



PG – 528

**III Semester M.Com. Degree Examination, December 2015
(CBCS Scheme)
COMMERCE
Paper – 3.5 AT : Direct Taxes and Planning**

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions of the following. **Each** sub-question carries 2 marks. (7×2=14)
- a) What do you mean by colourable devices ?
 - b) State the treatment of expenditure incurred on promotion of family planning among employees.
 - c) Differentiate between 'Tax Planning' and 'Tax Management'.
 - d) State the general principles governing assessment of business income.
 - e) What are appeals under Income Tax Act, 1961 ?
 - f) Define Block of assets u/s 2(11).
 - g) What is MAT u/s 115JB ? What's the reason for its introduction ?
 - h) Define Net Wealth u/s 2(m).
 - i) State the provisions u/s 35D for amortization of preliminary expenditure.
 - j) What is return of income ? Mention the types of return.

SECTION – B

Answer **any 4** of the following. **Each** question carries 5 marks. (4×5=20)

2. Briefly explain the Exempted assets under Section 5 of the Wealth Tax Act, 1957.
3. State the tax provisions for the following :
 - a) Advance Payment of Tax
 - b) Types of assessment
 - c) Due date for filing return of income.
4. Enumerate the tax holidays entitled to business undertaking established in north eastern states u/s 80 IE.

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5. The following details are furnished by Ram Pottu Company Limited for the previous year 2014-15. Gross Total income is Rs. 8,10,000 which includes the following :
- Capital gain on sale of long term capital asset Rs. 1,50,000.
 - Short term capital gain liable for STT u/s 111A is Rs. 75,000.
 - The company is eligible for deduction u/s 80IB at 30% of its income from business Rs. 3,50,000.

Sl. No.	Donation given to the following	Amount in Rs.
01	Zila Saksharta Samiti	15,000
02	Prime Minister's Drought Relief Fund	45,000
03	An institution engaged in promotion of family planning	15,000
04	Indian Olympic Association	25,000
05	An institution which is recognized u/s 80G	10,000
06	Indira Gandhi Memorial Trust	40,000
07	National Foundation for Communal Harmony	25,000
08	National Defense Fund set up by the Central Government	45,000
09	A notified Temple (Rs. 15,000 given in cash)	30,000
10	Prime Minister's National Relief Fund	35,000

Compute allowable amount of deduction u/s 80G for the Assessment Year 2015-16.

6. An industrial undertaking which commences the manufacturing activity w.e.f. 15/06/2014 has acquired the following assets during the previous year 2014-15 :

Assets	Date of Acquisition/ construction	Date when put into use	Cost of acquisition/ construction (in Rs.)
Factory building	14/5/2014	01/9/2014	50,00,000
Residential Building	16/08/2014	07/11/2014	3,70,000
Plant and Machinery			
i) Air pollution control equipment	09/6/2014	01/9/2014	4,00,000
ii) Machinery A	25/8/2014	02/10/2014	16,50,000
iii) Machinery B	29/9/2014	31/10/2014	7,50,000
iv) Machinery C (Second hand)	04/01/2015	13/01/2015	3,00,000
v) Motor car	01/12/2014	01/12/2014	4,50,000
vi) Air conditioner (installed in office)	10/3/2015	15/03/2015	1,00,000

Compute the allowable depreciation u/s 32 for the A.Y. 2015-16 and WDV as on 01/04/2015.



7. From the following information of Mohith Private Limited, compute tax liability and show the utilization of tax credit for the various assessment years assuming tax rates applicable are same as of current assessment year for various assessment years given.

Assessment Years	Total income computed as per normal provisions of Income Tax Act, 1961 Rs.	Book profit calculated as per Section 115JB Rs.
2014-15	25,00,000	40,00,000
2015-16	15,00,000	50,00,000
2016-17	75,00,000	40,00,000
2017-18	1,10,00,000	85,00,000
2018-19	95,00,000	1,15,00,000
2019-20	65,00,000	60,00,000

SECTION – C

Answer any 3 questions of the following. Each question carries 12 marks. (3×12=36)

8. Discuss the tax holidays in respect of profits and gains from certain undertakings involved in infrastructure development undertakings u/s 80 IA.
9. Enumerate the tax provisions regarding set-off and carry forward of losses under the Income Tax Act, 1961.
10. Discuss the valuation rules under Part B of Schedule III relating to Immovable property under Wealth Tax Act, 1957. Illustrate with an example.
11. From the following information determine whether assessee should "purchase the asset or take on lease".
 - a) Cost of asset Rs. 5,00,000
 - b) Rate of depreciation 15%
 - c) Rate of interest 10%
 - d) Repayment of loan by the assessee Rs. 80,000 p.a.
 - e) Rate of tax 30.9%
 - f) Residual value of Rs. 80,000 after 5 years
 - g) Profit of the assessee Rs. 5,00,000 before depreciation, interest and tax or before lease rent and tax.
 - h) Lease rent Rs. 1,20,000 p.a.
 - i) Present value factor @ 10% is :

Year	1	2	3	4	5
P. V. Factor	0.909	0.826	0.751	0.683	0.621



12. The following particulars are furnished by Sunrise Company Limited.
Trading and Profit and Loss Account for the year ending 31/03/2015

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Opening stock	3,89,000	By Sales	25,00,000
To Purchases	10,05,000	By Dividend from Domestic Company	10,000
To Advertisement expenses	85,000	By Long term capital gain	2,40,000
To Travelling expenses	60,000	By Bad debts recovered disallowed earlier	15,000
To Capital expenditure on promotion of family planning	25,000	By Amount withdrawn from contingency reserves	2,30,000
To Depreciation	6,25,000	By Closing stock	4,65,000
To Income tax	2,15,000		
To Wealth tax	40,500		
To Entertainment expenses	36,500		
To VAT due	34,000		
To Provision for unascertained liability	30,000		
To Salaries and wages	2,70,000		
To Auditor's fees	30,000		
To Provision for loss of subsidiary company	67,500		
To Proposed dividend	1,75,000		
To Sundry expenses	2,25,000		
To Net profit	1,47,500		
	34,60,000		34,60,000

Additional information :

- i) Opening stock was overvalued by Rs. 28,000 and closing stock was overvalued by Rs. 37,000.
 - ii) Customs duty of 2012-13 paid during the year Rs. 75,000 was not considered in the above account.
 - iii) Sundry expenses include an item of Rs. 42,000 paid in cash.
 - iv) Out of the O/s amount of VAT tax Rs. 25,000 was paid before due date of filing of return of income.
 - v) Brought forward business loss Rs. 4,00,000 for income tax purpose and Rs. 3,50,000 for accounting purposes.
 - vi) Brought forward unabsorbed depreciation is Rs. 2,00,000 for accounting purposes.
 - vii) Depreciation as per Section 32 is Rs. 5,75,000.
- Compute :
- a) Total income
 - b) Book profit u/s 115JB and
 - c) Total tax liability for the A.Y. 2015-16.