

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 2008**  
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 from the following information:

	House I	House II
Standard rent	Rs.15,000	Rs.20,000
Municipal value	10,000	30,000
Fair rent	18,000	18,000
Rent	24,000	26,000
Municipal taxes paid	1,200	1,260
Vacancy period	2 months	-
Unrealized rent	-	Rs.2,300
Ground rent due	Rs.400	Rs.600

A loan of Rs.30,000 at 20% per annum was taken to construct House II on 1.6.2000 and the loan was repaid on 1.05.2008. Construction of the house was completed in May 2005.

2. The following are the particulars of assets at the beginning of the year:

	WDV on 1.4.2007	Rate
Building (Non-residential)	Rs.10,00,000	10%
Building (Residential)	5,00,000	5%
Furniture	1,00,000	10%
Plant and Machinery	15,00,000	15%
Motor cars	1,00,000	15%
Trucks used for business	27,000	15%

Machinery costing Rs.5,00,000 was purchased and installed on 14.10.2007. One machine was sold for Rs.45,000 during the year.

One residential building was destroyed by fire during the year for which insurance company accepted a claim for Rs.60,000.

3. Compute the permissible deduction for computing business income, in each of the following cases:

- a) On 13.12.2007, the company pays Rs.80,000 to the Indian Agricultural Research Institute, New Delhi, being an approved scientific institution for the purpose of carrying out scientific research.

- b) On 23.12.2007, the company purchases a machinery costing Rs.6,00,000 for conducting research and paid salaries to its employees involved in conducting research Rs.1,50,000 and rent of Rs.40,000.
- c) Expenses of incorporation Rs.92,000.
- d) Advertisement expenditure paid in cash Rs.60,000.
- e) Sales tax due Rs.80,000, paid on 31.7.2008 Rs.35,000.
- f) Bad debt recovered during the year was Rs.45,000, Rs.20,000 was allowed as a deduction.
- g) Opening stock Rs.2,20,000, was overvalued by 10%, the market value of the same was Rs.3,00,000.
- h) Expenditure on purchase of technical know how Rs.2,80,000.
4. During the year ended 31.3.2008, the following assets were sold:
- a) Shop purchased in 1986-87 (C.I.I.-140) for Rs.18,000 for Rs.1,50,000.
- b) Machinery purchased in 1993-94 (C.I.I. – 244) for Rs.50,000 (WDV – ON 1.4.2007 – Rs.35,000) for Rs.60,000.
- c) Furniture purchased on 1.5.2007 for Rs.1,000 for Rs.1,300.
- d) Machinery purchased on 1.5.2007 for Rs.10,000 at Rs.12,000.
- e) Agricultural land in Agra purchased in 1979-80 for Rs.10,000-FMV on 1.4.1981 being Rs.15,000 for Rs.2,60,000.
- f) House property purchased in 1988-89 (C.I.I. – 161) costing Rs.30,000 for Rs.1,63,000.

During the year another residential house was purchased for Rs.1,50,000. Work out the amount of capital gain to be included in the Gross total income.

5. From the following information, relating to investments, compute income taxable under other sources:
- a) Rs.17,500, 10% Government securities.
- b) Rs.10,000, 12% Agra Municipal Bonds.
- c) Rs.20,000, 9% Less tax commercial securities.
- d) Rs.10,000, 9% tax free commercial securities.
- e) Rs.10,000, 10% foreign government securities.
- f) rs.12,000 interest received on Post office savings certificate.
- g) Rs.8,200, interest received on tax free commercial securities.

Rs.600 was paid as commission for collecting the interest and Rs.1,200 as interest on loan for the purpose of purchasing Bombay Port Trust Bonds.

6. Compute the Gross total income of X Ltd. Also calculate the amount of loss which can be carried forward for being set off in the next assessment year.

From the following information:

a) Business A:	Rs.
Loss of the year 2007-08	48,000
Brought forward loss of the year 2006-07	39,000
b) Business B:	
Profit of the year 2007-08	1,56,000

- c) Business C – Business was discontinued on 10.4.2007  
 Brought forward loss of 2006-07 39,700
- d) Income from other sources:  
 Loss from the activity of owning and maintaining camels for races – Rs.9,000  
 Dividend on units of UTI held as stock in trade 75,000  
 Interest on debentures held as investments 90,000  
 Long term capital loss 14,900  
 Income from house property 57,600
7. Explain the duties and responsibilities of Central Board of Direct taxes.
8. Write short notes on:  
 a) Tax evasion Vs. Tax avoidance  
 b) Exemption Vs. Deduction.

### SECTION – B

ANSWER ANY THREE QUESTIONS:

( 3 x 20 = 60)

9. X Ltd. an Indian Company, furnishes the following particulars for the assessment year 2008-09:

Profit and loss account for the year ending 31.3.2008

Salary to staff	2,40,000	Gross profit	7,58,000
Expenses on issue of shares	18,000	Rent of flats given to officers	12,000
Family planning expenditure	3,000	Sundry receipts	5,000
Sales tax	2,000	Interest on bank deposits	17,000
Contribution to National lab for scientific research	1,06,000	Short term capital gains	3,000
Gratuity fund	5,000		
Reserve for future losses	20,000		
Bad debts written off	3,000		
Reserve for payment of income tax	13,000		
Car expenses	9,000		
Depreciation:			
Machinery	18,000		
Car	3,000		
Furniture	5,000		
Building	3,000		
Office expenses	7,500		
Rent and repairs of building	3,000		
Municipal taxes of flats given to officers	7,000		
Sundry expenses	13,000		
Fringe benefit tax	10,500		
Banking cash transaction tax	3,000		
Income tax	500		

Dividend tax	700	
Net profit	3,01,800	
	<u>7,95,000</u>	<u>7,95,000</u>

Other information:

- Expenditure on family planning includes capital expenditure of Rs.2,500.
- Car is used  $\frac{1}{4}$  for director's personal use.
- Sundry expenses include Printing bill of Rs.9,000, being payment to a relative of the managing director, payment being unreasonable to the extent of Rs.4,700.
- Salary includes payment of Rs.21,000 in cash to an employee. It also includes mediclaim insurance premium paid Rs.15,000 of which Rs.6,000 is paid in cash.
- Depreciation on machinery is excessive to the extent of Rs.2,000.
- On March 16, 2008, the company gets a refund of sales tax Rs.3,000, which was allowed as a deduction for the previous year 2003-04. The amount is not credited to the profit and loss account.

Determine the taxable income of the company for the assessment year 2008-09.

10. Compute the taxable income from investments for the previous year 2007-08 from the following information:

- 11,000, 10% Karnataka state govt. loan
- Rs.30,000, 13.5% debentures of Rohit Ltd. (Listed)
- Rs.35,000, 11% securities of Sugar Mill Company (Unlisted)
- Rs.31,840, 10% tax free commercial securities.
- Rs.3,580 received as interest on Tamil nadu Government securities
- Rs.3,582, received as interest on the securities of a paper Mill company (Un listed)
- Rs.4,490 received as interest on securities of textile company (listed)
- 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 1.10.2007.
- Dividend from co-operative society – Rs.50,000.
- Dividend from a tea company Rs.30,000 (60% of the income of the company is agricultural income)
- Interest on deposit with the firm Rs.30,000 (gross)
- Income from agricultural land in Bangladesh Rs.65,000.
- Plot of land let out at Rs.12,000 p.m.
- Rent from a building near agricultural land in a village in India used for storing agricultural equipments Rs.6,000 p.m.
- Rs.10,000, 9% National relief bonds.

The bank charged 1.5% commission on net realization of interest as collection charges.

11. Following are the incomes of a domestic company for the year ending on 31.3.2008:

- Business profits (including export under taking profit Rs.1,72,000) Rs.4,20,000.
- Dividend from an Indian Public sector company – Rs.10,000
- Dividend from an Indian company whose 80% income is agricultural income – Rs.9,000.

- d) Income from mutual fund Rs.5,000.
  - e) Royalty from a foreign concern for providing technical knowledge – Rs.16,000.
  - f) Dividend from a foreign company – Rs.12,000.
  - g) Company has donated Rs.8,800 to National Rural Development Fund.
- Compute the total income of the company. Find out the tax liability if the book profit of the company is Rs.11,80,000.

- 12. Explain the provisions relating to exempted capital gains.
- 13. Explain the duties of the income tax officer relating to search and seizure.

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