

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2004-2005 & thereafter)

SUBJECT CODE : CM/PS/CT35

M.Com. DEGREE EXAMINATION NOVEMBER 2007
COMMERCE
THIRD SEMESTER

COURSE : **SPECIALISATION – CORE**
PAPER : **CORPORATE TAX MANAGEMENT**
TIME : **3 HOURS** **MAX. MARKS : 100**

SECTION – A

ANSWER ANY FIVE QUESTIONS: (5 x 8 = 40)

1. Compute income from house property, for the previous year from the following information:

	House A	House B
Fair rental value	Rs.1,50,000	Rs.2,00,000
Municipal value	Rs.1,80,000	Rs.2,20,000
Standard rent	Rs.1,78,000	-----
Rental value	Rs.20,000 p.m.	
Loan at 12% p.a.	Rs.15,00,000	Rs.10,00,000
Date of loan	Sep. 2002	Jan.2003
Year of completion	2004-2005	2005-06
Municipal tax paid	Rs.5,000	
Municipal tax due	Rs.1,400	
Municipal tax paid by tenant	Rs.5,000	

2. Proxima Ltd. running an industrial undertaking was ordered by city corporation, Chennai to shift their unit from urban area of Chennai. In the process of shifting, the following assets were sold:

	Plant	Land	Building
Sale proceeds	Rs.10,00,000	Rs.8,00,000	Rs.12,00,000
Year of acquisition	2000	1999	2002
W.D.V. on 1.4.2006	4,40,000	--	7,32,500
Cost of acquisition	6,00,000	1,40,000	10,00,000
Investment in Dec.2006 due to shifting	8,00,000	2,00,000	5,00,000

Compute taxable capital gain.

3. From the following information, compute the deduction under Sec.80G:
Business income Rs.40,00,000
Long term capital gain – Rs.2,00,000.
Following donations are made during the previous year:
a) Prime minister's national relief fund Rs.1,00,000
b) National defense fund – Rs.2,00,000
c) To a temple of public worship for its repair (notified) – Rs.2,00,000

- d) To a local college for construction of commerce block – Rs.1,00,000
 e) To a poor student as aid – Rs.16,000.
 f) To municipal committee – Rs.1,00,000
 g) To the state government for promotion of family planning – Rs.50,000
 h) To Maharashtra chief minister's earth quake relief fund – Rs.20,000
 i) To the helpage India clothes worth RS.50,000.
4. The particulars of assessment years 2006-07 and 2007-08 are as under:
- | | 2006-07 | 2007-08 |
|---------------------------------|-------------|------------|
| Income from house property | Rs.8,000 | Rs.8,000 |
| Business income: | | |
| Manufacturing business: | | |
| Profit/Loss before depreciation | - Rs.15,000 | Rs.36,000 |
| Depreciation | Rs. 32,000 | Rs.23,000 |
| Speculative business: | Rs. 6,000 | - Rs.8,000 |
| Casual income | 5,000 | 6,000 |
| Short term capital gain/loss | - 2,000 | 3,000 |
| Long term capital gain | 1,000 | -4,000 |
- Compute the total income for each assessment year.
5. From the following particulars, compute the income taxable under other sources of Madan Ltd. For the previous year 2006-07:
- Income from agricultural land in Bangladesh Rs.65,000.
 - Plot of land let out at Rs.12,000p.m.
 - Rent from a building near agricultural land in a village in India used for storing agricultural equipments Rs.6,000 p.m.
 - Income from quarry let out at a royalty of Rs.50 per ton of stone raised. During the year 15,000 tonnes were raised Rs.4,500 was the expenditure.
 - Income from letting of plant and machinery Rs.30,000 p.m. Rs.15,000 was spent on repairs and Rs.20,000 was the depreciation.
 - Lottery prize won Rs.69,400.
 - Rs.30,000 loan at 12% was taken to invest in the shares of Sadan Ltd. during the yviear dividend by Kiran Ltd. Rs.35,000.
 - Interim dividend declared by Kiran Ltd. Rs.35,000.
 - Dividend from a co-operative society – Rs.23,000.
6. Compute the tax liability of Asish Ltd. for the previous year 2006-07:
- Business income – Rs.30,00,000
 Long term capital gains – Rs.2,20,000
 Casual income – Rs.50,000
 Short term capital gain on shares covered under security transaction tax – Rs.1,00,000.
 Book profit – Rs.45,00,000.
7. Differentiate tax evasion from tax avoidance with suitable illustration.
8. Explain the tax implications of establishing an industry in a free trade zone.

SECTION – B

ANSWER ANY THREE QUESTIONS:

(3 x 20 = 60)

9. Oaks Ltd. submits the following information about sale of assets during the previous year 2006-07:

Asset	Residential H.P.	Jewellery	Listed debentures
Date of acquisition	11.3.1984	1.7.94	12.4.2004
CII	116	259	480
Cost	Rs.3,00,000	Rs.1,20,000	Rs.2,00,000
Date of sale	15.5.2006	17.5.2006	16.5.2006
Sale price	Rs.20,00,000	RS.4,00,000	Rs.4,00,000

Investment	Date of acquisition	Cost invested
Residential house	19.11.2006	Rs.13,00,000
Bonds of rural electrification Corporation	16.11.06	Rs. 1,50,000

Machinery purchased during 96-97 for Rs.5,00,000 W.D.V. on 1.4.2006 Rs.3,50,000 at Rs.6,00,000 during the year machinery costing Rs.2,00,000 is purchased.

Furniture purchased on 1.5.2006 for Rs.10,000 at Rs.8,500.

Compute the taxable capital gain.

10. Jesu Ltd. has following investments in the previous year ended 31.3.2007:

- i) 11,000, 10% Karnataka state govt. loan
 - ii) Rs.30,000, 13.5% debentures of Rohit Ltd. (Listed)
 - iii) Rs.35,000, 11% securities of Sugar Mill Company (Unlisted)
 - iv) Rs.31,840, 10% tax free commercial securities.
 - v) Rs.3,580 received as interest of Tamil Nadu Government securities
 - vi) Rs.3,582, received as interest on the securities of a paper mill company (Un listed)
 - vii) Rs.4,490 received as interest on securities of textile company (listed)
 - viii) During the year 7% capital investment bonds of Rs.50,000 was purchased for which a loan of Rs.30,000 at 15% was taken on 1.10.2006.
 - ix) Dividend from co-operative society – Rs.50,000.
 - x) Rs.10,000, 9% National relief bonds.
 - xi) Dividend from a tea company Rs.30,000 (60% of the income of the company is agricultural income)
 - xii) Interest on deposit with the firm Rs.30,000 (gross)
 - xiii) The bank charged 1.5% commission on net realization of interest as collection charges.
 - xiv) Other incomes include the following:
 - winning from lottery Rs.35,000
 - income from agriculture in SriLanka Rs.10,000
 - Winning from horse race Rs.15,000:
 - Interest on post office savings bank account – Rs.10,000.
- Compute income taxable under other sources.

11. From the following profit and loss account of Sun shine Ltd., for the year ending 31.3.2007, compute the business income:

To	Salary	5,60,000	By	Gross profit	12,10,000
	Repairs	20,000		Commission	12,000
	Patents (1/14)	7,000		Sundry receipts	18,000
	Baddebts	12,000		Rent from house	
	Provision for bad debts	11,000		prop.	30,000
	Revenue expn. on research	20,000		Profit on sale of machine	16,000
	Expn. on family planning	14,000		Baddebts recovered	10,000
	Donation	15,000		Interest on govt. securities	20,000
	Health insurance premium	16,000		Income tax refund	8,000
	Contribution to P.F.	30,000			
	Advertisement	40,000			
	Expenses on guest house	36,000			
	Interest on loan	50,000			
	Entertainment expenses	20,000			
	Loss of stock	8,000			
	Sales tax penalty	12,000			
	Donation to a univ. for research	40,000			
	Gratuity	30,000			
	Depreciation	1,20,000			
	Income tax	40,000			
	Provision for tax	20,000			
	Net profit	2,03,000			

Additional information:

- i) 50% of health insurance premium was paid in cash.
 - ii) Patents were acquired on 1.11.2006.
 - iii) Income accrued but not credited to profit and loss account – Rs.30,000.
 - iv) Advertisement expenses include expenditure on neon sign board. – Rs.30,000.
 - v) W.D.V. on machinery sold was nil.
 - vi) Research conducted by the university is not related to the business.
 - vii) W.D.V. of assets on 1.4.2006 was factory buildings Rs.2,00,000 (10%), Non-factory buildings – Rs.3,00,000 (5%), Plant and machinery – Rs.3,00,000 (15%), a new machinery costing Rs.2,00,000 was acquired on 15.12.2006 which was put to use on 15.1.2007.
 - viii) Opening and closing stock were valued at 10% below cost, its values are Rs.3,60,000 and Rs.1,80,000.
12. Explain the rights and duties of the assessing officer relating to search and seizure.
13. Explain the tax incentives for export transactions and tax implications on international transactions.

