



PG – 532

II Semester M.Com. (Financial Accounting)/M.F.A. Examination, June 2016
(CBCS)

Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A

1. Answer **any 7** questions out of **ten** questions. **Each** sub-question carries **2** marks : (7×2=14)
- a) Distinguish between 'Tax avoidance' and 'Tax Evasion'.
 - b) What is MAT u/s 115JB ? State the reason for its introduction.
 - c) What are the exceptions to the general rule of previous year ?
 - d) State the specific managerial decisions relating to 'Own' or 'Lease'.
 - e) State the tax provisions of section 33ABA.
 - f) Define Block of assets.
 - g) What is Best judgment assessment ?
 - h) What is Tax planning ? State types of tax planning ?
 - i) Mention the time frame for advance payment of tax for company assessee.
 - j) State the tax provisions of section 80G of the Income Tax Act, 1961.

SECTION – B

Answer **any 4** questions of the following in about **one page**. **Each** question carries **5** marks : (4×5=20)

- 2. What is assessment ? Briefly explain the types of assessment.
- 3. Discuss the tax provisions under section 80 IE.

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4. Explain the scope of Tax planning with respect to
- Capital structure decisions.
 - Own or lease decisions.

5. 'Bhoruka' Ltd. is engaged in the business of manufacture of computer hardware since 2006. During the previous year 2014-15, the following assets are acquired and put to use.

Particulars	Block – I	Block – II	Block – III
Rate of depreciation	15%	20%	40%
Number of assets in the block	23	18	16
Depreciable value of the block on			
April 1, 2014	16,00,000	50,00,000	10,00,000
Additions of Plant (new) during the previous year 2014-15 :			
Plant M	28,50,000	–	–
Plant N	–	2,00,000	–
Plant O	–	–	8,50,000
Sale of old plants (five plant in each block)	90,000	14,45,000	21,00,000

Plant M, N and O are acquired during August, 2014 and put to use during 30th September, 2014. However, Plant N is put to use in March 2015.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the A.Y. 2015-16.

6. The following details are furnished by Asokaram Company Limited for the previous year 2014-15. Gross Total Income is Rs. 5,10,000 which includes the following.
- Capital gain on sale of long term capital asset Rs. 50,000.
 - Short term capital gain liable for STT u/s 111A is Rs. 75,000.



c) The company is eligible for deduction u/s 80IB at 30% of its income from business Rs. 2,50,000.

Sl. No.	Donation given to the following	Amount in Rs.
01	Prime Minister's National Relief Fund	25,000
02	Indian Olympic Association	36,000
03	An institution engaged in promotion of family planning	13,000
04	Prime Minister's Drought Relief Fund	40,000
05	A notified temple (Rs. 15,000 given in cash)	23,000
06	Indira Gandhi Memorial Trust	30,000
07	An institution which is recognized u/s 80G	15,000
08	National Defense Fund set up by the Central Government	60,000
09	National Foundation for Communal Harmony	10,000
10	Zilla Saksharata Samiti	15,000

Compute allowable amount of deduction u/s 80G for the Assessment Year 2015-16.

7. MA Company Limited has given the following information for the financial year 2014-15. The company has filed its return of income on 12-12-2015. The total income of the company is Rs. 18,75,000. It has having balance of Rs. 45,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 14,000. It has Rs. 87,000 balance as tax credit.

It has paid advance tax as follows :

Due date	Amount of advance tax paid in Rs.
15-06-2014	70,000
13-09-2014	1,89,000
12-12-2014	1,45,000
15-03-2015	1,20,000

Compute interest u/s 234A, 234B and 234C for the Assessment Year 2015-16.



SECTION – C

Answer **any 3** questions of the following. **Each** question carries **12** marks. **(3×12=36)**

8. Discuss the tax holidays and tax benefits available in respect of profits and gains from industrial undertaking or enterprise engaged in infrastructure development u/s 80 – IA.

9. Answer **both** Part **A** and Part **B**.

A) From the following information of Pathan Jah (P) Limited, compute the gross total income for the assessment year 2015-16. Show the carry forward of losses clearly along with reasons. 7

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of assessment year 2008-09	60,000
3	Business loss of assessment year 2005-06	1,20,000
4	Long-term capital gains	50,000
5	Current year business loss	30,000
6	Unabsorbed depreciation of preceding years	90,000
7	Short-term capital loss	35,000
8	Current year's depreciation	25,000
9	Dividend received from foreign company	30,000
10	Income from House Property	1,70,000
11	Long-term capital loss	20,000

B) Explain the tax provisions relating to scientific research u/s 35 of Income Tax Act, 1961. 5

10. State the tax provisions for the following :

- Scope of Tax Planning
- Principles of Direct Taxation
- Types of returns.



11. The following particulars are furnished by Sunrise Company Limited.

Trading and Profit and Loss Account for the year ending 31-03-2015

Particulars	Amount	Particulars	Amount
	(in Rs.)		(in Rs.)
To Opening stock	6,89,000	By Sales	25,00,000
To Purchases	8,95,000	By Dividend from	
To Advertisement expenses	2,35,000	domestic company	30,000
To Travelling expenses	1,05,000	By Miscellaneous incomes	17,500
To Depreciation	3,25,000	By Long term capital gain	2,80,000
To Income tax	1,35,000	By Bad debts recovered	
To Wealth tax	22,500	disallowed earlier	35,000
To Entertainment expenses	52,500	By Amount withdrawn from	
To O/s Service tax	45,000	Contingency reserves	2,75,000
To Provision for unascertained		By Closing stock	4,65,000
liability	90,000		
To Salaries and wages	2,70,000		
To Auditor's fees	30,000		
To Provision for loss of			
subsidiary company	67,500		
To Proposed dividend	3,00,000		
To Sundry expenses	1,15,000		
To Net profit	2,26,000		
	36,02,500		36,02,500

**Additional Information :**

- i) Value added tax of 2012-13 paid during the year Rs. 1,65,000 was not considered in the above account.
- ii) Sundry expenses include an item of Rs. 25,000 paid in cash.
- iii) Out of the O/s amount of service tax Rs. 15,000 was paid before due date of filing of return of income.
- iv) Brought forward business loss Rs. 1,00,000 for income tax purpose and Rs. 3, and Rs. 50,000 for accounting purposes.
- v) Brought forward unabsorbed depreciation is Rs. 3,00,000 for accounting purposes.
- vi) Value of plant and machinery as on 1-4-2014 was Rs. 50,00,000 and building and furniture Rs. 12,00,000. Rate of depreciation : 15% on Plant and Machinery and 10% of Building and Furniture.
- vii) Opening stock was overvalued by Rs. 34,000 and closing stock was overvalued by Rs. 54,000.

Compute :

- a) Total income b) Book profit u/s 115JB and Total tax liabilities for the A.Y. 2015-16.
12. MAK Company Limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component.
- 1) If the company decides to make the product itself, then it would need to buy a second hand machine for Rs. 4 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 6 lakh, Rs. 7 lakh, Rs. 8 lakh, Rs. 10 lakh and Rs. 12.50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 50,000 at the beginning of the sixth year.



2) If the company decides to buy the component from a supplier the component would cost Rs. 9 lakh, Rs. 10 lakh, Rs. 11 lakh, Rs. 14 lakh and Rs. 17 lakh respectively for each of the five year.

The relevant discounting rate and tax rate 10 percent and tax rate 32.445 percent. Additional depreciation is not available.

Should ZMR Limited 'Make' the component or 'Buy' from the market ?

Present value factor @ 10% is :

Year	1	2	3	4	5
P.V. Factor	0.909	0.826	0.751	0.683	0.621



PG – 710

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(CBCS)
Finance and Accounting
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Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A

1. Answer **any seven** questions out of ten questions. **Each** question carries **two** marks. **(7x2= 14)**

- a) Define Block of assets.
- b) Write the principles of direct taxation.
- c) Differentiate between 'Tax evasion' and 'Tax avoidance'.
- d) What are the exceptions to the general rule of previous year ?
- e) Define net wealth u/s 2 (m) of Wealth Tax Act, 1957.
- f) How do you treat short term and long term capital gain liable for securities transaction tax (STT) u/s 111A ?
- g) State the applicability and non-applicability of Wealth Tax Act.
- h) Define assessment year and previous year.
- i) State the specific managerial decisions relating to retain of replace.
- j) Give the tax rates applicable for company assessee.

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SECTION - B

Answer **any four** questions out of six questions. **Each** question carries **five** marks.

(4×5= 20)

2. Discuss the tax provisions under Section 35 of Income Tax Act, 1961.
3. Explain the deemed assets u/s of Wealth Tax Act, 1957.
4. Discuss the tax incentives available under Section 80ID.
5. An industrial undertaking which commences the manufacturing activity w.e.f. 01/08/2014 has acquired the following assets during the previous year 2014-15.

Assets	Date of acquisition	Date when put into use	Cost of acquisition (in Rs.'s)
Furniture	12-4-2014	1-8-2014	50,00,000
Plant and Machinery			
i. Equipment used in solid waste management	2-5-2014	1-8-2014	4,00,000
ii. Machinery A	13-5-2014	1-8-2014	17,00,000
iii. Machinery B	1-9-2014	31-10-2014	7,00,000
iv. Machinery C (second hand)	1-1-2015	13-1-2015	2,00,000
v. Motor car	1-2-2015	6-2-2015	5,00,000
vi. Air conditioner (installed in office)	1-2-2015	15-3-2015	1,00,000

Compute the allowable depreciation u/s 32 for the A. Y. 2015-16 and WDV as on 01-04-2015.



6. ACC Company Limited has let out a premise with effect from 1st October 2014 on monthly rent of Rs. 1,50,000. The lease is valid for 10 years and tenant has undertaken to pay a deposit equivalent to 3 months rent. The tenant has undertaken to pay the Municipal taxes of the premises amounting to Rs. 3,00,000.

What will be the value of the property under Schedule III of the Wealth Tax Act for the assessment to Wealth Tax ?

What are the circumstances under which the Assessing Officer is not required to follow the procedure laid down for evaluation of the house property in Rule 3 of Schedule III of the Wealth Tax Act, 1957 ?

7. Compute Tax payable by Roman Limited for various assessment years from the following details assuming that the rates of tax for the past and future years shall be same as that for the current assessment year.

Assessment Year	Total income as per	Book Profits u/s
	Income Tax Act	115 JB
2014 – 15	2,10,000	7,50,000
2015 – 16	2,70,000	10,00,000
2016 – 17	9,00,000	12,50,000
2017 – 18	1,65,000	6,25,000
2018 – 19	7,50,000	7,50,000

What is Tax Credit ? State its tax provision u/s 115JAA.



SECTION - C

Answer **any three** questions out of five questions. **Each** question carries **twelve** marks. **(3×12=36)**

8. Discuss the following :
- Types of assessment.
 - Assets u/s 2 (ea) of Wealth Tax Act, 1957.
9. Explain the tax provisions regarding set-off and carry forward of losses under the Income Tax Act, 1961.
10. Mr. Mohit Sharma is the owner of a house property which is constructed on leasehold land. He has let out this house property to a tenant for Rs. 15,750 per month. The other terms are as under.
- The tenant will pay half the Municipal taxes and bear the cost of repairs.
 - He will pay Rs. 1,50,000 as advance on which no interest will be paid to him and this amount will be refunded at the time of vacating the house.
 - He will pay Rs. 90,000 as premium for leasing the property for five years.
 - The annual value assessed by the local authority is Rs. 2,70,000 and taxes levied and paid is Rs. 36,000.
 - The tenant spent Rs. 60,000 on the repairs of the house.
 - The different between un built area and specified area is 10 % of the aggregate area.
 - He paid Rs. 1,80,000 for the acquisition of the land now the Lessor's value of the land is Rs. 9,00,000. The lessor charges 40 % of the unearned increase on the transfer of the house property. The unexpired period of lease is 60 years.
- Find out the value of the house for wealth tax purpose, if the cost of the building (including land) in 1981 was Rs. 18,00,000.



11. From the following information determine whether assessee should "Purchase the asset or take on lease".

- a) Cost of asset Rs. 10,00,000.
- b) Rate of depreciation 15 %.
- c) Rate of interest 10 %.
- d) Repayment of loan by the assessee Rs. 1,60,000 p.a.
- e) Rate of tax 30.9 %.
- f) Residual value of Rs. 1,60,000 after 5 years.
- g) Profit of the assessee Rs. 10,00,000 before depreciation, interest and tax or before lease rent and tax.
- h) Lease rent Rs. 2,40,000 p.a.
- i) Present value factor @ 10 % is :

Year	1	2	3	4	5
P.V. Factor	0.909	0.826	0.751	0.683	0.621

12. The following particulars are furnished by CNR Company Limited.

Trading and Profit and Loss Account for the year ending 31-03-2015

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Opening stock	7,69,000	By Sale of goods	
To Purchases	25,95,000	manufactured	35,00,000
To Advertisement expenses	2,65,000	By Interest received on	
To Travelling expenses	1,35,000	fixed deposits	75,000



To Depreciation	8,25,000	By sale of traded goods	12,75,000
To contribution to National Laboratory for Scientific Research	1,75,000	By other business incomes	27,500
To Income Tax	4,75,000	By Long term capital gain liable for Securities	
To Wealth Tax	1,25,500	Transaction Tax (STT)	1,80,000
To Entertainment expenses	52,500	By bad debts recovered disallowed earlier	45,000
To O/s Sales Tax	65,000	By long term capital gain on sale of building	2,50,000
To provision for unascertained liability	1,90,000	By amount withdrawn from contingency reserves	9,50,000
To salaries and wages	9,20,000	By Closing stock	9,54,000
To Auditor's fees	1,30,000	By income from unit in SEZ	3,15,000
To provision for loss of subsidiary company	97,500		
To proposed dividend	3,45,000		
To Sundry expenses	1,50,000		
To Net profit	2,57,000		
	75,71,500		75,71,500

Additional Information :

- i) Sundry expenses include an item of Rs. 35,000 paid in cash.
- ii) Customs duty of 2012 – 13 paid during the year Rs. 1,05,000 was not considered in the above account.
- iii) Advertisement expenses include an item of Rs. 45,000 given to a political party.
- iv) Out of the O/s amount of sales tax Rs. 20,000 was paid before due date of filing of return of income.



- v) Brought forward business loss Rs. 8,00,000 for income tax purpose and Rs. 6,50,000 for accounting purposes.
- vi) Brought forward unabsorbed depreciation is Rs. 5,00,000 for accounting purposes.
- vii) Value of Plant and Machinery as on 01-04-2014 was Rs. 90,00,000 and Building Rs. 16,00,000 and Furniture Rs. 6,00,000. Rate of depreciation : 15 % on plant and machinery and 10 % of Building and Furniture.
- viii) Opening stock was overvalued by Rs. 95,000 and closing stock was overvalued by Rs. 1,12,500.

Compute :

- a) Total income.
- b) Book profit u/s 115JB.
- c) Total tax liability for the A.Y. 2015 – 16.

(7x2=14)