

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2009 – 2010)

SUBJECT CODE: CM/PC/CT44

M.Com. DEGREE EXAMINATION APRIL 2011
COMMERCE
FOURTH SEMESTER

COURSE : CORE
PAPER : CORPORATE TAX PLANNING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION A

ANSWER ANY FIVE QUESTIONS: 5*8=40

1. Compute income from House Property from the following details :

	House I (Rs.)	House II (Rs.)
Fair rental value	68,000	1,34,000
Municipal Value	70,000	1,30,000
Standard rent	65,000	1,40,000
Rental Value	75,000	1,62,000
Municipal taxes 10% of municipal value		
Unrealized rent	10,000	-
Vacancy period	1 month	2 months

House I was completed in the previous year 2007-08, for the construction of which a loan of Rs.8,00,000 was taken at 11.5% interest in May 2004.

Interest on loan paid for House II in the previous year 2009-10 – Rs.15,000.

2. Ashwin Ltd. , Delhi running an industrial unit shifted its undertaking to the outskirts of Delhi. The details of the asset sold for the purpose of shifting is as follows :

	Plant & Machinery	Land	Building
Year of acquisition	1987	1983	1987
Sale proceeds (Rs.)	10,00,000	7,00,000	10,00,000
W.D.V. 1-4-2009 (Rs.)	4,00,000	-	-
Amount re-invested in Dec.2009 (Rs.)	6,00,000	2,00,000	4,00,000

Compute taxable Capital Gain for the assessment year 2010-11 (c.i.i. 1983-84 -116, 1987-88 – 140 and 2009-10 – 632)

3. Calculate the amount of depreciation on the assets of Akash Ltd., from the following particulars :

Block of assets	W.D.V.on 1.4.09(Rs.)	Additions(Rs.)	Rate
Factory building	14,00,000	6,00,000	10%
Residential building	4,00,000	8,00,000	5%
Plant and Machinery	30,00,000	10,00,000	15%
Furniture	25,000	-	10%
Cars	65,000	-	15%

A Part of factory building was destroyed by fire, the insurance company accepted the claim for Rs.60,000 and the scrap realized amounted to Rs.10,000.

4. From the following particulars of incomes and losses of Aruna Ltd. ascertain the total income for the assessment year 2009-10 : (Rs.)
- | | |
|--|-----------|
| Income from securities | 15,000 |
| Income from house property | 5,000 |
| Profit from textile business | 25,000 |
| Long-term capital gain | 20,000 |
| Short-term capital gain | 4,000 |
| Speculation income | 4,000 |
| Income from agency business | 10,000 |
| The carry forward losses from the previous year 2008-09: | (Rs.) |
| Loss from glass business (discontinued in 2008-09) | 4,000 |
| Loss in agency business | 3,000 |
| Loss from textile business | 3,000 |
| Speculation loss | 4,000 |
| Short-term capital loss | 6,000 |
| Long-term capital loss (2006-07) | 6,500 |
| Current year depreciation of textile business | Rs.1,000. |
5. The total income of Arun Ltd., a domestic company, computed under the provisions of the Income Tax Act is Rs.2,50,000. The Book profits of the company as per Sec.115JB amount to Rs.8,15,000. Calculate the tax liability of the company for the assessment year 2010-11.
6. Explain the difference between tax evasion and tax avoidance with suitable example.
7. State the tax consideration for a new industrial undertaking.
8. Write short notes on :
- Residential status.
 - Lease Vs. Hire purchase
 - Tax consideration for mergers

SECTION- B

ANSWER ANY THREE QUESTIONS:

3*20=60

9. Explain the powers of the Income tax Authorities relating to search and seizure.
10. Explain the conditions for claiming deductions under :
- Sec.80 G
 - Sec.80GGB
 - Sec. 80IA
 - Sec.80JJAA
11. Explain the provisions relating to aggregation of income.

12. Compute the taxable income of Anton Ltd. from the following information :
- Fair rental value of the house property – Rs.56,000, Municipal value – Rs.45,000, Standard rent – Rs.50,000, Rental value – Rs.10,000 p.m., municipal taxes – Rs.3500, 50% paid by the tenant. Insurance premium paid – Rs.2400, repairs and collection charges incurred – Rs.5,000.
 - The company sold the following assets during the previous year 2009-10 :
 Sale of shop purchased in 1985-86 (c.i.i. 133) for Rs.20,000- Rs.2,00,000
 Sale value of agricultural land purchased in 1979-80 for Rs.20,000, F.M.V. on 1.4.1981 – Rs.1,20,000 – Rs.5,00,000, capital gain was re-invested in the purchase of another land for Rs.6,00,000.
 Sale of furniture purchased on 1.9.09 for Rs.40,000 –Rs.30,000.
 Sale of shares acquired on 1.1.2009 for Rs.1,00,000- Rs.80,000
 - Net profit as disclosed by the Profit and loss account is Rs.25,00,000, after debiting the following expenses :
 Legal expenses paid for land acquisition Rs.15,000
 Medical expenses of the grand son of the managing director – Rs.1,00,000
 Allowable depreciation – Rs.54,000, depreciation debited Rs.40,000
 Advertisement expenses for advertising in the daily of a political party –Rs.10,000
 Penalty paid for non-payment of excise duty –Rs.10,000

13. The profit and loss account of Ashish Ltd for the year ending 31.3.2010 is as follows :

	Rs.		Rs.
To Purchases	18,75,000	By Sales	75,25,000
Direct wages	8,45,000	Closing stock	1,10,000
Freight	12,500		
Gross profit	49,02,500		
	76,35,000		76,35,000
To Salaries	8,50,000	Gross Profit	49,02,500
General expenses	4,35,000	Dividend	17,500
Sales expenses	2,15,000		
Director's remuneration	8,22,000		
Income tax	1,80,000		
Penalty	10,000		
Proposed dividend	3,20,000		
Provision for losses	2,00,000		
Net profits	18,88,000		
	49,20,000		49,20,000

Additional Information:

- a. Purchases include a bill against which payment was made in cash Rs.60,000
- b. General expenses include Rs.10,000 , outstanding interest on loan.
- c. Closing stock is overvalued by 10%.
- d. Admissible depreciation for the year is Rs.15,000
- e. General expenses include Rs.10,000, legal expenses for defending the defective title to the business .
- f. Brought forward losses Rs.2,00,000
- g. Unabsorbed depreciation Rs.23,000
- h. Bad debts to be written off Rs.10,000
- i. Advertising expense incurred Rs.10,000

Compute the total income and the tax liability

