
8. What are penalty provisions for non-deduction of TDS? Discuss.

SECTION - C

(Compulsory)

Answer to each question should not exceed 6 pages. **(1 × 14 = 14)**

9. A Bangalore based employee earns Rs. 1,00,000 P.M and Rs. 20,000 HRA. His employer deducts Rs. 200 professional tax and Group Insurance of Rs. 250 PM.

His investments for the financial year 2018-19 are as follows :

Life Insurance : Rs. 2,000 PM

Term Insurance Rs. 25,000 PA

PPF Rs. 4,000 PM

Medical insurance for Self and dependent Rs. 30,000 PA

Investment in Sukanya samridhi scheme Rs. 5,000 PM

Premium paid towards national pension scheme Rs. 60,000 PA

ELSS Rs. 3,000 PM

He is paying Rs. 30,000 housing loan for his residential house which consists of 60 percent interest. He also pays Rs. 30,000 tuition fees for his two children. He contributed Rs. 10,000 to Chief Minister's relief fund. He also spends Rs. 90,000 for medical treatment of one of his handicapped dependent with 75 percent disability in the current year. His employer deducts Rs. 5,000 PM as TDS. He is also paying a education loan instalment of Rs. 1,20,000 PA including interest of Rs. 36,000. Compute his tax liability for the assessment year 2019-20.