



II Semester M.Com. (FA) Degree Examination, June/July 2018  
(CBCS)

Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 70

**Instruction :** Answer all Sections.

SECTION – A

1. Answer **any seven** questions out of ten questions. **Each** question carries **two** marks. **(7×2=14)**
- What do you mean by Direct Tax ?
  - What is tax planning ?
  - Who is deemed assessee ?
  - What do you mean by Tax evasion ?
  - When a company is said to be resident ?
  - Define MAT u/s 115JB.
  - What is "Best Judgement Assessment" ?
  - What is Tax Holiday ?
  - What do you mean by Speculative Transactions ?
  - State the provisions of "Section 80GGA".
  - State the provisions of Section 35 ABB.

SECTION – B

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

**(4×5=20)**

- State briefly tax advantages of amalgamations and mergers.
- What are 'advance rulings' ? State the procedures to get advance rulings.
- Briefly explain provisions relating to setoff and carry forward of losses.



5. Calculate the taxable income of the company from the following information for the assessment year 2017-18.
- Book profit Rs. 25 lakhs for the year 2016-17.
  - Subsidiary company loss for the year 2016-17 Rs. 5.5 lakhs.
  - Brought forward loss Rs. 3.75 lakhs.
  - Speculative business loss for the same year Rs. 5.5 lakhs.
  - Capital loss Rs. 2 lakhs.
6. From the following information compute depreciation allowance allowable to XY and Co., a Chartered Accountants Concern, for the A.Y. 2017-18.

**Assets****W.D.V. on 01-04-2016****Rs.**

- |  |           |
|--|-----------|
| a) Computers   | 1,40,000  |
| b) Typewriters   | 30,000    |
| c) Furniture and fittings  | 1,00,000  |
| d) Office building   | 5,00,000  |
| e) Staff quarters – Area not exceeding 80 sq. meter  | 15,00,000 |
| f) Purchased a new computer during the P.Y. Rs. 60,000   |           |
| g) Sold old office building for Rs. 15,00,000 and purchased a new office building for Rs. 40,00,000 in Dec., 2016. |           |
| h) Purchased books (Annual Publications) for professional purposes Rs. 40,000.                                     |           |

7. The following are the particulars of income of an assessee for the last four accounting years :

|                                   | 2013-14 | 2014-15  | 2015-16  | 2016-17  |
|-----------------------------------|---------|----------|----------|----------|
|                                   | Rs      | Rs.      | Rs.      | Rs.      |
| Profit or lossess before charging |         |          |          |          |
| Depreciation                      | 40,000  | 45,000   | 37,000   | 70,000   |
|                                   | (Loss)  | (Profit) | (Profit) | (Profit) |
| Depreciation for the year         | 6,000   | 12,000   | 18,000   | 20,000   |

Work out the amount to be set-off or carried forward in each of the above four years, appending explanatory notes.





SECTION - C

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

**(3×12=36)**

- 8. Explain the salient features of assessment of joint stock companies.
- 9. Discuss the tax provisions of Section 80 - IA.
- 10. Explain the tax planning provisions relating to make or buy and own or lease under the IT Act.
- 11. R Ltd., manufactures electric pump sets. The company has the option to either make or buy from the market component "M" used in the manufacture of the sets. The following are the details available.

The component will be manufactured on new machine costing Rs. 10,00,000 with a life of 10 years. Material required costs Rs. 4 per kg and wages Rs. 0.60 per hour. The salary of the foreman employed is Rs. 3,000 per month and other variable overheads include Rs. 40,000 for manufacturing 25000 components per year. Material requirement is 25000 kgs and requires 50000 labour hours. The component is available in the market at 8.60 per piece.

Will it be profitable to make or buy the component ?

Does it make any difference if the component can be manufactured on an existing machine ?

- 12. The following is the Profit and Loss A/c of Bharth Co. Ltd. for the year ended 31<sup>st</sup> March 2016.

| <b>Particulars</b>   | <b>Rs.</b>       | <b>Particulars</b>               | <b>Rs.</b>       |
|----------------------|------------------|----------------------------------|------------------|
| To salaries, wages   | 3,00,000         | By Domestic Sales                | 25,00,000        |
| To Rent, Rates       | 2,00,000         | By Export Sales                  | 10,00,000        |
| To Repairs           | 1,20,000         | By Transfer from General Reserve | 2,00,000         |
| To Selling Exp.      | 3,50,000         |                                  |                  |
| To Depreciation      | 5,00,000         |                                  |                  |
| To Income Tax        | 3,60,000         |                                  |                  |
| To Proposed Dividend | 2,70,000         |                                  |                  |
| To Net Profit        | 16,00,000        |                                  |                  |
|                      | <b>37,00,000</b> |                                  | <b>37,00,000</b> |



**Other Information :**

- a) The company has long-term capital gain of Rs. 1,00,000, which is not credited to Profit and Loss A/c.
- b) Foreign exchange remittance Rs. 7,00,000.
- c) Depreciation u/s 32 Rs. 4,50,000.
- d) The company wants to set off the following :

|                                 | For Tax<br>Purpose<br>Rs. | For Accounting<br>Purpose<br>Rs. |
|---------------------------------|---------------------------|----------------------------------|
| Brought Forward Loss of 2015-16 | 5,00,000                  | 4,00,000                         |
| Unabsorbed depreciation         | 2,00,000                  | 2,00,000                         |

You are required to compute :

- a) Book profit as per section 115JB.
- b) Total Income of the company.
- c) Tax liability of the company.

| Particulars          | Rs.       | Particulars              | Rs.       |
|----------------------|-----------|--------------------------|-----------|
| To Net Profit        | 37,00,000 | By Balance b/d           | 37,00,000 |
| To Proposed Dividend | 2,10,000  | By Reserve               | 2,10,000  |
| To Income Tax        | 3,60,000  | By Depreciation          | 5,00,000  |
| To Depreciation      | 5,00,000  | By Selling Exp.          | 3,50,000  |
| To Selling Exp.      | 3,50,000  | By Reserve               | 2,00,000  |
| To Reserve           | 1,20,000  | By Transfer from General | 1,20,000  |
| To Profit Rates      | 2,00,000  | By Domestic Sales        | 2,00,000  |
| To Salaries, wages   | 3,00,000  | By Balance b/d           | 25,00,000 |
|                      |           |                          | 37,00,000 |