D 70862 (Pages : 4) Name..............................

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THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2014

(CUSS)

BUS 3E F02—CORPORATE TAXATION

(2013 Admissions)

Time : Three Hours Maximum : 36 Weightage

Answer to all the **sections**.

Section A

Answer **all** *the questions.*
Each question carries **one** *weightage.*

1. What are the exceptions to the general rule on previous year ?
2. What is speculation transaction ?
3. What is book profit ?
4. Define Indian company.
5. Define tax management
6. What is inter- corporate dividend ?

(6 × 1 = 6 weightage)

Section B

Answer any **six** *questions.*
Each question carries 3 *weightage.*

7. XYZ Ltd. An Indian company furnishes following particulars for the Assessment Year 2013-2014 compute Total Income. Net Profit as per Profit and Loss Account Rs. 4,00,000. Additional Information :

   Income Tax debited to Profit and Loss Account Rs. 6,000, out of it Rs. 1,200 is excessive.

   During the previous year 2012-2013, the following payments are made not debited to Profit and Loss Account.

   - Rs. 7,000 paid on 5th May-2013 on Account of outstanding custom duty of the previous year 2013-2014.
   - Rs. 5,000 paid on 3rd January-2014 on Account. of outstanding Sales Tax of the previous year 2013-2014.
   - Copyright of Rs. 30,000 debited to Profit and Loss Account was acquired and put to use on 10th March-2014.

Turn over

- Opening stock and Closing stock was respectively Rs. 3,60,000 and Rs. 4,50,000 as per books, it was found that it has been consistently valued 10 % below cost.
- Goods of Rs.50,000 purchased by bearer cheque from Y Ltd. debited as purchase in Profit and Loss Account.
- Contribution to a national laboratory for carrying out approved scientific research qualified for weighted deduction U/s. 35 (2AA) Rs. 1,06,000 debited to Profit and Loss Account.
- During the previous year 2009-2010 company pays Rs. 10, 00,000 not debited to Profit and Loss Account as compensation to employees on voluntary retirement under VRS scheme.

8. Alien Ltd. an Indian company for the previous year 2013-14, the following incomes are noted from the books of account of the taxpayer :

Particulars		*Amount* (Rs.)
Income from a business in India	....	3, 80,000
Income from a business in a foreign country with whom India has ADT agreement.	...	2, 16,000

According to the ADT agreement Rs. 2,16,000 are taxable in India. However it can also be taxed in the foreign country @ 17.5 % which can be set off against Indian tax liability. Find out the tax liability for the AY 2014-15-and give note on the provisions of ADT.

9. A Ltd., carrying on business in manufacture, sale and export of tyres, tubes and accessories, has disclosed a net profit of Rs 21, 00,000 in its Profit and Loss Account for the period ending March 31, 2014. On the basis of the following particulars furnished by the company and ascertained on inquiry, compute, giving reasons, its total income for the assessment year 2014-15. The company follows the mercantile system of accounting :

   (a) A sum of Rs. 20,000 is debited to compensation account. The company had placed an order for machinery to manufacture tyres with a UK company. However, due to a sudden increase in the price of machinery by the vendor, the assessee, had to cancel the contract, in lieu of compensation The company claims the said amount as deduction on revenue account or, in the alternate, as loss under the head "Capital gains" as the payment was mode towards extinguishment of right to acquire a capital asset.

   (b) "Loss on export of accessories account" shows a debit of Rs. 4 lakh. In this connection it is explained that two trucks belonging to the company carrying tyres accessories were intercepted at the international border and seized by customs authorities for illegal export. The goods were confiscated by the customs authorities and a fine of Rs 2 lakh was levied. The company claims the value of confiscated goods as a trading loss under section 28 and the payment of the fine of Rs. 2 lakh which is debited to rates and taxes account as on expenditure in the course of business under section 37(1).

(c) The company had set up a separate unit for manufacture of plastic tubes at Bangalore in 2006. The said unit suffered heavy losses. As a result the same was closed down and the plant and machinery were sold away. The company, however, claims unabsorbed depreciation amounting to Rs. 8 Lakh in its return of income. It is not debited to the profit and loss account.

(d) During the previous year 2006-07, the assessee-company acquired 5,000 shares of E Ltd., on Indian company, as a result, the entire share capital of the said company is now held by the assessee-company. In May 2011, the assessee-company sold to E Ltd. plant and machinery for Rs. 6,00,000. The actual cost is ascertained at Rs. 4,00,000 and written down value at Rs. 1,50,000.

(e) In the years 2003-2003 and 2003-04, the Government of India arranged exports of tyres and tubes through the Federation of Tyre Dealers of which the company was a member. The exports which were made to For Eastern countries resulted in loss which was shared by all members including the company. The Federation thereafter took up the questions of reimbursement of losses with the Government, which after protracted discussion and Correspondence agreed to grant a subsidy calculated at a certain percentage of exports. The assessee-company received its share of subsidy amounting to Rs. 3 lakh in the previous year. The amount stands credited to the "Capital reserve account" and claimed as exempt.

10. Explain the expenses allowable under certain restrictions to companies.
11. Explain the provisions of setoff and carry forward of losses.
12. Explain the tax planning with reference to mergers and acquisitions.
13. Describe tax planning with reference to capital structure decisions.
14. Explain the provisions of MAT and MAT credit.

($6 \times 3 = 18$ weightage)

Section C

Answer any **two** *questions.*
Each question carries 6 weightage.

15. Explain in detail the deductions from total income applicable to corporate assesses.
16. Explain the provisions of income tax regarding dividend policy and bonus shares

17. S Ltd., a company in which the public are substantially interested, submits the following particulars for the previous year ending March 31, 2014. Determine its tax liability for the assessment year on the assumption that dividend distributed for the year 2013-14 is Rs. 4,20,000 (date of distribution May 10, 2013).

		Rs.
Profit from Manufacturing activity in India (set up in 1981)	...	9, 00,000
Dividends from an Indian company	...	3, 00,000
Dividends from a foreign company on shares Allotted to it in consideration of transfer of technical Know-how.	...	6, 00,000
Royalty from the Nepal Government for use of its patents	...	2, 00,000
Royalty from an Indian company in respect of transfer of Technical known how	...	2, 00,000
Short-term gain on sale of shares	...	18,000
Short-term loss on sale of land	...	15,000
Long-term gain on sale of building (sale proceeds Rs. 1,50,000, index cost of acquisition Rs 1, 12,400)	...	37,600
Long-term loss on sale of shares (sale price : Rs. 28,000, index cost Rs. 58,000)	...	30,000
Short-term gain on sale of machine (sale proceeds Rs. 2,00,000, cost of acquisition as per Sec. 50 Rs. 1,40,000)	...	60,000
Brought forward business loss	...	6, 00,000
Unabsorbed depreciation	...	1, 00,000

($2 \times 6 = 12$ weightage)