

18. AB Ltd. Is contemplating to set a new factory for which it requires a huge machine costing Rs. 50,00,000. The same type of machine can be taken on lease by paying annual lease rentals of Rs.15,00,000. The other details are as follows

Repayment of loan Rs.10,00,000 p.a

Rate of depreciation 15%, rate of interest 10%, rate of tax 31.2%,

Residual value after 5 years Rs.10, 00,000

Annual profit before depreciation, interest and tax/ before lease rent and tax would be Rs.50,00,000. From the above information determine whether the assessee should purchase the asset or take it on lease.

**(2 x 5 = 10 Weightage)**

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(4)

**19P441**

(Pages: 4)

Name: .....

Reg. No.....

**FOURTH SEMESTER M.C.M DEGREE EXAMINATION, APRIL 2021**

(CBCSS - PG)

**CC19P MCM4 C15 - INCOME TAX LAW, PRACTICE AND TAX PLANNING II**

(Commerce - Core Course)

(2019 Admission - Regular)

Time: Three Hours

Maximum: 30 Weightage

**Part A**

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

1. What is EOU?
2. What is a bonus share?
3. What is Securities Transaction Tax?
4. State the difference between AOP and BOI.
5. What is MAT?
6. Define Trust.
7. What is tax holiday?

**(4 x 2 = 8 Weightage)**

**Part B**

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

8. Explain the rules relating to remuneration to working partners U/S 40 (b)
9. ABC Ltd. Is a company in which public are substantially interested during the year ending 31<sup>st</sup> march 2020, the company earned the following incomes. The total turnover of the company is Rs.3,00,00,000.
  - a) Profit from tile manufacturing 1,50,000
  - b) Profit from trading activities 2,00,000
  - c) Profit from agency business 25,000
  - d) Dividend from a foreign company 10,000
  - e) Profit from hotel business 1,80,000
  - f) The company passed a design to foreign company and received royalty thereof in India Rs. 2,50,000 in convertible foreign exchange
  - g) Brought forward unabsorbed depreciation of the tile unit Rs.10,000
  - h) The company has distributed interim dividend in October 2019 Rs.1,50,000

Compute total income and tax liability of the company for the year 2019-2020.

(1)

**Turn Over**

10. Explain the tax planning strategies related to financial management decisions and capital structure

11. From the following information you are required to compute tax payable by a shipping company for the Assessment Year 2020-2021

The company has two qualifying ships. The net tonnage of ship 1 is 28700 tons and ship 16600 ton. Ship 1 runs for 365 days and ship 2 for 150 days during the previous year respectively. Turnover of core activities is Rs.30 Crore and profit from incidental activities is Rs. 8 Lakh.

12. Explain in detail the deductions in respect of co-operative societies u/s 80P

13. Chandra Ltd., a college staff co-operative society had the following incomes during the year ended 31<sup>st</sup> March 2020

- a) Income from running the college canteen                      Rs. 1,00,000
- b) Income from book store    Rs. 4,30,000
- c) Income from credit facilities to members                      Rs. 80,000
- d) Interest on Government Securities                              Rs.1,00,000
- e) Income from house property (computed)                      Rs.60,000
- f) Dividend from another co-operative society                      Rs.50,000

Compute tax payable by the society for the assessment year 2020-21.

14. During the previous year 2019-2020, a charitable trust received income of Rs.15,00,000 from property held for charitable purpose and Rs.5,00,000 from voluntary contributions

The trust utilized the amount during the previous year 2019-20 as under:

- a) Spent for charitable purpose in India                              Rs. 4,75,000
- b) Spent for charitable purpose outside India                      Rs. 75,000
- c) Spent on addition to hospital building for charitable purposes      Rs. 7,50,000
- d) Income tax paid for the assessment year 2019-20                      Rs. 50,000

The trust has not applied for the option under section 11(1).

compute taxable income

(4 x 3 = 12 Weightage)

**Part C**

Answer any *two* questions. Each question carries 5 weightage.

15. Explain the tax planning strategies used by Corporates.

16. K Ltd. furnishes the following particulars. Compute the total income of the company and tax payable for the assessment year 2020-21

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1. Net income Rs.35, 00,000 after debiting penal interest of Rs.50,000 paid for delayed payment of sales tax and interest of Rs.2,00,000 paid on fixed deposit from the public.

The following adjustments are required

- a) Depreciation (current year)    Rs.1,50,000
- b) Unabsorbed depreciation of assessment year 2016-17      Rs.11,00,000
- c) Unabsorbed business loss brought forward                      Rs.24,00,000
- 2. Short term capital gain on sale of shares (investment)              Rs.1,00,000
- 3. Long term capital gain on sale of a building                      Rs. 2,50,000
- 4. Brought forward short term capital loss                              Rs.40,000
- 5. Brought forward long term capital loss of the year 2016-17      Rs.60,000
- 6. Gross interest from Government Securities                      Rs. 1,75,000
- 7. Bank commission for realizing the interest                      Rs.8,000.

17. Given below is the P&L account of ABC Associates, a partnership firm , for the financial year 2019-2020

P&L Account for the year 2019-20			
Purchases	15, 45,000	Sales	35, 00,000
Direct and indirect expenses	8, 00,000	Interest on securities	45,000
Depreciation	2, 00,000		
Interest to partners	2, 00,000		
Salaries to partners	6,60,0000		
Net profit	1, 40,000		
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	35,45,000		35,45,000

The following further information is available:

- a) Depreciation allowable as per income tax provisions Rs.1,50,000
- b) Purchase include Rs.1,50,000, a payment made in cash
- c) A, B and C share profits in the ratio of 4:3:3 but C is a sleeping partner
- d) Interest paid to partners @20% per annum
- e) Salaries authorized by the deed are paid to partners equally

Compute total income of the firm if:

- i) The firm satisfies section 184
- ii) The firm does not satisfy section 184

(3)

**Turn Over**