

17. Explain tax planning in respect of Amalgamation and Demerger?
18. X, Y and Z are equal partners in a firm with X being a non-working partner. Calculate total income of the firm, tax liability and calculate the share of each partner in the firm. The firm does not fulfil the condition of Sec 184.

Particulars	Amount	Particulars	Amount
To rent	20000	By gross profit	405000
To office expenses	25000	By discount	10000
To salaries	100000	By bad debt recovered	2000
To Advertisement	15000	By bank interest	3000
To goods and service tax	30000		
To charity & Donations	5000		
To bad debt reserve	10000		
To bad debts	15000		
To sundry expenses	20000		
To depreciation allowed	25000		
To interest on capital			
X	50000		
Y	25000		
Z	25000		
To commission			
X	15000		
Y	10000		
Z	5000		
To net profit	25000		
Total	420000	Total	420000

Salaries include partners salaries Y Rs 15000 and Z Rs 10000

Bad debts admissible by the department Rs 12500

Furniture purchased by X for personal use Rs 10000 has been debited to sundry expenses.

Donation include donation to a local school Rs 3500 by cheque, to a club Rs 1000 and to trade association Rs 500 in cash

Capital Account of partners at the beginning of the year

X Rs 200000, Y Rs 100000, Z Rs 100000

Office expense include bonus to partners

X Rs 1000, Y Rs 2500, Z Rs 1500

(2 × 5 = 10 Weightage)

(4)

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(Pages: 4)

Name:

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2022

(CBCSS - PG)

(Regular/Supplementary/Improvement)

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

(Commerce- Core Course)

(2019 Admission onwards)

Time: Three Hours

Maximum: 30 Weightage

Part A

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

1. Explain the calculation of Remuneration u/s 40(b)?
2. Explain the conditions for deducting Interest on securities and Income from HP from the GTI of society u/s 80 P?
3. Explain Public and Private Trust and Absolute and Discretionary Trust?
4. Explain company in which public are substantially interested?
5. What is bareboat charter?
6. Explain leasing.
7. Explain the quantum of deduction in respect of certain incomes of offshore banking unit in a Special Economic Zone?

(4 × 2 = 8 Weightage)

Part B

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

8. Explain the conditions for deductions in respect of Profits and Gains of certain undertakings in North Eastern States.
9. Explain the Tax incentives for Amalgamation.
10. The total income of a firm XYZ in which X, Y and Z are partners share profits and losses in the ratio of 1:2:3 was as per P/L Account Rs 131800 for the previous year 2020-21. In computing total income, the following have been debited to P/L Account
Salaries of Rs 130000 and Rs 120000 to X and Y respectively
Interest on capital calculated @ 20% of Rs 3500, Rs 14000 and Rs 10500 to X, Y and Z respectively
Bonus to Z Rs 15000. Commission of Rs 5000, Rs 12500 and Rs 17500 to X, Y and Z respectively
Z had borrowed capital for investment in the firm and has paid interest of Rs 7500 separately to the lender.
Compute Total Income of firm.

(1)

Turn Over

11. A, B and C are members of AOP. Calculate total income of AOP and allocate the same among members after considering that the business shop is owned by B.

Particulars	Amount	Particulars	Amount
To general expenses	8800	By Gross profit	13800
To salary to A	1500	By Interest on securities(gross)	2000
To commission to B	4000	By Net loss	
To interest on capital		A	1400
A	1200	B	1400
C	1000	C	1400
To charity	500		
To bad debts	600		
To bad debt reserve	1900		
To rent of firms shop	500		
Total	20000	Total	20000

12. Calculate the total Income of Kanpur Multi-purpose Co-operative society.

Income from Small scale industry	Rs 155900
Income from credit facilities to its members	Rs 45000
Dividend received from other co-operative society	Rs 15000
Income from letting godowns for storage and processing of commodities	Rs 17000
Interest received on securities listed in stock exchange	Rs 14500
Interest on fixed deposit with UP co-operative bank	Rs 13000
Rent received from HP let out for residential purpose	Rs 10000

The following expenses in connection with HP let out debited to P/L Account Repairs Rs 1500, Municipal corporation taxes paid Rs 1000, Rent collection charges Rs 600, Fire insurance premium paid Rs 1000

Society donated by cheque Rs 10000 to UP Government for charitable purpose

13. Decide which one is a better alternative - lease or buy - in the following situations:

Tax rate : 26%

Cost of Capital : 12%

Depreciation rate (income tax) : 25%

Lease rent : Rs.32,000 per annum for 5 years (per Rs.1 lakh)

Present value of Rs.1 discounted @12 % is as follows:

Year 1 = 0.893; Year 2 = 0.797; Year 3 = 0.712; Year 4 = 0.636; Year 5 = 0.567

Make any other suitable assumption, if necessary.

(2)

14. A trust holding property wholly for charitable purpose in India earned Rs 200000 during 2019-20 but received only Rs 150000 out of such income in 2019-20. Out of Rs 150000 it set apart Rs 30000 to be used for charitable purposes in future and spent Rs 120000. In 2020-21 the trust received Rs 50000 (accrued income) and spent Rs 30000 in 2020-21 and Rs 20000 in 2021-22 for charitable purposes in India. Compute the income chargeable to tax if any for the previous year's 2019-20, 2020-21 and 2021-22.

(4 × 3 = 12 Weightage)

Part C

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

15. Three companies raised the capital as under:

	Company A	Company B	Company C
Capital	2,00,000	1,60,000	40,000
Loans	-	40,000	1,60,000
Total Investment	2,00,000	2,00,000	2,00,000

Rate of interest on loan : 10%

Rate of return : 25%, 10%, 8%

Rate of tax : 26% including cess

Explain whose capital structure is the best and why?

16. Ashok Ltd net profit as per P/L Account Rs 1000000. The investigation of accounts found the following.

Opening and closing stock were Rs 570000 and Rs 950000 respectively which were valued at 5% below cost. A claim is made for deduction of bonus of Rs 120000 payable to workers for the previous year 2019-20 in pursuance of Industrial court award and the same has not been charged against profits.

The profits include Rs 20000 received as compensation for vacation of premises of sales department. The assessee claims that it is not taxable.

The following expenses have been charged against above net profit.

Fine of Rs 11000 paid for breach of customs regulations.

Interest paid on borrowing for importing machinery from abroad Rs 10000. The machine was not received during 2020-21.

Rs 500 paid to Chamber of commerce as annual subscription.

Income tax paid Rs 10000 for assessment year.

Donation paid to charitable institution Rs 25000. This institution is approved by Sec 80 G.

The company paid Rs 15000 on account of underwriting commission for fresh issue of shares and Rs 2000 on account of brokerage for raising a loan from bank. The company deposited Rs 250000 as advance tax.

Compute total Income and tax liability of the company.

(3)

Turn Over