



WEST BENGAL STATE UNIVERSITY
BBA Honours Part-II Examination, 2020

TAXATION AND FINANCIAL MANAGEMENT

PAPER: T-201

Time Allotted: 2 Hours

Full Marks: 50

*The figures in the margin indicate full marks.
Candidates should answer in their own words and adhere to the word limit as practicable.
All symbols are of usual significance.*

GROUP-A

Answer any *one* question from the following

2×1=2

1. Give any two examples of fully exempted income under the Income Tax Act, 1961.
2. Mention any two functions of Financial Management.

GROUP-B

Answer any *three* questions from the following

16×3=48

3. Ramen Sen, an Indian resident, disclosed the following particulars of his income earned during the year ended 31st March, 2019: 16
 - (i) Basic Salary Rs. 8,000 per month
 - (ii) Dearness Allowance: 50% of the basic as per terms of employment.
 - (iii) Servant Allowance Rs. 500 per month.
 - (iv) Children Education Allowance Rs. 300 per month for each of his three children.
 - (v) Own contribution to Recognised Provident Fund Rs. 4,000.
 - (vi) Employer's contribution to Recognized Provident Fund Rs. 16,500.
 - (vii) Interest @ 14% on the balance in Recognized Provident Fund Rs. 3,600.
 - (viii) He was provided with a rent-free house at Delhi for which the employer pays a rent of Rs. 3,500 per month. The cost of furniture provided to him is Rs. 40,000.

Compute the taxable income from salary of Mr. Sen for the assessment year 2019-20.

4. Mr. Khemka is the owner of two houses in India. From the following data, compute the 'Gross Annual Value' of the houses: 16

	House-I (Rs.)	House-II (Rs.)
Municipal value p.a.	40,000	20,000
Fair rent p.a.	24,500	17,000
Standard rent p.a.	27,000	14,500
Actual rent received p.a.	23,000	21,000
Vacancy (in months)	2	NIL
Unrealized rent	NIL	3,500

5. (a) The Profit and Loss Account for the year ended on 31.03.2019 in relation to business of Mr. Palkiwala is given below:

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salaries	1,20,000	By Gross Profit	7,80,000
To Electricity Charges	14,400	By Interest on Fixed Deposits	60,000
To Provision for Bad Debt	2,000	By Income Tax Refund	3,000
To Provision for Depreciation	7,800		
To General Expenses	1,46,000		
To Interest on Capital	22,000		
To Net Profit	5,30,800		
	8,43,000		8,43,000

Other information:

- (i) Depreciation as per the IT Rules is Rs. 38,000.
(ii) General expenses include LIP paid of Rs. 14,000 by Mr. Palkiwala on his own life.

Compute taxable business income of Mr. Palkiwala for the assessment year 2019-20.

- (b) Compute the amount of deduction available to Mr. Srijit Mondal, a self-employed individual for the P.Y. 2018-19 from the following information:

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- (i) Life Insurance Premium paid: Rs. 54,000.
(ii) Repayment of house building loan to LIC (including interest of Rs. 1,85,000): Rs. 2,40,000.
(iii) Repayment of Education Loan taken in 2016 for the pursuance of MBA of his daughter in USA (including interest of Rs. 30,000): Rs. 70,000.
(iv) Contribution to PPF: Rs. 75,000.

6. (a) Explain how residential status of an individual assessee is determined under the Income Tax Act.

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- (b) Explain the following terms:

4+4

- (i) Gross Total Income
(ii) Belated Return.

7. From the following information prepare a statement of working capital requirement:

16

- (i) Expected Sales: 7,800 units
(ii) Analysis of selling price:

Raw materials	7 per unit
Labour	5 per unit
Expenses	4 per unit
Profit	4 per unit
Selling price	20 per unit

- (iii) Raw materials in store: 4 weeks
- (iv) Processing time: 2 weeks
- (v) Finished products in store: 2 weeks
- (vi) Credit allowed to debtors: 4 weeks
- (vii) Credit allowed by creditors: 2 weeks
- (viii) Lag in payment for wages and expenses: 2 weeks
- (ix) Production is carried on evenly throughout the year and wages and expenses accrue in the same way.

8. (a) Moon Ltd. (in 30% Tax bracket) has the following book value capital structure: 12

Equity Capital (Shares of Rs. 10 each, fully paid-up)	Rs. 20 Lakhs
12% Preference Capital (Shares of Rs. 100 each, fully paid-up)	Rs. 6 Lakhs
Retained Earnings	Rs. 10 Lakhs
11% Bank Loans	Rs. 24 Lakhs

Other information:

- (i) Current dividend on Equity Shares is Rs. 2.40 per share. Dividends are expected to grow at 7% and the market price per share is Rs. 30.
- (ii) Preference shares redeemable after ten years at par.

You are required to compute the present WACC using Market Value Proportions.

(b) Briefly explain the wealth maximisation objectives of firms. 4

9. Write short notes on the following: 5+5+6

- (i) Financial Risk
- (ii) Profitability Index
- (iii) Gordon's Dividend Model.

N.B. : *Students have to complete submission of their Answer Scripts through E-mail / Whatsapp to their own respective colleges on the same day / date of examination within 1 hour after end of exam. University / College authorities will not be held responsible for wrong submission (at in proper address). Students are strongly advised not to submit multiple copies of the same answer script.*

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