

C 22463

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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE [REGULAR/SUPPLEMENTARY]
EXAMINATION, APRIL 2022**

**April 2021 Session for SDE/Private Students
(CBCSS)**

Master of Commerce

MCM 4C 15—INCOME TAX LAW, PRACTICE AND TAX PLANNING—II

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

General Instructions

Covid Instructions are not applicable for Pvt/SDE students (April 2021 session)

1. *In cases where choices are provided, students can attend all questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part I (Descriptive Type Questions)

PART A

*Answer any **four** questions.
Each question carries 2 weightage.*

1. Explain book profit for computing remuneration to working partners.
2. Explain about private and public trust.
3. Explain tax under tonnage tax system.
4. Explain tax planning in relation to Bonus share.
5. Write a note on deductions under Section 80P.
6. Write a note on AMT.
7. From following information compute the tax payable by X Ltd. for the Assessment Year 2021-22.
Business income from sale of securities - 8,50,000, other business income - 10,00,000, long term capital gains - 4,00,000, Securities transaction tax paid (not deducted from business income)- 1,50,000.

(4 × 2 = 8 weightage)

Turn over

PART B

Answer any **four** questions.

Each question carries 3 weightage.

8. Explain the conditions to assess a firm as a partnership firm u/s 184.
9. Explain the tax planning in relation to dividend income.
10. Explain the deduction in respect of profits and gains of an undertaking engaged in development of Special Economic Zone.
11. Y Co. is a firm of chartered accountants, having three partners X, Y and Z. The firm satisfies the conditions of Sec. 184. It gives the following income and expenditure account for the year ended 31.3.2021.

| | Rs. | | Rs. |
|-------------------------------------|-----------------|---------------------------|-----------------|
| Salary and other expenses ... | 5,18,000 | Receipts from clients ... | 5,70,000 |
| Depreciation ... | 40,000 | Audit fee ... | 80,000 |
| Salary and bonus to partners ... | 1,06,000 | Net loss ... | 1,64,000 |
| Interest on capital to partners ... | 1,50,000 | | |
| | <u>8,14,000</u> | | <u>8,14,000</u> |

The following details are also available :

1. Out of other expenses Rs. 60,000 is not deductible.
2. Depreciation allowable Rs. 45,000.
3. Interest on capital to partners, not deductible as per sec. 40(b) Rs. 28,000.

Compute the taxable income of the firm.

12. The income of a Co-operative Society for previous year is constituted as below :

| | |
|--|-------|
| i) Income from business ... | 5,000 |
| ii) Income from processing the agricultural produce to its members (without aid of power) ... | 6,000 |
| iii) Income from fishing and allied activities ... | 4,000 |
| iv) Income from interest on securities (gross) ... | 2,500 |
| v) Income from house property (computed) ... | 2,300 |

Compute the total income of the society and calculate the tax payable by it for the Assessment Year 2021-22.

13. An association of persons has 3 members who share profits and losses equally. The profit of the A.O.P. as per its P&L A/c is Rs. 3,90,000 after debiting the following to its P&L A/c :

| | | |
|-------------------------------------|-----|---------|
| 1) Remuneration to members of A.O.P | ... | 62,000. |
| 2) Interest on capital to members | ... | 70,000 |
| 3) Depreciation on Assets | ... | 60,000 |

Depreciation allowable is only Rs. 50,000. Compute the tax payable by A.O.P. if none of the members of A.O.P has income exceeding the non-taxable limits.

14. A domestic company submits the following particulars of its income for the previous year ending on March 31, 2021 :

- i) Profits of business after deduction of donations to approved charitable institution Rs. 1,30,000.
- ii) Donation to charitable institution by cheque Rs. 30,000.
- iii) Interest on Govt. Securities Rs. 10,000.
- iv) Dividend from a domestic company (gross) Rs. 60,000.
- v) Long term capital gain Rs. 50,000.
- vi) Book profits u/s 115JB Rs. 8,00,000.

During the financial year 2020-21 the company deposited Rs. 15,000 in Industrial development bank in India. The company distributed a dividend of Rs. 1,00,000 on 6.12.2020.

Compute the taxable income of the company and tax payable by it for the Assessment Year 2021-22.

(4 × 3 = 12 weightage)

Part C

Answer any two questions.

Each question carries 5 weightage.

15. What factors would you keep in mind while planning with regard to own or lease of an asset ?
16. A and B want to start a business. They have two options for selecting a form of organisation, partnership firm or a private company. The estimated profits of which, before the following deductions are Rs. 6,96,000.
 - 1) Remuneration Rs. 20,000 p.m. each by the firm and Rs. 25,000 each by the company.
 - 2) Each will give a loan to the business of Rs. 2,00,000 @ 12% p.a.

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3) Contribution as capital Rs. 2,00,000 each. On this interest will be paid @ 12% p.a. However, the company cannot pay the interest on it.

4) The profits after tax will be distributed equally as profits/dividends.

Assume that the company is liable to pay income tax @ 25% + surcharge + health and education cess.

Suggest whether they should form a partnership firm or a private company.

17. A company has provided the following information :

1. Profit of P.Y. before deducting depreciation Rs. 2,00,000.
2. W.D.V. of assets Rs. 1,00,000.
3. Rate of depreciation 15%.
4. Rate of tax 26%
5. Asset purchased for scientific research cost Rs. 1,00,000; the amount is fully deducted u/s 35 ;
6. The asset is short term capital asset and it is sold for : a) Rs. 80,000, b) 1,50,000.

From tax planning point of view suggest whether the asset should be sold without using it for business purposes or after use for business purposes.

18. Compute total income of United Ltd. from the following details of income and payments. Textile business Rs. 12,00,000, cement plant Rs. 2,60,000, Toys export business Rs. 2,40,000, Industrial unit in Himachal Pradesh set up in January 2012 (Backward state) Rs. 3,00,000, poultry farming (commenced in 2018) Rs. 1,00,000.

Hotel business Rs. 2,00,000

Small scale industry Rs. 1,50,000

Steel business (loss) Rs. 6,00,000

Long term capital gain Rs. 5,00,000

Royalty income for technical knowhow in India Rs. 80,000, abroad Rs. 90,000

Dividend from Indian Company Rs. 75,000

The company has set out a building on monthly rent of Rs. 60,000.

The municipal valuation of the building is Rs. 7,00,000 (municipal taxes paid 5%).

In addition the company has rental income of a parking ground Rs. 20,000 per month.

The company donated Rs. 40,000 to PMNRF and Rs. 90,000 to PMDRF.

Compute total income for the year 2020-21.

(2 × 5 = 10 weightage)