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PGIIIS-1701 B-16

M.Com. IIIrd Semester (CBCS) Degree Examination

Commerce

(Corporate Taxation - I)

Paper : HC 3.4 (A)

Time : 3 Hours

Maximum Marks : 80

Instructions to Candidates:

Answer all sections

Section - A

1. Answer **all** the sub-questions. Each sub - question carries **two** marks. **(10×2=20)**

   a) Distinguish direct and indirect tax.

   b) State with examples income deemed to accrue or arise in India.

   c) Define net annual value.

   d) What tangible assets are eligible for depreciation?

   e) What do you mean by payments to relative - u/s 40A(2)?

   f) What is cost of improvement with reference to capital gain?

   g) What do you mean by tax on distributed profits?

   h) What are the losses which can not be set - off?

   i) What is book profits - (U/S 115 JB)?

   j) Define Permanent Account Number (PAN).

Section - B

Answer any **three** questions. Each question carries **five** marks. **(3×5=15)**

2. Explain how book profits of a company is computed u/s 115 JB.

3. What is tax return? Explain different types of returns applicable to a corporate assessee.

4. Critically examine the relevance of indexed cost of acquisition.

5. X Ltd. expects a taxable income of Rs. 83,00,000 for the A.Y. 2016-17. Findout its advance tax liability as on relevant due dates.

6. Z Ltd. an India company, sells computer monitor to its 100 percent subsidiary X Ltd. in US @ Rs. 60 per piece. Z Ltd. also sells its computer monitor to another company in US@100 per piece. Total income of Z Ltd for the A.Y. 2016-17 is Rs. 24,00,000, which includes sales made for 150 computer monitors @ 60 to X Ltd. Compute arm's length price and taxable income of Z ltd. Exchange rate for one dollar may be considered as Rs. 60.

Section - C

Answer any **three** of the following. Each question carries **fifteen** marks. **(3×15=45)**

7. What is tax planning? How it differs from tax avoidance? Discuss the scope of tax planning with reference to corporate assessee.

8. Discuss various deductions allowed from gross total income, in case of a corporate assessee, in brief.

9. Following are the items detected/credited to the profit and loss account of X Ltd. (as on 31/3/2016). Which shows a net profit of Rs. 50,00,000.

   a) Depreciation : Rs. 14 lakh (including Rs. 4 lakh on revaluation)

   b) Interest to a bank (due and not paid) Rs. 5 lakh

   c) Provision for doubtful debts. Rs. 2 lakh

   d) Provisions for unascertained liabilities Rs. 4 lakh

   e) Transfer to general reserve : Rs 6 lakh

   f) Net agricultural income : Rs. 6 lakh

   g) Amount withdrawn form reserve created in 2012-13 ; Rs. 3 lakh.

Other information -

Brought forward loss and unabsorbed depreciation as per books are Rs. 10 lakh and Rs. 5 lakh respectively compute MAT u/s 115 JB for the A.Y. 2016-17

10. Compute the net wealth and wealth tax liability of XYZ ltd. as on 31/3/2014 (valuation date).

<u>Assets</u>

a) Cash in hand (as per cash book) : Rs. 0.5 lakh

b) Cash at bank : Rs. 50 lakh

c) Gold held as investments : Rs. 200 lakh

d) Urban land purchased in 2001, held as stock - in - trade ; Rs. 150 lakh

e) Urban land purchased in 2005, to be used for business infuture : Rs. 50 lakh

f) Motor cars : Rs. 41 lakh

g) Factory building :

  i) Self used : Rs. 92 lakh

  ii) Let out : Rs. 46 lakh

h) Residential houses -

  i) Allotted to low paid employees : Rs. 100 lakh

  ii) Allotted to officers (salary Rs. 14 lakh). Rs. 78 lakh

i) Plant and machinery : Rs. 99 lakh

j) Shares held as investments : Rs. 22 lakh

<u>Liabilities</u>

a) Money borrowed for purchase of cars : Rs. 10 lakh

b) Money borrowed for purchase of shares : Rs. 16 lakh

All assets are held in India and XYZ Ltd. is resident for tax purposes.

11. PQR Ltd a newly formed company has the following two alternatives before it as regards to the composition of its capital. The information is as follows :

Particulars	Alternative I	Alternative II
	Rs.	Rs.
Equity capital	25,00,000	50,00,000
Debt capital	50,00,000	25,00,000
(interest 14%)		
Total	75,00,000	75,00,000

The company expects a return of 25% on capital inverted after making all the deductions except interest and taxes. The income tax rate is 30% (No less & surcharge). The company wants to pay or dividend of 25% and the expected dividend tax is 20.3576%. Decide which alternative is feasible.