

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008-2009)

SUBJECT CODE : CM/PS/CT36

M.Com. DEGREE EXAMINATION NOVEMBER 2009
COMMERCE
THIRD SEMESTER

COURSE : **SPECIALISATION**
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 A	House B
	Rs.	Rs.
Nature of occupation	Let out for Residence.	Let out for Business
Municipal rental value	5,00,000	8,00,000
Fair rental value	8,00,000	9,00,000
Standard rent	Not applicable	7,50,000
Actual rent per month	75,000	90,000
Rent includes rent charged for amenities	5,000	nil
Loan taken for construction	20,00,000	30,00,000
Rate of interest	11%	13.5%
Year when loan was taken	2004-05	2003-04
Year of completion	Dec.2007	May 2008
Unrealised rent	50,000	nil
Date of letting	Jan.2008	Aug.2008
Vacancy period	2 months	nil

2. Ascertain the taxability / chargeability of the following in the computation of business income :
- A sugar mill company, used cane costing Rs.5,82,000 produced in the farm, the market price of the cane was Rs.6,00,000.
 - Sales tax due for the year 2008-09 is Rs.54,000, Due date for the payment of the same is July 2009. Sales tax paid in June Rs.30,000 and in September Rs.15,000.
 - Rs.1,68,000 spent on scientific research include Rs.35,000 towards setting up a new research laboratory, Rs.10,000 for meeting the revenue expenses, Rs.1,00,000 cost of the land procured for the same, Rs.28,000 contribution to the National lab for carrying out similar research.
 - Legal charges include Rs.46,000 incurred for defending the defective title to the company's property and Rs.25,000 for defending the son of the managing director against a criminal suit .

- e. Bad debts incurred in the previous year amounted to Rs.80,000, but Rs.25,000 was disallowed due to lack of adequate evidence. During the previous year 2008-09 Rs.50,000 was recovered .
- f. A car purchased in April 2008 for Rs.5,00,000, depreciated at 15% is used both for personal use and official use of the director . It was sold in Jan. 2009.
- g. The opening and closing stock of goods as per books amounted to Rs.3,30,000 and Rs.2,20,000. Both were valued at 10% above cost.
- h. General Expenses include Rs.10,000 paid as compensation to an employee whose presence was considered detrimental to the business.

3. Compute Depreciation / capital gains for the year 2008-09 , from the following information :

Asset	W.D.V.(1.4.2008)	Sale	Cost of acquisition Of asset purchased	Rate
Building	16,80,000	2,00,000	10,00,000- Dec.2008	10%
Plant & Machinery	20,00,000	5,00,000	6,00,000 – Aug.2008	15%
Furniture	4,00,000	-	1,00,000 - Jan.2009	10%
Plant & Machinery	8,00,000	2,00,000	3,25,000 - Aug.2008	40%

4. From the particulars given below, compute the taxable capital gain for the assessment year 2009-10. :
- a. Machinery purchased in 1999 at a cost of Rs.5,00,000, depreciation allowed up to 31.3.2008 – Rs.3,00,000, sale price on 30.6.2008 –Rs.7,00,000.
 - b. Sale price of commercial building purchased in 1983-84 (c.i.i. -116) at a cost of Rs.20,000 and cost of improvement made in 1985-86 (c.i.i. -133) Rs.20,000 - Rs.1,80,000.
 - c. Sale price of shop purchased in 1985-86 (c.i.i. 133) for Rs.18,000 – Rs.90,000.
 - d. Agricultural land in Agra purchased in 1979-80 for Rs.80,000 (fair market value on 1.4.1981 being Rs.15,000) sold for Rs.1,00,000.
5. Explain with examples the difference between tax evasion and tax avoidance.
6. State the impact of financing decisions relating to lease and hire purchase on the profitability of the company.
7. How is the tax liability of a company assessed ?
8. Write short notes on :
- a. Sec.24 deduction
 - b. Block of assets
 - c. Exemption as per Sec.54GA
 - d. Deduction under Sec.80IB.

SECTION – B

ANSWER ANY THREE QUESTIONS:

(3 X 20 =60)

9. Compute the taxable business income of Asian Cements Ltd. for the previous year 2008-09, from the following information :
- a. Net profit as per profit and loss account – Rs.2,18,000.
 - b. The above profit is ascertained after debiting the following expenses :
 1. Preliminary expenses –Rs.42,000
 2. Patent purchased Rs.35,000, expenditure on purchase of patents Rs.5,000.
 3. Donation to Scientific research institution , Rs.50,000
 4. Expenditure on clearing a machine which is imported for use in the manufacture – Rs.5,000.
 5. A computer costing Rs.1,60,000 purchased for in-house research, was found unsuitable for research and hence used for business office.
 6. Expenditure on construction of a building Rs.300,000 to be used for research.
 7. Capital expenditure on family planning Rs.50,000.
 8. Stationary purchased Rs.10,000, from a firm in which the director of the company has substantial interest. The market price of the same was Rs.4,000.
 9. An employee of the company who was on leave for 3 months was paid his outstanding salary of Rs.60,000 in cash .
 10. Business expenditure of Rs.50,000 was paid as follows : Rs.25,000 through a bearer cheque and Rs.25,000 through a bank draft.
 11. Bonus debited Rs.1,40,000 was distributed in instalments on 1.12.2008 – Rs.50,000, on 1.6.2009-Rs.50,000 and the balance Rs.40,000 was paid on 1.11.2009. the date of filing of return is 31.7.2009.
 12. Provident fund of Rs.29,400 debited to profit and loss account is the employee's contribution to be paid to the commissioner on or before 15-4-2009, paid by cheque on 15.4.2009 but the cheque was en cashed on 2.5.2009 only.
 13. legal expenses paid is to protect the building of the business Rs.4,000
 - c. Depreciation on plant and machinery debited to profit and loss account is Rs. 7,00,000. The particulars of the same is – W.D.V. on 1.4.2008 – Rs.42,20,000, additions during the year on 1.7.2008 is Rs.6,90,000, scrap value of machinery put out of use during the year is Rs.2,10,000. Rate of depreciation – 15%.
 - d. Closing stock of Rs.99,000 is over valued by 10%.
 - e. The following are the receipts credited to profit and loss account :
 1. Dividend from an Indian Agricultural company –Rs.50,000.
 2. Interest on notified capital investment bonds – Rs.10,000
 3. Bad debts recovered Rs.30,000. disallowed earlier Rs.20,000.
 4. scrap value of machinery sold Rs.2,10,000.

10. Compute the taxable capital gain in each of the following cases :
- a. An agricultural land situated in Agra in 1984-85 for Rs.46,400 sold for Rs.4,80,000 on 1.5.2008. The assessee purchased another piece of agricultural land on 1.8.2008 for Rs.70,000 and deposited Rs.30,000 on 24.6.2009 in capital gains account scheme. c.i.i. in 1984-85 was 125 and in 2008-09 is 582.
 - b. ASM Ltd. is a company producing films. During the previous year the company sold a film projector for Rs.1,70,000 which had cost Rs.1,50,000 and in respect of which Rs.40,000 had been allowed as depreciation during last two years. Expenses on sale amounts to Rs.5,000.
 - c. X Ltd. has an industrial undertaking in U.P. A building which was constructed in July 2001 and used for purposes of the industrial undertaking since the very beginning is compulsorily acquired by the U.P. Government on July 10, 2008 for Rs.8,00,000. The W.D.V. of the building on 1.4.2008 was Rs.4,50,000. The company constructed another building for the purpose of shifting the department which was functioning in the building acquired by the government on 28th May 2009 at a cost of Rs.4,00,000. Ascertain the taxable capital gain.
 - d. An industrial undertaking located in corporation limits of Faridabad, to a special Economic Zone on 1.12.2008 :
 1. Land purchased on 20.01.03- Rs.4,26,0000, sold for Rs.22,00,000
 2. Building construction completed on 14.03.2006, WDV on 1.04.2008 – Rs.8,20,000 sold for Rs.11,39,000.
 3. WDV of cars on 1.04.2008 –Rs.7,40,000, sold for Rs.6,00,000.
 4. Expenses on shifting the undertaking Rs.1,15,000.
 5. Assets acquired for the undertaking in the SEZ ON 25.06.2009 – Land – Rs.3,00,000, Buildings –Rs.5,00,000, Computers – Rs.1,00,000, Car – Rs.4,20,000, Machinery (second hand) Rs.2,00,000, Furniture – Rs.50,000. (c.i.i. 2003-04 -447,2008-09-582).
11. X Pvt. Ltd. gives the following details for the accounting year ended 31.3.2009 , regarding its investments and income , Compute the income for the previous year 2008-09 :
- a. Rs.10,000 ,12% Debentures of Tata Textiles.
 - b. Rs.10,000 , 9% U.P.Govt. loans
 - c. Rs.5,000, 15% Debentures of a Jute Company.
 - d. Rs.30,000, 15% Debentures of the Imperial Trading Company.
 - e. Rs.15,000 , 4% 10- year National Plan certificates.
 - f. Rs.3176 received as interest on the securities of a company (not listed)
 - g. Rs.36,000 , 10% tax-free debentures of Agra Municipal corporation.
 - h. Rs.1,000 interest received on the debentures of a co-operative society.
 - i. Rs.4,000 as interest on government securities.
 - j. Rs.3,600 as interest on debentures of M Ltd. – listed
 - k. Rs.3,600 as interest on tax free debentures of M Ltd. – unlisted
 - l. Rs.72,000, 10% tax free debentures of LIC.
 - m. Rs.25,000, 6% tax-free debentures of a textile company.
 - n. Rs.12,500, 10% Improvement trust debentures purchased at par on 1.11.2007.

12. The following particulars are furnished by Great India Co.Ltd.

Trading and Profit and loss account – 31.3.2009

To Purchases	3,25,000	By Sales	36,36,000
Entertainment expenses	35,000	Amount withdrawn	
Depreciation	5,50,000	from general use	3,00,000
Traveling expenses	70,000	long term capital	
Income tax	3,80,000	Gains	70,000
Wealth tax	15,000	Transfer fees	5,000
Outstanding sales tax	30,000	Profit on sale of car	25,000
Provision for future loss	60,000	Interest on tax-free	20,000
Salaries	2,00,000	govt.securities	20,000
Sundry expenses	1,50,000		
Net Profit	20,46,000		
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	41,06,000		41,06,000
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Additional information :

- value of plant and machinery as on 1.4.2008 was Rs.60,00,000 and Building Rs.10,00,000. Depreciation allowable is 15% on Plant and machinery and 10% on buildings.
- Excise duty of 2006-07 paid during the year Rs.65,000 was not included in the account.
- Sundry expenses include an item of Rs.40,000 paid in cash.
- Out of the outstanding amount of sales tax Rs.25,000 was paid before due date of filing returns.
- Unabsorbed business loss brought forward is Rs.6,000,000 for income tax purposes and Rs.4,50,000 for accounting purposes.
- Unabsorbed depreciation brought forward is Rs.3,00,000 for accounting purposes.
- Motor car was sold during the year for Rs.1,40,000. Its written down value on 1.4.2008 was Rs.1,15,000. It was purchased for Rs.2,00,000 in the past.

Compute :

- Total income of the company
- Book profit under Sec.115JB
- Tax liability of the company.

13. Write short notes on :

- Tax avoidance and tax evasion
- Tax planning and tax management
- Deduction under Sec.80G
- Duties of an assessing officer
- Powers of C.B.D.T.