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

# MBA FIN5-CORPORATE TAXATION

(2010 Admissions)

Time: Three Hours

Maximum: 36 Weightage

#### Answer all the Parts.

#### Part A

Answer all the questions.

Each question carries 1 weightage.

- 1. Define Person uncles IT Act.
- 2. How do you determine residential status of a corporate Assessee ?
- 3. What is average rate of Tax?
- 4. Define Foreign company.
- 5. What is Tax Evasion ?
- 6. How do you determine long term capital gain?



 $(6 \times 1 = 6 \text{ weightage})$ 

#### Part B

Answer any six questions.

Each question carries 3 weightage.

- 7. Explain the deduction which are expressly allowed while computing profits and gains from Business.
- 8. Write the deductions allowable to Corporate Assessee under Section 80.
- 9. Explain Tax planning with reference to Inter Corporate Dividend and Transfers.
- 10. Explain Tax planning with reference to Managerial Remuneration.
- 11. Write a note on Tax planning with reference to Repair or Replaced decisions.
- 12. Explain the concept of Income under Income Tax Act.
- X Ltd an Indian company computed a loss of Rs. 1,20,000 for the AY 2012–2013. In arriving at loss the following adjustments have been made:—
  - (a) A speculation loss carried forward from AY 2007-08 is set off to the extent of Rs. 5,00,000.
  - (b) A donation of Rs. 1,00,000 given to a political party.
  - (c) Insurance premia paid to insure the gold and jewellery in stock against risk of fire and theft Rs. 2,800.

Turn over

(d) Advances made for purchase of gold the value of which has not been taken into account on the ground that purchase has been not effected in the previous year Rs. 16,00,000.

Compute the correct total income of the company.

14. From the following information about sale of assets during the previous year 2010-11 (C.I.I.: 711) compute the Taxable capital gain:

Assets		Residential House	Plot	Jewellery
Date of Acquisition	***	1.3.1979	1.11.1990	3.4.2000
Cost of Acquisition	***	1,40,000	2,00,000	1,00,000
FMV on 1.4.1981	460	2,00,000		
C.I.1	***	100	182	406
Date of sale	***	15.6.2010	16.6.2010	17.6.2010
Sale price	.01	18,00,000	9,50,000	2,60,000
Investments		Date of acquisition	Amount received	
Residential House	***	19.12.10	13,00,000	
Bonds of National High	way			
authority of India	***	12.12.2010	1,00,000	

15. Explain the implication of avoidance of double Taxation agreement.

 $(6 \times 3 = 18 \text{ weightage})$ 

## Part C

Answer any two questions.

Each question carries 6 weightage.

16. Following is the P & L account of an Indian Co. for the previous year 2010-11:

## Profit and Loss Account

			Rs.			Rs.
To	Material consumed	-11	22,50,000	By Sales	+++	90,00,000
	Salaries	49.0	37,50,000			
	Advertisement	-	3,75,000			
	Provision for doubtful debts	1386	37,500			
	Insurance	1000	52,500			
	Audit fees	5200	1,20,000			
	Depreciation	1922	1,05,000			
	Provision for Income Tax	***	75,000			
	Provision for contingent liabilities	TEX	30,000			

## Profit and Loss Account

		Rs.	Rs.
Transfer to General Reserve	440	1,50,000	
Proposed Dividend	201	3,00,000	
Office Expenses	100	4,50,000	
Losses of Subsidiary Co.	200	3,00,000	
Legal fees	444	1,12,500	
Repair to P and M		82,500	
Net profit	22.	8,10,000	
		90,00,000	90,00,000

### Additional Informations:

- (i) Provision for doubtful debts includes Bad debt Rs. 20,000.
- (ii) The company has various depreciable assets. During the year, a block of plant and machinery (15%) was revalued at the start of current previous year from 2 lacs to 3 lacs. However, depreciation as per Sec. 32 of Income Tax Act is Rs. 1,00,000.
- (iii) Income tax includes advance Income Tax for previous year 2011-12 Rs. 25,000.
- (iv) B/F losses and unabsorbed depreciate:

		As per books	As per Income
		Rs.	Rs.
B/F Business	661	2,20,000	2,70,000
Unabsorbed dep		62,500	2,00,000

Calculate for the Assessment year 2011-12.

- (a) Total Income as per normal provisions of IT Act.
- (b) Book profits under MAT.
- (c) Final Tax liability.
- (d) Tax credit allowable to Co. under Sec. 115 JAA.
- 17. The following is the trading and P & L Account of a Ltd. Co. for the year ended 31st March 2011.
  The company is dealing in textiles:

### Trading Account

			Rs.				Rs.
To	Opening stock	222	75,000	Ву	Sales	+111	13,50,000
	Purchases	***	10,00,000		Closing Stock		50,000

Turn over

#### Trading Account

			Rs.				Rs.
	Freight	***	7,000				
	Customs	-	50,000				
	Gross profit	1990	2,68,000				
			14,00,000				14,00,000
		Profit and	Loss Account				
То	Salaries	-	60,000	Ву	Gross profit	110	2,68,000
	Rent		12,000		Interest	222	10,000
	Rate and Taxes	1427	10,000		Dividend	110	6,000
	Interest	1996	50,000				
	Bad debts Reserve	1444	1,000				
	Depreciation	***	8,000				
	Interim dividend	7227	29,000				
	Misc. Exp.		60,000				
	Net profit	100	63,000				
			2,84,000				2,84,000

The following facts are available from the records :-

- (a) Closing stock has been valued at market rates which was less than the cost by 10% valuation of closing stock in the preceding year has been at cost.
- (b) A penalty of Rs. 30,000 was paid to the Customs Dept. for violation of import quota rules. This is included in the trading account.
- (c) Purchase include Rs. 1,00,000 advanced to a Textile Mill against supply of cloth agreed to be delivered in April 2011.
- (d) Salaries included Rs. 36,000 paid to the Managing Director. Of this Rs. 24,000 represented salary and Rs. 12,000 paid as Motor Car Advance.
- (e) Rates and Taxes included Rs. 3,000 paid as advance income tax.
- (f) Interest payment of Rs. 50,000 is towards unpaid balance of purchase price to the vendor from whom the business was purchased by the company as a going concern.
- (g) Miscellaneous expenses include Rs. 30,000 paid as bonus to staff. This bonus relates to the year 2009–10 but was settled by an agreement in February 2011.
- (h) Dividend has been received from an Indian company producing cement and whole of it was distributed amongst shareholders.

Compute the total income of the company for assessment year 2011-12.

 $(2 \times 6 = 12 \text{ weightage})$