

Sl. No. 10062

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PG-515

II Semester M.Com. (FA) (CBCS) Examination, July - 2019

FINANCE AND ACCOUNTING

2.3 : Direct Taxes Planning

Time : 3 Hours

Max. Marks : 70

SECTION - A

1. Answer **any seven** questions out of **ten**. Each question carries **two** marks. **7x2=14**
- Define assessee u/s 2(7).
 - List out any four exempt-income for a company.
 - Define Block of assets. Explain the importance of this concept.
 - Explain the tax treatment of capital gains.
 - State the advantages of direct taxes.
 - What do you mean tax base ?
 - What do you mean by advance tax ruling ?
 - State the specific managerial decisions relating to retain or replace.
 - What do you mean by progressive rates of taxes ?
 - State the dates for filling of returns by various assessees.

SECTION - B

- Answer **any four** questions. Each question carries **five** marks. **4x5=20**
- What is assessment ? Briefly explain the types of assessment.
 - What do you mean by MAT ? Briefly explain any 5 positive and negative adjustments under MAT.
 - Briefly explain the deductions under section 80JJA and 80JJAA.
 - Calculate the advance tax payable in various installments of Kodandarama company for the financial year 2017-18 from the following information :
 - Income from business ₹ 3,00,000
 - Rental income ₹ 4,00,000
 - Winnings from lotteries (28-8-2017) (gross) ₹ 40,000
 - Tax of ₹ 12,000 has been deducted at source out of lottery income.

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6. The assessment of Modi Ltd. for the assessment years 2017-18 and 2018-19 shows the following results :

Particulars	AY-2017-18 (₹)	AY-2018-19 (₹)
A. Interest on securities	6,000	8,000
B. Income from House property	15,000	15,000
C. Profits and gains of business		
(a) Dealing in paints	(-)50,000	(-)40,000
(b) Manufacturing of tyres (profit before depreciation). Note - depreciation for 2017-18 ₹ 80,000 and 2018-19 ₹ 90,000	75,000	1,50,000
(c) Speculative transactions	10,000	(-)14,000
D. Capital gains		
(a) Long term	20,000	Nil
(b) Short term	Nil	(-)40,000

Compute net assessable results for each of the two years giving full reasons for your workings.

7. From the particulars given below by an industrial undertaking calculate the amount of depreciation admissible during the year ending 31.3.2018.

Fixed Assets	Written down value of 1.4.2017	Additions during the accounting year	Rate of depreciation
	₹	₹	₹
Building (Non-Residential)	15,60,000	Nil	10%
Building (Residential)	3,75,000	Nil	5%
Plant and Machinery	31,50,000	5,60,000	15%
Motor cars	74,000	-	15%
Furniture	17,600	Nil	10%

Part of the residential buildings whose written down value on 1.4.2017 was ₹ 2,20,000 was completely destroyed by fire on 5.6.2017 and ₹ 1,80,000 was received from insurance company in respect thereof.

The new plant and machinery were installed on 8.10.2017.

**SECTION - C**

Answer **any three** questions out of **five**. Each question carries **twelve** marks.

3x12=36

8. Discuss the tax provisions under section 80 IB of Income Tax Act, 1961.
9. Explain the tax benefits of De-merger and Amalgamation of Companies. Briefly highlight the conditions to be fulfilled to avail those benefits.
10. Decide which one is better alternative-lease or buy-in the following situation :
- Cost of capital : 14%
 - Depreciation rate (income tax) : 15%
 - Lease cost : ₹ 34,000 per annum for 5 years (per ₹ 1,00,000)
 - Tax rates as applicable
 - Present value of ₹ 1 discounted @ 14% is as follows : Year 1 = .877 ; Year 2 = .769 ; Year 3 = .675 ; Year 4 = .592 ; Year 5 = .519.

Assumptions :

- (I) The cost of the machine is ₹ 1,00,000 with a salvage value of ₹ 1,000 at the end of five-year period.
- (II) There is no income-tax liability on account of capital gains.
Make any other suitable assumptions, if necessary.

11. Naveen Ltd., engaged in diversified activities, earned a net profit of ₹ 14,25,000 after debit/credit of the following items to its profit and loss account for the year ended on 31.3.2018 :

- (a) Items debited to profit and loss.
- Expenses on Industrial Unit exempt under section 10AA ₹ 2,10,000
 - Provision for Loss of Subsidiary ₹ 70,000
 - Provision for Sales Tax Demand ₹ 75,000
 - Provision for Income Tax Demand ₹ 1,95,000
 - Expense on purchase/sale of equity shares ₹ 15,000
 - Depreciation ₹ 3,60,000
 - Interest on Deposit credited to buyers on 31.3.2018 for advance received from them, on which TDS was deposited on 31.12.2018 ₹ 90,000
- (b) Items credited to profit and loss account.
- Profit from 100% EOU ₹ 60,000
 - Long term capital gain on sale of equity shares on which securities transaction tax was paid ₹ 3,60,000
 - Income from units of UTI ₹ 75,000

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The company provides the following additional information :

- (i) Depreciation includes ₹ 1,50,000 on account of revaluation of fixed assets.
- (ii) Depreciation allowable as per income tax rules is ₹ 2,80,000.
- (iii) Brought forward business loss/unabsorbed depreciation :

F.Y.	Amount as per books	Amount as per income-tax.
	Loss	Depreciation
2009-10	2,50,000	3,00,000
2014-15	NIL	2,70,000
2015-16	3,50,000	3,15,000

You are required to :

- (i) Compute the total income of the company for the assessment year 2017-18 giving the reasons for treatment of items, and
- (ii) Examine the applicability of the section 115JB of the Income-tax Act, and compute book profit and the tax credit to be carried forward.

12. Answer both parts (A & B) :

- A. Discuss the tax provisions under section 35 of Income Tax Act, 1961.
- B. The gross total income of the Yoga ltd is ₹ 39,50,000 which consists of the following :
 - (a) Profit from a project outside India- ₹ 14,50,000
 - (b) Profit for manufacturing business ₹ 10,00,000
 - (c) Dividend from Indian Companies declared on 25.9.2017 ₹ 5,00,000
 - (d) Royalty income ₹ 4,00,000
 - (e) Income from capital gain (short term) ₹ 6,00,000

The company made the following donations during the previous year :

1. ₹ 5,000 to Jawaharlal Nehru Memorial Fund.
2. ₹ 12,000 to Prime Minister National Relief Fund.
3. ₹ 4,000 to Prime Minister Drought Relief Fund.
4. ₹ 8,000 to National Children Fund.
5. ₹ 8,000 for Repairs of Notified Temple
6. Cloths worth 12,000 were given to approved blind school
7. ₹ 3,00,000 to State of Karnataka for Family Planning.

Compute the total income of the company for the assessment year 2018-19.