

**D 90842**

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Name.....

Reg. No.....

**THIRD SEMESTER M.B.A. DEGREE EXAMINATION, DECEMBER 2015**

**MBA FIN 5—CORPORATE TAXATION**

(2010—2012 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Section A**

*Answer all the questions.  
Each question carries 1 weightage.*

1. Define Agriculture income.
2. What is tax planning ?
3. Define short term capital gain.
4. What is Gross Total Income ?
5. State any two obligations of companies under I.T. Act.
6. State the deductions under Section 24.

(6 × 1 = 6 weightage)

**Section B**

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

7. How Tax evasion differs from tax planning ? Explain with examples.
8. Explain the exemptions available to the companies in additional taxes charged on undistributed profits.
9. When a company does is considered as Not Ordinary Resident ?
10. How tax planning can be done regarding issue of bonus shares and inter co-operate dividends ?
11. Explain the obligations of the companies under Income tax Act.
12. Explain the provisions of Companies Act regarding the audit of accounts.
13. Dream Ltd. is an existing Indian Company, which sets up a new Project Unit. It incurs the following expenditure in connection with the new unit :

	Rs.
Preparation of Project Report	... 14,00,000
Market Survey Expenses	... 15,00,000
Legal and other charges for issue of additional capital	
Required for the new unit	... 11,00,000
Total	<u>40,00,000</u>

Turn over

The following further data is given :

Cost of Project	...	3,00,00,000
Capital employed in the new project	..	4,00,00,000

What deduction is admissible to the Company u/s 35D for Assessment Year 2014-2015 ?

14. B Ltd. grows sugarcane to manufacture sugar. The data for the financial year 2013-14 is as follows :

	Rs.
Cost of cultivation of sugarcane	... 6,00,000
Market value of sugarcane when transferred to factory	... 10,00,000
Other manufacturing cost	... 6,00,000
Sales of sugar	... 25,00,000
Salary of Managing Director who looks after all Operations of the Company	... 3,00,000

Calculate total income of the company.

(6 × 3 = 18 weightage)

### Section C

Answer any two questions.

Each question carries 6 weightage.

15. From the following information compute the business income of the company for current assessment year :

*Profit and Loss account of M/S V and Company are as follows*

	Rs.		Rs.
General Expenses	... 7,000	Gross profit	... 1,40,000
Insurance Premium-Fire	... 2,000	Bad debts recovered	
Bad debts	... 1,000	but Disallowed earlier	... 4,000
Salaries	... 65,000	Interest from Govt. securities	... 4,000
Advertisement (in cash)	... 22,250	Rent received from employees	... 12,000
Interest on capital	... 2,000	Interest from debtors for	
Income tax	... 1,000	delayed payment	... 6,000
Depreciation	... 2,000		
Sales tax (due)	... 5,000		
Advance income tax paid	... 1,000		
Donations	... 500		
Motor car expenses	... 750		
Municipal taxes of quarters :			
Let to employees	... 5,000		
Net profit	... 39,000		
Proprietor Salary	... 12,500		
	<u>1,66,000</u>		<u>1,66,000</u>

General expenses include Rs. 4,000 paid as compensation to an old employee whose services were terminated in the interest of the business and Rs. 2,200 by way of help to a poor student. Depreciation calculated according to the rates comes to Rs. 2,900. Sales tax was paid on 1-5-2014. Date of filing of return 31-7-2014. 50% of Motor car expenses are for proprietor's personal use.

16. H. Ltd, engaged in diversified activities, earned a net profit of 14,25,000 after debit/credit of the following items to its profit and Loss account for the year ended on 31-03-2014.

(a) Items Debited to Profit and Loss Account :

Expenses on Industrial Unit exempt under Section 10A	...	2,10,000
Provision for loss on subsidiary	...	70,000
Provision for sales tax demand (paid before due date)	...	75,000
Provision for wealth tax demand	...	90,000
Provision for income tax demand	...	1,05,000
Expenses on purchase / sale of equity shares	...	15,000
Depreciation	...	3,60,000
Interest on deposit credited to buyers on 31-03-2014 for Advance received from them, on which TDS was deposited on 31-07-2014	...	90,000

(b) Items credited to Profit and Loss Account :

Income on Industrial Unit exempt under Section 10A	...	2,70,000
Profit from 100% EOU exempt under Section 10B	...	60,000
Long term capital gain on sale of equity shares on which security Transaction tax was paid	...	3,60,000
Income from units of UTI	...	75,000

The company provides the following additional information :

- (i) Depreciation includes Rs. 1,50,000 on account of revaluation of fixed assets.
- (ii) Depreciation allowable as per Income-tax rules are Rs. 2,80,000.

You are required to compute the total income and tax of the company for the assessment year 2014-15 giving the reasons for treatment of items.

17. Explain tax planning with reference any two specific managerial decisions with suitable examples.  
(2 × 6 = 12 weightage)