

Working Note

Q 1)

Solution

Gross annual value
 Step 1 Municipal value or fair rent, whichever is higher, subject to a maximum of standard rent
 Step 2 If rent collected is higher than the amount of Step 1, then rent collected will be taken

Gross annual value
 Less: Municipal tax
 Net annual value
 Less: Standard deduction under Sec 24(ie., 30% of net annual value)
 Income from property

	AY	AY
	2005-06	2006-07
	134000	134000
	-	168000
	134000	168000
	26000	30000
	108000	138000
	32400	41400
	75600	96600

Arrears of rent of the previous year 2005-06 paid on May 1, 2005
 Gross annual value of previous year 2005-06 if rent is Rs. 14000 per month 168000
 Less: Gross annual value considered earlier 134000
 Arrears of rent 34000
 Less: 30% of Rs. 34,000 10200
23800

Income from house property
Assessment year 2005-06 75600
Assessment year 2006-07 (ie., Rs. 96600+ Rs. 23800) 120400

Q 2)

Gratuity received	600000	
D.A+Basic Salary	17000	
Total years Served	31	
Tax free amount	304038	$15/26 * 17000 * 31$

Q 3) 1) **Rs 2,95,962 is taxable in the income of Sumit.**

Q 4) u/s 57(iiia) **5000** $15000 * 33.333/100$

Q 5) 1) The entire enhanced compensation of Rs. 5 Lakh shall be exempt as per Section 10(37) as it is received after 31-Mar-2004.

Q 6) & 7)	38777	38808	38838	38869	38899	38930	38961	38991	39022	39052	39083	39114	39142
Balance b/f	150000	299000	2159000	61000	89500	70500	46500	86250	17250	23250	63000	44000	50000
Inflows													
Salary	35000	0	0	0	0	0	0	0	0	0	0	0	0
Pension	0	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000
Interest on MIS		0	0	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Interest on SS		0	0	22500	0	0	33750	0	0	33750	0	0	33750
Rent	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000
Gratuity	0	600000	0	0	0	0	0	0	0	0	0	0	0
PF	0	900000	0	0	0	0	0	0	0	0	0	0	0
Leave Encashment		350000	0	0	0	0	0	0	0	0	0	0	0
Commuted Value		505000	0	0	0	0	0	0	0	0	0	0	0
FD	200000	0	0	0	0	0	0	0	0	0	0	0	0
LIC	0	0	0	0	0	0	0	0	200000	0	0	0	0
Shares	0	203000	0	0	0	0	0	0	0	0	0	0	0
Total	399000	2886000	2188000	116500	122500	103500	113250	119250	250250	90000	96000	77000	116750
Outflows													
House hold exp	30000	27000	27000	27000	27000	27000	27000	27000	27000	27000	27000	27000	27000
Municipal Tax	0	0	0	0	0	30000	0	0	0	0	0	0	0
PO MIS	0	0	600000	0	0	0	0	0	0	0	0	0	0
Equity MF	0	300000	0	0	0	0	0	0	0	0	0	0	0
Senior Citizen Scheme		0	1500000	0	0	0	0	0	0	0	0	0	0
PPF	70000	0	0	0	0	0	0	50000	0	0	0	0	0
FD	0	300000	0	0	0	0	0	0	0	0	0	0	0
Liquid funds	0	100000	0	0	0	0	0	0	200000	0	0	0	0
SIP	0	0	0	0	25000	0	0	25000	0	0	25000	0	0
Total Outflows	100000	727000	2127000	27000	52000	57000	27000	102000	227000	27000	52000	27000	27000
Balance C/f	299000	2159000	61000	89500	70500	46500	86250	17250	23250	63000	44000	50000	89750
Q 8) Total Pension		1262500											
Tax free		420833											
Taxable		84167											

505000*100/40
1262500/3
505000-420833

Q 9)	Cost of Marriage Today	38777	1000000	
	Cost of Marriage	39629	1120577	FV(5%,2+4/12,0,-1000000,0)
	Liquid funds value on	39629	110634	FV(4.5%/12,27,0,-100000,0)
	Liquid funds value on	39629	215547	FV(4.5%/12,20,0,-200000,0)
	MF Equity value on	39629	392463	FV(12%/12,27,0,-300000,0)
	Shares value on	39629	130821	FV(12%/12,27,0,-100000,0)
	Total investment		849465	

Shortfall 271112 (1120576.98-849464.52)

Q 10)	age 58	1000000		
	age 80	2925261		FV(5%,22,0,-1000000,1)
	equity investment	-241751		PV(12%,22,0,2925260.72,1)
	SIP	-2257		PMT(12%/12,22*12,0,2925260.72,1)

Q 11) Where share were sold through recognised Stock exchange on 16 Jul 2004, that is before 1st Oct 2004 Capital gain will be calculated as ;

Capital gain on original shares bought in 1978	
Consideration price 200*300	60000
200*60(FMV) = 12000*480/100	57600
Long term capital gain	2400
Capital gain on right shares allotted in May 1979	
Condideration price 200*300	60000
200*60(FMV) = 12000*480/100	57600
Long term capital gain	2400
Capital gain on bonus shares allotted in May 1980	
Consideration price 400*300	120000
Less Indexed cost of acquisition	
400*60(FMV as on 1 Apr 1981)=24000*480/100	115200
Long term capital ç	4800
Capital gain on right shares allotted in May 1980	
consideration price 800*300	240000
Less Indexed cost of acquisition (800*80=64000*480/182)	168791
Long-term capital gain	71209
Capital gain on bonus shares allotted in Aug 1996	
Consideration price 800*300	240000
Less Indexed cost of acquisition	0
Long term capital gain	240000
Total capital gains for AY 2005-06 =	320809

Q 12)

If the land is gifted on 1st Jun 1980

Sale consideration			1400000
Less	Expenses on trans		100000
	Indexed cost of acquisition	300000*480/281	512456
	Long term capital gain		787544

Indexed cost of acquisition has been calculated as under:

Cost of the previous owner or fair market*CII of the year of transfer/CII of the year in which asset is first held by the assessee i.e. previous year 1995-96. value as on 1st Apr 1981 whichever is more i.e. Rs. 300000
 Rs. 300000*480/281=512456

Q 16) and Q 17)

current age		54
retirement age		60
years left		6
life expectancy		80
years after retirement		20
curr.annual expense		540000
exp.growth in expense		0
annual expense at retirement	$540000 * 1.055^6$	744575
expense reqd after retirement	$0.85 * 744575$	632889
inflation adjusted rate of return after retirement (%)		3 lets say 2.82%
savings corpus		1500000
savings at the time of retirement age		2671869
total retirement corpus required		9844415
balance retirement corpus reqd.		7172546
monthly saving reqd		72262

Q 18)

current age		54
retirement age		60
years left		6
life expectancy		80
years after retirement		20
curr.annual expense		540000
exp.growth in expense		0
annual expense at retirement	540000×1.055^6	744575
expense reqd after retirement	0.5*744575	372288
inflation adjusted rate of return after retirement (%)	$((1.0848/1.055)-1) \times 100$	3 lets say 2.82%
savings corpus		1500000
savings at the time of retirement age	1500000×1.101^6	2671869
total retirement corpus required	$PV(2.82\%, 20, -372288, 0, 1)$	5790838
balance retirement corpus reqd.(h36-h35)	$5790838 - 2671869$	3118969
monthly saving reqd	$PMT(10.1\%/12, 72, 0, -3118969, 1)$	31423

Q 19)

current age		54
retirement age		65
years left		11
life expectancy		80
years after retirement		15
curr.annual expense		540000
exp.growth in expense		0
annual expense at retirement	540000×1.055^{11}	973130
expense reqd after retirement	85% of 973130	827160
inflation adjusted rate of return after retirement (%)	$((1.0848/1.055)-1) \times 100$	3 lets say 2.82%
savings corpus		1500000
savings at the time of retirement age	$1500000 \times 1.101^{11}$	4322667
total retirement corpus required	$PV(2.82\%, 15, -827160, 0, 1)$	10286505
balance retirement corpus reqd.(h56-h55)	5963839	5963839
yearly saving reqd	$PMT(10.1\%, 11, 0, -5963839, 1)$	290731

Q 20)

current age		54
retirement age		60
years left		6
income		900000
less deductibles		
income tax		190000
prof tax		5000
self maintenance		145000
insurance premium	24000+7000+15500	46500
balance income		513500
present value i.e human life value	PV(7%,6,-513500,0,1)	2618951
insurance cover available		1200000
additional cover reqd	h74-h75	1418951

lets say 14.2 lacs

Q 21)	value of bldg		1200000
	amount of insurance		1000000
	claim amount	$1000000/1200000*100000$	83333
Q 22)	income		900000
	less ded u/s 80(C)		
	Pension		20000
	PPF		24000
	ULIP		36000
	less ded u/s80ddb		16500
	net taxable income		803500
	tax thereon		191050
	surcharge		0
	ed cess	$191050*0.02$	3821
	net tax payable	$191050+3821$	194871

Q 23)	income		900000
	less ded u/s 80(C)		
		pension	20000
		ppf	24000
		ulip	36000
	less ded u/s80ddb		16500
	net taxable income		803500
	add agr income		45000
	total		848500
	tax thereon	step 1	204550
	max exemption limit of anil		100000
	add agr income		45000
	total		145000
	tax thereon	step 2	4500
	tax payable step 1 minus step 2		200050 200050
	ed cess	$200050 * 0.02$	4001
	net tax payable		204051

Q 24)	Jensen's Index for Fund A	$13 - ((8 + 1 * (12 - 8)))$	1
	Treynor Index for Fund B	$(18 - 8) / 2$	5
	Sharpe Index for Mkt	$(12 - 8) / 8$	1

Q 25)	Direct Cost		480
	Op exp		80
	Interest	$400 * 0.08$	32
	Sales	$480 * 1.5$	720
	NPBT		128
	Tax	$128 * 0.3$	38
	NP	$128 - 38.4$	90
	Profit Margin	$89.6 / 720 * 100$	12
	ROE	$89.6 / 400 * 100$	22