

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2017-19) (Finance)
PGDM Trimester IV Examination September 2018

Subject	FISCAL POLICY – Section I		
Roll No.		Marks	30 Marks
Total No. of Questions	6	Duration	
Total No. of printed pages	1	Date	03.10.2018

Note: Q1 is compulsory and solve any TWO from the remaining FOUR questions.

Part - A

20 Marks (Compulsory)

In a surprise move, you have become head of the central bank in the country of Precipice. The country has 25 percent inflation and only \$10 million in foreign exchange reserves left. The exchange rate has been pegged at 1,000 Precips (the local currency) to the dollar since 1949. Precipice is a middle-income emerging market that grew rapidly in the 1980s and 1990s but there has been hardly any growth in the past decade.

1. What do you need to know about the macro-economy or anything else in order to make your initial policy decisions?
2. Should you invite the International Monetary Fund (IMF) to help? What exactly would you ask them to do?

Attempt Any TWO from the Remaining FOUR Questions

PART- B

Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- A. In South East Asia context, Hongkong believes in free economy and North Korea maintains relatively closed economy – Please provide critical views on both free market and closed economy.
- B. Many economists believe that government must intervene at the time of recession with some fiscal stimulus. Do you support the idea? Please provide justification behind your belief. (You may take position for both Yes/No answer also)
- C. In a country X, total population is 1000 and retirement age is 55 years. In that country, total 500 people are working. People of age more than or equal to 55 is 250. 150 people of below 55 years don't want to find job now and in future also and want to live on unemployment benefits only. Others below 55 years of age are unemployed, but actively seeking for job.
 What is the size of labor force? What is unemployment rate for this country? Which groups, have you excluded from calculation of unemployment and labor force and why?
- D. Suppose government is spending \$500 Billion in an economy. The Marginal propensity to saving (MPS) for the country is 0.6. Will economy expand or contract and by how much? Explain how thru multiplier effect, this economy expanded or contracted.

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Subject	Direct Taxation Section - II		
Roll No.		Marks	30 Marks
Total No. of Questions	6	Duration	
Total No. of printed pages	2	Date	03.10.2018

Instructions

1. All Questions carry 10 Marks
2. Question No. 1 is compulsory
3. Solve any two from Q. No. 2- Q. No 5

Q1) Rewrite the sentence & State True or False

[10 marks]

- A. Advance Salary is taxable in the year of Receipt
- B. Conversion of Debentures into shares is "not a transfer"
- C. Deduction u/s 80G is available to all assessee
- D. Deduction u/s 80U is not available to all assessee
- E. Dividend from Foreign Company is fully taxable
- F. Interest on Self occupied property is allowed only to the extent of Rs. 2 lakhs maximum
- G. Only Individuals & HUF can be resident but not ordinarily resident in India
- H. Pre-construction Interest allowed as deductions for 5 equal installments from the year of completion of Construction
- I. Residential Status of an Assessee can be different for different years
- J. Salary received from Partnership Firm in hands of Working Partner is taxed as Business Income

Q2) Mr. A is Proprietor of M/s ABC, Following is his financials for the year (10 marks)

Net Profit	100000
Fine Imposed by Municipality	400
Income Tax Penalty for previous year Paid	3000
Legal Expenditure for Tax Proceedings	5000
Recovery of Bad Debts	1000
Interest on Borrowings	10000
Provident Fund for employees	5000
<u>Information for Chapter VI Deduction</u>	
Donations (Amount not debited to P&L)	10000
Medi-claim Insurance	15600
Interest on Loan taken for Higher Education	7500
LIC Premium Paid	5000
Tuition Fees	20000

Additional Notes

1. Interest on Borrowings pertained to period after machinery put to use
2. Amount of Provident Fund was not paid by due dates U/s 139(1)

Q3) Mr. Akbar owns the following assets as on 1st April, 2017. (10 marks)

Block of plant and Machinery (rate of Depreciation-15%)

Asset	Cost of Acquisition	W.D.V. as on 1.4.2018
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Machinery A	200,000	17,500
Machinery B	250,000	22,000
Machinery C	50,000	15,000

During the previous year 2017-18, Mr. Akbar acquires Machinery D on 30.4.2017 for Rs. 10,000. Also, Mr. Akbar sells Machinery A on 25.5.2017 for Rs. 72,000.

Calculate the amount of depreciation and capital gain for A.Y. 2018-19

Q4) Mr. Regal has the Following information - Computer his Total Income
(10 Marks)

Property At Gurugram

Fair Rent	300000
Municipal Value	310000
Standard Rent	350000
Actual Rent	600000
Unrealised Rent for PY	50000
Municipal Taxes Paid	40000
Expenditure on Repairs	10000
Insurance Premium	5000
Ground Rent	1000
Gardener Expenses	2500
Interest On Loan	20000

The Property remained vacant for a period of 3 months during the previous year

Q5) Mr. Kamat . has following incomes for 2017-18 (A.Y. 2018-19)
marks]

[10

(a) Gross salary (as per salary certificate)	358000
(b) Houses property (self occupied)	(255000)
(c) Short term capital gain on sale of shares (subjected to STT)	22000
(d) Long term capital gain on sale of shares (subjected to STT)	151000
(e) Other Sources	
(1) Bank FD interest	7000
(2) Dividend on shares of Indian companies U/s 115-O	8000
(3) Interest on govt securities	5000
(4)Interest on debentures	12000
(5) Interest on PPF A/c	9000

Mr. Kamat also makes the following investments during the year contribution to recongnised provident fund Rs. 40000, Deposit in PPF A/c Rs.25000 and payment

of LIC premium of Rs. 60000. Compute his taxable income