



**K18P 0383**

Reg. No. : .....

Name : .....

**Fourth Semester M.Com. Degree (Reg./Suppl./Imp.) Examination, March 2018**  
**(2014 Admn. Onwards)**  
**ELECTIVE – A – FINANCE**  
**COM4E04 : Corporate Tax Planning and Management**

Time : 3 Hours

Max. Marks : 60

**SECTION – A**

Answer **any four** questions. **1** mark to Part (a), **3** marks to Part (b) and **5** marks to Part (c).

1. a) Who can be partner of a firm ?  
b) Under Section 40 b what items are disallowed as deduction while computing firm's Income from Business and Profession.  
c) From the following information compute tax liability of the firm :
  - 1) Profit from an industrial undertaking Rs. 40,000.
  - 2) Profit from business of Poultry breeding Rs. 20,000.
  - 3) Short term capital gain Rs. 20,000.
  - 4) Long term capital gain Rs. 40,000
  - 5) Interest from Bank Rs. 6,000.
  - 6) Loss from house property Rs. 10,000 on account of interest on loan taken to construct the house property.
  - 7) Donation to approved Charitable Institution by cheque Rs. 15,000.
2. a) What is refund of tax ?  
b) Mr. A paid Rs. 7,000 as advance tax for the Assessment year 2016-17. A.O. on the regular assessment determine the amount of tax Rs. 14,500 and issued refund voucher on 20<sup>th</sup> November 2016. Compute amount of Interest, if any, payable by the Government to Mr. A.  
c) Describe the different modes of recovery of tax.

P.T.O.



3. a) What do you mean by belated return ?  
b) What are the steps for e-filing of income tax return ?  
c) Describe the organisation of income tax department.
4. a) What is tax planning ?  
b) Distinguish between tax evasion and tax avoidance.  
c) What is the need for tax planning ? What are its limitation ?
5. a) Explain the concept of "Deemed Dividend".  
b) Discuss the tax effect of owned capital and borrowed capital.  
c) Three companies raised the capital as under :

	Company I	Company II	Company III
Capital	2,00,000	1,60,000	40,000
Loans	—	40,000	1,60,000
<b>Total Investment</b>	<b>2,00,000</b>	<b>2,00,000</b>	<b>2,00,000</b>

Rate of Interest on loan 10%

Rate of return 25%, 10%, 80%

Rate of tax 30%

Explain whose capital structure is the best and why ?

6. a) Define Amalgamation under Income Tax Act.  
b) Write a note on tax incentives to amalgamated company.  
c) During the year 2017-18 a trust derived an income of Rs. 4,00,000 from the property held under the trust for charitable purpose. The trust actually spent ₹ 2,60,000 during the previous year. Determine taxable income of the trust.

(4×9=36)

### SECTION – B

Answer the following. **Each** question carries **12** marks.

7. a) Following is the profit and loss of LM Ltd., an Indian Company for the year ended 31<sup>st</sup> March 2018

Purchases	12,00,000	Sales	50,00,000
Factory Exp.	12,00,000	Dividend from foreign	
Depreciation	2,00,000	company	5,00,000



General Exp.	1,00,000	
Income tax	2,00,000	
Net Profit	26,00,000	
	<b>55,00,000</b>	<b>55,00,000</b>

- i) Depreciation allowable as per Income Tax Act ₹ 1,50,000.
- ii) The company has various depreciable assets. During the year, a block of plant and machinery was revalued to a higher figure, such revaluation result in excess depreciation of ₹ 20,000.
- iii) General expenses include actual bad debt ₹ 1,000.

**Calculate :**

- A) Total income under normal provision of Income Tax Act.
- B) Book profit under MAT.
- C) Final Tax Liability.

OR

- b) A, B and C are members of an association of persons. They share profit and losses equally. During the previous year income of the AOP is ₹ 2,20,000 and the income of A, B and C is ₹ 40,000, ₹ 5,10,000 and ₹ 5,20,000 respectively. Compute the tax liability of AOP and A, B and C for the Assessment year 2017-18.
8. a) A.R.G. College Co-operative Society has the following incomes during the year ended 31-3-2017
- 1) Income from college Canteen ₹ 20,000.
  - 2) Income from merchandise business ₹ 55,000.
  - 3) Income from credit facility given to members ₹ 9,000.
  - 4) Interest on government securities ₹ 25,000.
  - 5) Interest on debentures (gross) ₹ 10,000.
  - 6) Taxable income from House Property ₹ 12,000.
  - 7) Dividend (gross) on shares held in another Co-operative Society ₹ 5,000.
- Determine the total income of the society for the Assessment year 2017-18.

OR



b) Jaya Ltd. wants to acquire a furnace costing ₹ 10,00,000. Following two options are available :

**Option I :** To take it on lease from ABC Ltd. for 5 years at a yearly rent of ₹ 580 per ₹ 1,000 of the asset value payable at year end.

**Option II :** To take it on lease from XYZ Ltd. for 5 years at a yearly rent of

1) ₹ 620 per ₹ 1,000 of asset value for 3 year and

2) ₹ 460 per ₹ 1,000 of asset value for next 2 years.

**Other information :**

- 1) The tax rate applicable is 30%.
- 2) After tax cost of Capital 13%.
- 3) P. V. factor for Re. 1 @ 13%.

At the year end	Year :	(i),	(ii),	(iii),	(iv),	(v)
		0.885	0.783	0.693	0.613	0.543

Advice the company regarding better option.

**(2×12=24)**