



NPTEL

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## Unit 9 - UNIT-8 (Week 8)

### Course outline

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- ☐ Lecture-1: Problem Solving Based on Decision Under Risk
- ☐ Lecture-2: Income Taxes: Principles and Calculation of Effective Income Tax Rates
- ☐ Lecture-3: Effect of Method of Depreciation on Income Taxes
- ☐ Lecture-4: After Tax Economic Analysis
- ☐ Lecture-5: Problem Solving Based on Income Tax Analysis
- ☐ Quiz : Assignment 8

### Assignment 8

The due date for submitting this assignment has passed. **Due on 2018-04-04, 23:59 IST**  
 As per our records you have not submitted this assignment.

1) Income taxes are assessed

1 point

- ☐ On the basis of purchase of goods/services
- ☐ As a function of value of property owned
- ☐ As a function of gross revenue minus allowable deductions
- ☐ As a function of sale of certain goods/services

**No, the answer is incorrect.****Score: 0****Accepted Answers:***As a function of gross revenue minus allowable deductions*

2) While dealing with natural resources, the taxable income is calculated by

1 point

- ☐ Subtracting gross income from depletion charges
- ☐ Adding depletion charges to gross income
- ☐ Subtracting depletion charges from gross income
- ☐ None of these

**No, the answer is incorrect.****Score: 0****Accepted Answers:***Subtracting depletion charges from gross income*

3) While calculating income taxes, interest earned from funds loaned by an individual or corporation is

1 point

- ☐ Considered under allowable deduction
- ☐

☐ Solutions of  
Assignment 8

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Considered an income



Not considered an income



None of these

**No, the answer is incorrect.**

**Score: 0**

**Accepted Answers:**

*Considered an income*

4) For constant effective tax rate through realized life of an asset, a shorter recovery period results into relatively



Low annual depreciation and low taxable income



Low annual depreciation and high taxable income



High annual depreciation and high taxable income



High annual depreciation and low taxable income

**No, the answer is incorrect.**

**Score: 0**

**Accepted Answers:**

*High annual depreciation and low taxable income*

5) A company that has a 50% effective tax rate, had income of Rs. 20,00,00,000 in each of the last 2 years. In one of those years, the company had deductions of Rs. 10,00,00,000. In the other year, the company had deductions of only Rs. 8,00,00,000. The difference in income taxes paid by the company in those 2 years was **1 point**



Rs. 1,00,00,000



Rs. 2,00,00,000



Rs. 5,00,00,000



Rs. 6,00,00,000

**No, the answer is incorrect.**

**Score: 0**

**Accepted Answers:**

*Rs. 1,00,00,000*

6) For Q 6 TO 8:

**1 point**

A company buys a machine for Rupees 2,80,000 and uses it for 5 years after which it is scrapped. Allowed depreciation during first year is Rs 40000 as equipment falls into 7 year MACRS property. During first year gross income is Rs 5 Lakhs, cost incurred on goods sold is Rs 2 Lakhs and operation expenses are Rs 60000. The company pays taxes at the rate of 40% on its taxable income.

Taxable income during first year of the project is Rupees



240000



- ☐ 200000
- ☐ 220000
- ☐ 180000

No, the answer is incorrect.

Score: 0

Accepted Answers:

200000

Tax amount to be paid during the first year is Rupees

1 point

- ☐ 70000
- ☐ 80000
- ☐ 60000
- ☐ 90000

No, the answer is incorrect.

Score: 0

Accepted Answers:

80000

Net income of the company in first year is Rupees

1 point

- ☐ 100000
- ☐ 120000
- ☐ 111000
- ☐ 125000

No, the answer is incorrect.

Score: 0

Accepted Answers:

120000

9) For Q 9 TO 10:

1 point

A company bought a machine for Rupees 75000 in year 0 and expects to use it for next 7 years after which it is sold for Rs 10000. Estimated gross income and expenses during first year are Rs 120000 and Rs 40000 respectively. Expenses does not include depreciation charges. Depreciation of the machine is according to MACRS 5 year property. The income tax amount is to be calculated as per the following table.

Taxable Income	Upto 50000	Rs	50001-75000	75001-100000	100001-335000
Tax Rate	15%		25% of amount	34% of amount	39% of amount

		exceeding 50000	exceeding 75000	exceeding lakh	1
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Taxable income during first year is Rupees

- ☐ 50000
- ☐ 65000
- ☐ 55000
- ☐ 70000

No, the answer is incorrect.

Score: 0

Accepted Answers:

65000

Tax amount to be paid during the first year is Rupees

1 point

- ☐ 10000
- ☐ 11250
- ☐ 12500
- ☐ 11000

No, the answer is incorrect.

Score: 0

Accepted Answers:

11250



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End

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