



II Semester M.F.A. Degree Examination, June 2015
(CBCS)

Finance and Accounting
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)**

- 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.

P.T.O.



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. (7×2=14)
- b) Book profit u/s 115JB.
- c) Total tax liability for the A.Y. 2015 – 16.