



## IDEA INSTITUTE OF MANAGEMENT & TECHNOLOGY

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### Taxation Management

7:00pm to 9:00pm

Semester – III (FIN)

June 5, 2010

#### SECTION A (ONE MARKS)

- (1) This is issued by a local authority or statutory corporation or a company.
- (a) Tax-free government securities
  - (b) Government securities
  - (c) tax-free commercial securities
  - (d) less-tax commercial securities

Answer : C

- (2) What type of capital gains is expected from tax?
- (a) the building is owned by an individual or Hindu Undivided Family
  - (b) such property was being used as residential house
  - (c) the income of such house property is chargeable under the head 'income from House Property'.
  - (d) all of the above

Answer : D

- (3) \_\_\_\_\_ means a capital asset held by an assessee for not more than 36 months immediately preceding the date of its transfer.

- (a) Long-term capital asset
- (b) Short-term capital asset
- (c) Both a and b
- (d) none of the above

Answer : B

- (4) What are the conditions to be satisfied by any article to get central excise duty imposed on it.

- (a) the article should be "goods"
- (b) the goods must be excisable
- (c) both a and b
- (d) none of the above

Answer : C

- (5) Porter was unemployed for part of the year. Porter received \$35,000 of wages, \$4,000 from a state unemployment compensation plan, and \$2,000 from his former employer's company-paid supplemental unemployment benefit plan. What is the amount of Porter's gross income?

- (a) \$35,000
- (b) \$37,000
- (c) \$39,000
- (d) \$41,000

Answer : D

- (6) What are the cases in which the assessee is liable to be assessed to tax in the same year in which he has earned the income?

- (a) discounted business
- (b) non-resident from shipping business
- (c) person trying to alienate his assets with a view to avoid payment tax

(d) all of the above

Answer : D

(7) The Income Tax Act ,1961 has been brought into force with effect from

- (a) 1st April 1962
- (b) 1st April 1961
- (c) 1st April 1960
- (d) none of the above

Answer : A

(8) What is the basis of charge of income tax?

- (a) income tax is an annual tax on income
- (b) Tax is charged on every person as defined in Section 2(31)
- (c) both a and b
- (d) none of the above

Answer : C

(9) Which of the following incomes is taxable under the head 'Salaries'?

- (a) the salary due from an employer or former employer to an assessee in the previous year, whether paid or not
- (b) the salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it becomes due to him
- (c) both a and b
- (d) none of the above

Answer : C

(10) Section \_\_\_\_\_ states amount paid by life insurance companies.

- (a) Sec 10 (10B)
- (b) Sec 10 (10D)
- (c) Sec 10 (10CC)
- (d) Sec 10 (10C)

Answer : B

(11) Where the taxable value of fringe benefits is Rs.3,82,000, then the fringe benefit tax payable is Rs.....

- (a) 3,82,000
- (b) 1,14,600
- (c) 1,20,060
- (d) 1,28,581

Answer : B

(12) Income tax is a direct tax because

- (a) It is directly levied
- (b) It is calculated on direct income
- (c) It is directly paid by the assessee to bank
- (d) It is paid by the same person whose income is charged and the tax is remitted directly to Govt.

Answer : D

(13) Application for PAN should be made in Form.....

- (a) 49AA
- (b) 49A

- (c) 39AA  
(d) 39AA

Answer : B

- (14) Advertisement expenses incurred by a company are not deducted to compute income of a Company if
- (a) They are capital expenses
  - (b) Useless to company
  - (c) Advertisements are given to political parties
  - (d) Advertisements made in foreign news papers

Answer : C

- (15) If an employee is blind or orthopaedically handicapped with disability of lower extremities, the transport allowance is exempt up to:
- (a) Rs. 800 per month
  - (b) Rs. 1,600 per month
  - (c) Rs. 2,400 per month
  - (d) Rs. 1,500 per month

Answer : B

- (16) What is the most important feature for taxing salary income?
- (a) Income should be called salary
  - (b) There should be employer and employee relationship between payer and payee
  - (c) There should be an agreement
  - (d) Tax should be deducted at source

Answer : D

- (17) A company manufactured 12000 colored TV sets . In this on the following information's is available: 1. Retail price of the T.V Rs 15000. It includes excise duty. 2. Sold 8000 T.V to whole-sellers. Discount allowed @ 20% on retail price.3. T.V sold in retail 2000.4. The balance 2000 T.V not removed from factory 5. The company purchased inputs for manufacture of T.V Rs 30000000. It includes basic excise duty Rs 40000006. The closing stock of inputs is Rs 2500000 7. The company is liable to pay basic excise duty @ 16%. Determine the Excise Duty Payable.

- (a) 15900000
- (b) 15912000
- (c) 15921000
- (d) none of the above

Answer : B

- (18) What is the negative effects of taxes?
- (a) it becomes very difficult to know the real tax content in the price of product
  - (b) tax burden on any commodity will vary widely depending on the number of stages through which it passes in the chain from first producer to the ultimate consumer
  - (c) both a and b
  - (d) none of the above

Answer : C

- (19) The service tax has to be filed by the individual or partnership firms on basis.
- (a) yearly

- (b) half yearly  
(c) quarterly  
(d) monthly

Answer : C

(20) What is the main services tax exemptions available to assess?

- (a) general exemptions applicable to all categories of services  
(b) service-specific exemptions that is available subject to fulfillment of different conditions under a particular service  
(c) both a and b  
(d) none of the above

Answer : C

( ) SECTION B

(21) Actual rent of a let out house property = Annual value -  
.....and.....

- (a) loss due to vacancy , unrealized rent  
(b) Gross annual value, interest on borrowed capital  
(c) loss due to vacancy , municipal taxes paid  
(d) unrealized rent , standard rent

Answer : A

(22) Mr. Ram received a house property by will from his father during the P.Y.78-79 which is purchased by his father on May 10,1962 at a cost of Rs.26,000 and the fair market value of this property as on 1.04.1981 is Rs.1,60,000. Calculate the Indexed cost of acquisition if the same is transferred during the P.Y.2006-07, where the CII for the year 81-82 = 100, 06-07=519.

- (a) Rs.1,34,940  
(b) Rs.1,86,000  
(c) Rs.8,30,400  
(d) Rs.8,03,400

Answer : A

(23) A person has a taxable income of Rs. 14,20,000 from Salaries, Business and Profession and income from other sources: What is his tax liability for the AY 2009-10 if he is a senior citizen?

- (a) Rs.3,23,500  
(b) Rs.3,33,850  
(c) Rs.3,66,525  
(d) Rs. 3,33,205

Answer : C

(24) NAV of a property is Rs. 1, 45,000, interest on loan borrowed fund Rs. 75,000 (loan taken for the purpose of reconstruction of the property ascertain taxable income from HP"

- (a) 1, 45,000  
(b) 70,000  
(c) 71,500  
(d) 26,500

Answer : D

(25) What is previous year as per IT Act?

- (a) A year of 12 months, preceding to the assessment year  
(b) A year of 12 months, immediately preceding to the relevant assessment year  
(c) A year previous to financial year

(d) A period of 12 months for which accounts are prepared for tax purposes  
Answer : B

(26) Write the rule regarding taxability of entertainment allowance received by non Government employees"

(a) The least of the following is exempted and the rest is taxable. Actual amount of EA received, Rs.5,000 20% of salary"

(b) The entire amount of EA is taxable and there is no deduction

(c) The entire amount of EA is exempted and no tax at all

(d) None of the above

Answer : B

(27) Mr. Santosh furnishes the following details for the P y 2008-09 Basic Pay Rs. 6,000 per month da Rs. 3,000 per month Commission Rs. 500 per month HRA Rs. 600 per month (he is residing in his own house) Medical allowance Rs. 200 per month Transportation allowance Rs. 300 per month What is Mr. Santosh's taxable income ?

(a) 1,16,400

(b) 1,27,200

(c) 1,23,600

(d) 1,21,200

Answer : C

(28) When two or more houses are occupied for self residence during the year, which house shall be regarded as deemed let out?

(a) Those houses whose annual values are higher than other shall be treated as deemed let out

(b) The first house is self occupied and the others are treated as deemed let out

(c) The house with highest annual value shall be self occupied and the rest are deemed let out

(d) The last house is self occupied and the rest are deemed let out.

Answer : C

(29) Mrs. Sowmya sathya has the following incomes: Business income Rs. 1,55,000 Income form HP Rs. 25,000 Gain from sale of agricultural land near a small town having population 2,450-Rs. 2,50,000 Compute her taxable income for the A Y 2009-10

(a) Rs. 4,30,000

(b) Rs. 1,80,000

(c) Rs. 1,55,000

(d) Rs. None of the above

Answer : C

(30) Ms. Swetha furnishes the following details for the PY 2008-09: Net profit as per P & L A/c Rs. 1,20,000 has been arrived at after taking the following into consideration: 1. Sales tax provision Rs. 25,000 2. Donations to an approved institution and eligible under Sec 80G Rs. 45,000. 3. Technical Know-how purchased Rs. 1,50,000 What is the tax treatment of Technical know-how?

(a) It can be charged to P & L A/c

(b) She can claim only depreciation at the rate of 25%

(c) She can neither claim depreciation nor it is allowable

(d) None of the above

Answer : B

(31) Which of the following statement is not true?

- (a) Dividends declared from a foreign company is taxable
- (b) Casual incomes are always taxable under the head income from other

Sources

- (c) Gift received from a relative in excess of Rs. 1,00,000 is taxable
- (d) All incidental expenses are allowable while computing taxable income from

other sources

Answer : C

( ) SECTION C

(32) Mrs. Nandita furnishes the following details for the PY 2008-09 She is working as a part-time lecturer in an evening college for that she is getting a basic salary of Rs.10,000 and a DA of Rs. 6,000 per month. She is also getting HRA of Rs.2,500 per month, Entrainment allowance of Rs. 500 per month and transportation allowance of Rs.900 per month. She contributes 12% of her basic pay to a RPF and the employer also contributes the similar amount and she paid Rs. 2,400 as employment tax during the PY She is the owner of three houses and following are the information available for the PY House I: Rented for Rs. 6,000 per month House II: self occupied its FRV is Rs. 1,20,000 per annum House III: Let out for commercial purposes for a rental value of Rs. 10,000 per month. She paid Rs.2,000; Rs.4,000 and Rs. 5,000 as municipal taxes in respect of the above properties. She received Rs.15,000 as dividends form various domestic companies Interest on tax free govt. securities Rs.5,000 Winnings from horse races gross amount Rs.15,000 Dividend form foreign companies Rs.25,000 Contribution to LIC-Rs. 20,000 (Sum assured Rs.1, 00,000); Contribution to PPF Rs. 25,000 What is the total quantum of deduction available for her under Sec 80C of IT Act?

- (a) Rs. 39,400
- (b) Rs. 45,000
- (c) Rs. 59,400
- (d) Rs. 39,400

Answer : C

(33) Mr. Hilton , a foreign cricketer comes to India for 100 days every year since the financial year 1996-97. Determine his residential status for the assessment year 2007-08.

- (a) NRI
- (b) Indian
- (c) both a and b
- (d) none of the above

Answer : B

(34) From the following details compute the tax liability of Mr. Gopal for the aY. 2009-10: Taxable salary Rs. 1,80,000, LTCG Rs. 2,10,000, Income from Other Sources Rs.1,50,000

- (a) 69,010
- (b) 70,100
- (c) 45,050
- (d) 65,000

Answer : A

Following are the details furnished by Mr. Atishy for the PY 2008-09 Dividend received from X Lt(d), 25,000 Remuneration received from articles published Rs. 5,000 Interest on Govt. securities Rs. 15,000 Gift received from his grand father Rs. 1, 25,000 Ascertain his taxable income form other sources

- (a) Rs. 20,000
- (b) Rs. 1,50,000
- (c) Rs. 1,70,000
- (d) None of the above

Answer : A

(36) Raghuram is an employee in a private company in Mumbai and he draws a salary of Rs.7,50,000 excluding house accommodation or HRA He is offered to choose between House rent allowance or rent free accommodation.From the following particulars, which is the best option from taxation point of view: HRA offered is Rs.15,000 per month, Actual rent payable is Rs.22,000 per month. The company offers accommodation of its own. What is the amount of HRA taxable?

- (a) Rs.1,80,000
- (b) Rs.1,89,000
- (c) Rs.3,75,000
- (d) Rs. Nil

Answer : D

(37) Compute taxable income from HP for AY 2009-10. Flat in Gulbarga purchased on 1st June 2008 and let out on 1st August, 2008 on a monthly rent of Rs.4,000. The building in which the flat is located was completed on 1st May 2006. Following expenses were incurred and paid : Municipal taxes Rs. 10,000, Collection charges Rs. 1,500, repairs Rs. 2000 and unrealized rent Rs. 500.

- (a) Rs.14,700
- (b) Rs.14,000
- (c) Rs.14,200
- (d) Rs 14,900

Answer : D

(38) From the following details of Ms. Swetha find out her taxable income from house property for the A Y 2009-10: House 1: MV-Rs. 10,000 per month; S Rent-Rs. 7,000 per month; FRV-Rs. 12,000 per month and Actual rent charged by the owner Rs. 15,000 per month and she claims the following expenses Collection charges-Rs. 250 per month, Fire insurance Rs. 3,000, Ground rate and maintenance charges to her mother as per a contractual obligation Rs. 2,000 per month, Municipal taxes paid Rs. 3,000. She barrowed Rs. 10 lakh for the construction of the property at 8%, nothing has been repaid so for. House II: is self occupied Its MV is Rs. 5 lakh; FRV is Rs. 6 lakh. Municipal taxes paid by the assessee Rs. 12,000. She paid Rs. 27,000 as interest on loan barrowed for the construction of the property. What is her taxable income from House property?

- (a) Rs. 27,000
- (b) Rs. 70,900
- (c) Rs. 43,900
- (d) Rs. 16,900

Answer : C