



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/MBA(OLD)/SEM-(3 FT & 5th (PT)/FM-301/2009-10  
2009**

**PUBLIC FINANCE & CORPORATE TAXATION**

Time Allotted : 3 Hours

Full Marks : 70

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

- i) The scope and objective of Public Finance does not involve
  - a) Allocation
  - b) Normalisation
  - c) Stabilisation
  - d) Distribution.
- ii) Which of the following is not an instrument of Public Revenue ?
  - a) Taxes
  - b) Fees & Special Assessments
  - c) Cess
  - d) Contribution to political parties.



- iii) Which of the following canons is not mentioned by Adam Smith ?
- a) Canon of simplicity      b) Canon of certainty  
c) Canon of convenience    d) Canon of equity.
- iv) At an optimum tax rate, revenue collection is
- a) minimum                      b) zero  
c) maximum                      d) negligible.
- v) Fill in the blank :
- "If an individual or HUF, gets a sum of money exceeding ..... in aggregate during a financial year without consideration from persons other than relatives, will be taxable" under section 56 (2) (vi) under the Indian Income Tax Act, 1961.
- a) Rs. 50,000                      b) Rs. 75,000  
c) Rs. 1,00,000                      d) Rs. 1,25,000.
- vi) By virtue of Explanation (b) to section 6 (i), the period of '60 days' has been extended to how many days when an Indian citizen or a person of Indian origin who comes on a visit to India during the previous year 2007-08 ?
- a) 61 days                              b) 182 days  
c) 180 days                              d) 150 days.
- vii) Compensation received by victims of Bhopal gas leak disaster under section 10 ( 10 BB ) is
- a) taxable income  
b) tax-free income  
c) not taxable upto Rs. 25,000  
d) none of these.



- viii) Maximum amount of leave salary exempted from tax during the previous year 2007 - 08 is
- a) Rs. 2,75,000                      b) Rs. 3,00,000  
c) Rs. 3,25,000                      d) Rs. 3,50,000
- ix) Which of the following is a capital asset under section 2 (14) ?
- a) Stock-in-trade of business  
b) Gold coins used for puja of deities as a matter of pride  
c) Gold deposit bonds issued under Gold Deposit Scheme, 1999  
d) Special bearer bonds, 1991.
- x) Agricultural income received from outside India is taxable under the head
- a) salaries  
b) profits and gains of business or profession  
c) income from other sources  
d) none of these.
- xi) By virtue of section 73, loss from a speculative business can be set off only against income from
- a) a non-speculative business  
b) salary  
c) house property  
d) none of these.



- xii) Fiscal policy refers to
- the government's attitude to taxation
  - the actions of the central bank in controlling the money supply
  - the spending and taxing policies used by the government to influence the economy
  - the government's regulation of financial intermediaries.

**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

- "The incidence of Income Tax depends upon the residential status of an assessee". Discuss in brief.
- Mr. Suresh Das had the following incomes and losses during the previous year ended 31st March, 2008.

	Rs.
Net profits from business	1,00,000
Long-term capital loss from stock market	25,000
Income from a let-out property	84,000
Net loss from a self-occupied property	18,000
Business loss carried forward from A.Y. 2000 - 2001	9,000

Compute his Gross Income for the A.Y. 2008 - 2009

- Distinguish between Cash Flow Statement and Cash Account.
- What do you mean by "Market Index" ? Explain its importance.
- Explain the major provisions of Inter-source Adjustment under Section 70 of the Indian Income Tax Act, 1961.



**GROUP – C**

**( Long Answer Type Questions )**

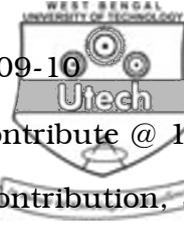
Answer any *three* of the following.  $3 \times 15 = 45$

7. a) What do you mean by tax planning, tax evasion and tax avoidance ?
- b) Explain the meaning of the term amalgamation and demerger in the context of the Income Tax Act.
- c) Write a note on "Permanent Account Number" ( PAN ).

15

8. Mrs. X ( age : 51 years ) is a part-time college lecturer in Delhi. During the year 2008 - 09, she got basic salary of Rs. 12,300 upto June 30, 2008 & Rs. 12,700 afterwards. Besides, she gets 30% of basic salary as house rent allowance Rs. 1,630 per month as dearness allowance ( 71% of it forms part of salary for computation of retirement benefits ) and Rs. 500 per month as conveyance allowance which is entirely used for personal purposes. On July 10, 2008, the employer transfers a music system to Mrs. X on her completing 10 years of service ( cost of music system purchased on September 1, 2007 : Rs. 22,470 ) for Rs. 7,5000. She is member of the statutory provident fund

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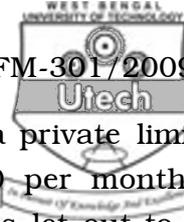
to which both the employer and employee contribute @ 12% of basic salary. Apart from the minimum contribution, she makes an additional contribution of Rs. 600 per month to the provident fund. During the previous year 2008 - 09 Rs. 65,698 is paid to her for checking answer sheets of different universities. Determine the taxable income & tax liability of Mrs. X for the assessment year 2009 - 10 on the assumption that she pays rent Rs. 4,000 per month. 15

9. Write shot notes on any *three* of the following : 3 × 5

- a) Cenvat
- b) Wholesale dealer
- c) IRR
- d) Goods
- e) Factory
- f) Gratuity.

10. a) What do you mean by Public debt ? How does it affect the economy ?

b) State the methods of pricing of public goods with examples. 7 + 8



11. Mr. Y is a cost accountant in ABC Ltd. ( a private limited company ) in Mumbai and gets Rs. 18,000 per month as salary. He owns two houses, one of which is let out to the employer - company which in turn provided the same to Mr. Y as rent-free accommodation.

Determine the net income of Mr. Y for the assessment year 2008 - 09 taking into account the following information relating property income. 15

	<i>House I</i>	<i>House II</i>
	<i>Rs.</i>	<i>Rs.</i>
Fair rent	60,000	1,82,000
Annual rent	63,000	1,84,000
Municipal valuation	61,000	1,85,000
Standard rent	NA	NA
Municipal takes paid	14,000	40,000
Repairs	3,500	7,700
Insurance	3,000	33,000
Land revenue	7,500	24,000
Ground rent	4,000	7,800
Interest on capital borrowed by mortgating House I ( funds are used for construction of House II )	18,000	
Unrealised rent of the previous year	—	1,60,000
Unrealised rent of 2007 - 08	—	55,000
Nature of occupation	Let out to ABC Ltd.	Let out to Sima for business
Date of completion of construction	March, 1999	April, 2001



12. Mr. Swapan ( 45 years ), a non-resident, is engaged in the business of shipping. During the previous year 2007 - 08, one of the ships owned by him collects freight as follows :

- a) On August 6, 2007, a sum of Rs. 40 lakh for shipping goods from Cochin Port ( it includes demurrage of Rs. 10,000 and handling charges of Rs. 60,000 ) and
- b) On January 10, 2008, a sum of Rs. 25 lakh for shipping goods from Mumbai ( it is paid to Mr. Swapan in New York ).

Besides, he collects Rs. 20,70,000 in India on March 3, 2008 for shipping goods from Karachi to California. Barring the cases noted above, he does not have any other income in India. Swapan incurs an expenditure of Rs. 2,40,000 in India ( out of which Rs. 65,000 is paid in cash ). He has brought forward loss of Rs. 5,000 from a trading business in India which was discontinued in 2006. Compute the tax liability of Mr. Swapan for the assessment year 2008 - 09.

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