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MBAS 506

Third Semester MBA Degree Examination, April/May 2024
BUSINESS ADMINISTRATION
Tax Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A

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

1. Bring out and explain the salient features of GST.
2. Explain the need for tax planning for a firm.
3. Explain the consequences of non-deduction and non-payment of TDS.

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SECTION – B

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

4. Describe the areas of personal tax planning.
5. Explain the qualities and qualification required for a tax auditor.
6. Discuss the tax planning with reference to amalgamation.
7. ABC Ltd. is an existing company and needs capital for its expansion. It has two option.
 - To have equity capital of Rs. 40,00,000 and loaned capital of Rs. 20,00,000 @ 15 percent PA.
 - To have equity capital of Rs. 20,00,000 and loaned capital of Rs. 40,00,000 @ 15 percent PA.

The expected rate of return is 22 percent and company had been distributing dividend of 20 percent PA for the last several years. Rate of tax is 30 percent + surcharge @ 5 percent of tax. Education cess is @ 4 percent of tax and surcharge. Suggest the better option assuming that company has decided to retain its entire profits.

Note : The surcharge is applicable only if the total income of the company exceeds Rs. 1 crore.

P.T.O.



8. A company wants to acquire a plant and machinery worth Rs. 5,00,000. The company requires it for five years. It has the following two alternatives.

Alternative I : To acquire the machine by taking a loan of Rs. 5,00,000. Repayable in five equal annual installment of Rs.1,00,000 together with a 13 percent interest. Life of the asset is 5 years and at the end of five years it will fetch an amount equal to its book value on that date. The loan payment is to start from the end of first year.

Alternative II : To take it on lease basis for 5 years at annual lease rent of Rs. 1,60,000 which is payable at each year end.

The tax rate is 30 percent and the required rate of return of the company is 13 percent. The annual rate of depreciation is applicable to machinery is 20 percent. You are required to suggest the better alternatives.

**SECTION – C
(Compulsory)**

Answer to this question should **not** exceed **six** pages.

(1×14=14)

9. An employee earns Rs. 10,87,500 PA including Rs. 72,000 HRA. He paid Rs. 200 per month as professional tax and pays Rs. 10,000 per month as rent for his residence.

His investment for the financial year as follow :

Life Insurance : Rs. 94,124

Term Insurance Rs. 24,574

PPF Rs. 20,000

Medical insurance for self and dependent Rs. 30,000

Sukanyasamridhi Scheme Rs. 24,000

National Pension Scheme Rs. 40,000

ELSS Rs. 24,000

He borrowed Rs. 25,00,000 housing loan from a commercial bank for which he is paying Rs. 2,50,000 instalment PM which includes 70% Interest. He also paid Rs. 22,500 and Rs. 30,000 tuition fees for two children's. He contributed Rs.10,000 to the Chief Ministers Relief Fund. His employer deducted Rs. 90,000 as TDS and paid it to the Tax authority. Compute his tax liability for the assessment year 2023-24.