

**Online PGDM**

**Second Year, Trimester IV, September 2024**

**Course Name: Tax Planning and Management**

**Max Marks: 70**

**Course Code: 4110**

**Max Time: 2 hrs**

*Instructions for Students: All questions are compulsory*

**Section A: Max. Marks-20 (10\*2 marks)**

**Q.1 Total income of a person is determined based on his:**

- A. Residential status in India
- B. Citizenship in India
- C. Both of the above
- D. None of the above

**Q.2 The maximum amount on which income tax is not chargeable for the Assessment year 2024-2025 in case of a resident individual more than 60 years and less than 80 years and who does not opt for Section 115 BAC is:**

- A. Rs.2,00,000
- B. Rs.2,50,000
- C. Rs.3,00,000
- D. Rs.2,40,000

**Q.3 Mr. Aman was born in India in 1986. His parents were born in India in 1951. His grandfather was born in Lahore in 1930 but his grandmother was born in England in 1940. Mr. Aman will be?**

- A. A citizen of India
- B. Person of Indian Origin
- C. Foreign national
- D. None of these

**Q.4 The rate of Tax to be deducted at source (TDS) on a lottery income, puzzles or games will be**

- A. 10%
- B. 20%
- C. 30%
- D. 40%

**Q.5 An employee receives a wrist watch as gift (market value Rs.12,000) from his employer. What amount will be taxable in the hands of the employee?**

- A. Rs.12,000
- B. Rs.7,000
- C. Rs.5,000
- D. None of the above

**Q.6 Uncommuted pension received shall be fully exempt in case of:**

- A. Govt. employee
- B. Govt. employee or an employee of local authority
- C. Govt. employee or an employee of local authority or an employee of statutory corporation
- D. None of the above

**Q.7 The minimum amount which is exempt in the case of an assessee for the Assessment year 2024-2025 who opt for default tax regime under section 115 BAC is:**

- A. Rs.2,00,000
- B. Rs.2,50,000
- C. Rs.3,00,000
- D. Rs.2,40,000

**Q.8 For the payment of advance tax, what % should be paid by the assessee on or before 15<sup>th</sup> September, as reduced by the amount, if any paid in the earlier instalment?**

- A. 20%
- B. 45%
- C. 30%
- D. 25%

**Q.9 What will be the threshold amount after which the Tax to be deducted at source on interest earned on securities?**

- A. Rs.10,000
- B. Rs.20,000
- C. Rs.30,000
- D. Rs.40,000

**Q.10 Mr. Abhya resides in a rental accommodation in Delhi. What % of salary will be exempt for the purpose of computation of exemption of house rent allowance?**

- A. 20%
- B. 40%
- C. 30%
- D. 50%

**Section B: Max. Marks-10 (2\* 5 marks)**

**Q.1** Currently, a firm manufactures the dashboards that it uses in making automobiles. The cost of manufacturing this part is summarized below:

Direct materials	\$ 80
Direct labor	80
Variable factory overhead	52
Fixed factory overhead	<u>68</u>
Total cost per unit	<u>\$280</u>

The company has received an offer from an outside supplier to provide the part for \$240 on a continuous basis without any change in the price for the next one year.

**Required:**

Should the car manufacturer go for inhouse manufacturing of the dashboards or should accept the offer from the outside supplier? **(5 marks)**

**(5 marks)**

**Q.2** Under the Income Tax Act, 1961, the terms Tax Evasion and Tax Avoidance means the same. Do you agree with the given statement? Justify or otherwise with the help of an example(s).

**(5 marks)**

**Section C: Max.Marks-40 (2\* 20 marks)**

**Q.1** XT Ltd. plans to acquire a machinery costing Rs.10,00,000. There are two alternatives available to the company. The First alternative is for buying the asset by taking a loan of Rs.10,00,000 repayable in 5 equal instalments of Rs.2,00,000 each along with interest @14% assuming that lease rentals, processing fees, interest as well as the principal amounts are payable at the year end. The second alternative is for leasing the asset for which annual lease rental is Rs.3,00,000 up to five years. The lessor charges 1% as processing fees in the first year. Assume the tax rate is 31.2% and rate of depreciation is 15% on written down value method. The present value factor applicable is 10%

Years	1	2	3	4	5
PV Factor (10%)	0.909	0.826	0.751	0.683	0.621

**Required:**

Which alternative is better in the above case for the company should opt for? **(20 marks)**

**Q.2** SDF Ltd is a large manufacturer and exporter of kids toys for the last 20 years. For the expansion of its operations, the company wants to raise capital of Rs.80,00,000. The Earnings before interest and taxes will (EBIT) shall be 30% of capital employed. The rate of interest on debt fund will be @12% p.a. The 3 alternatives available to the company are as under:

- (a) Rs.80,00,000 to be raised by equity capital
- (b) Rs.64,00,000 by equity and Rs.16,00,000 by loans
- (c) Rs. 16,00,000 by equity and Rs.64,00,000 by loans

Assume the company shall distribute the entire amounts as dividend and tax rate is 25.168%.

**Required:**

Which of the above alternative will be the best for the company for raising the funds considering maximum return to the equity shareholders? **(20 marks)**