

16P438

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Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, MARCH, 2018

(Regular/Improvement/Supplementary)

(CUCSS-PG)

CC15 PMC4 E04 -TAX PLANNING AND MANAGEMENT

(2015 Admission onwards)

Time : Three Hours

Maximum : 36 Weightage

Part-A

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

1. What do you mean by substantial interest in a company?
2. Explain any two tax consideration to be kept in mind while deciding on 'owning or leasing' a business asset.
3. Explain the term 'lease'.
4. Explain the measures for tax planning of non – residents.
5. What do you understand by 'tax planning' ?
6. What are the incentives available under Income Tax Act, 1961 for promotion of exports?
(6 x 1 = 6 Weightage)

Part B

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

7. What are special tax provisions? Discuss the tax incentives for exporters.
8. "Tax planning is not possible without tax management." Discuss.
9. Trapti Ltd. wants to raise capital of Rs.20,00,000 for a project where earning before tax shall be 40% of the capital employed. The company can raise debt fund @18% per annum. Suggest, which of the following 3 alternatives it should opt for:
 - a. Rs. 20,00,000 to be raised by equity capital
 - b. Rs.16,00,000 by equity and Rs.4,00,000 by loans
 - c. Rs. 4,00,000 by equity and Rs. 16,00,000 by loans.Assume the company shall distribute the entire amount of profit as dividend and tax rate is 33.99% and dividend tax is 17.304%.
10. Explain the scope for tax planning relating to capital gains.
11. What are the salient features of assessment of joint stock companies?
12. From tax planning point of view determine whether a company (listed) should distribute dividend or purchase its own shares from shareholders keeping in view the following information:
(Turn Over)

- a. Share capital 1,00,000 shares (listed) of Rs. 10 each
- b. General reserve Rs. 16,00,000
- c. Issued shares in 1978 at par
- d. Market price of shares on 1.4.1981 Rs.9.5 each
- e. The company wants to reduce its general reserve by Rs. 12,00,000 lakh either by distributing dividend @ Rs.12 per share or buying its shares @ Rs. 120 per share.
- f. Mr. Ram purchased 10 shares at par in the company in 1978.

13. Explain the tax considerations to be kept in mind while deciding on 'Shut down or Continue' of a loss making business, which also has unabsorbed depreciation.

14. A company has provided the following information

- a. Profit of previous year before deducting depreciation Rs. 2,00,000
- b. W.D.V. of assets Rs.1,00,000
- c. Rate of depreciation 15%
- d. Rate of tax 30%
- e. Asset purchased for scientific research cost Rs.1,00,000; the amount is fully deducted u/s 35.
- f. The asset is short term capital asset and it is sold for
 - a. Rs. 80,000
 - b. Rs.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.

(6 x 3 =18 Weightage)

Part C

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

15. Discuss the provisions of deductions provided for development of infrastructure sector under the Income Tax Act.

16. Mr. Ram has received offers from the employers of Delhi for service as under:

	A	B
	Rs.	Rs.
Salary	2,88,000	3,60,000
D.A.	2,10,000	2,10,000
Bonus	24,000	60,000
Rent free house	2,16,000	--

House rent allowance	--	1,08,000
He will pay rent Rs. 18,000 p.m.	--	--
	7,38,000	7,38,000

Which offer should he accept and why?

17. The gross total income of Ramesh Ltd. was computed as under for the previous year 2016-17

1. Paper mills income	2,80,000
2. Mini cement plant profit	60,000
3. Profit of new industrial unit situated at Meghalaya (Backward industrial state). This unit was established in 2006-07	85,000
4. Export business profit	2,45,000
5. Profit from poultry farming, commenced in October, 2013	1,00,000
6. Long term capital gain	70,000
7. Income from royalty: <ol style="list-style-type: none"> a. Income from Prabhakar Ltd. (Indian company) for supply of technical know-how b. Stoneson Ltd. (foreign company) for supply of technical know-how 	80,000 90,000
8. Profit of Hotel	70,000
9. Profit of small scale industry	50,000
10. Loss of steel plant	90,000
11. Dividend from non-domestic company	75,000

Compute company's total income and gross tax liability. Company donated by cheques Rs. 40,000 to P.M. National Relief Fund and Rs.90,000 to M.P.Govt for family planning.

(2 x 6 = 12 Weightage)
