



PG – 579

III Semester M.Com. Degree Examination, January 2017
(CBCS)
COMMERCE
Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions out of **ten** questions. **Each** sub-question carries **2** marks : **(7×2=14)**
- What is the time frame for advance payment of tax for company assessee ?
 - What is MAT u/s 115 JB ? What's the reason for its introduction ?
 - State the specific managerial decisions relating to 'retain' or 'replace'.
 - State the tax provisions of section 35 ABB.
 - What is Best judgement assessment ? When it is applied ?
 - Distinguish between 'Tax avoidance' and 'Tax Evasion'.
 - What is Tax planning ? State types of tax planning.
 - What is tax credit ? State its tax provision.
 - Mention any 4 double taxation treaties which are entered by India.
 - What are the exceptions to the general rule of previous year ?

SECTION – B

Answer **any 4** questions of the following in about **one** page. **Each** question carries **5** marks : **(4×5=20)**

2. Explain the scope of Tax Planning with respect to :
- Joint ventures
 - Factors affecting make or buy decisions.

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3. G. R. Hari Limited has given the following information of its incomes and expenses for the financial year 2015-16 :

- ✓ Taxable income from business is Rs. 4,50,000
- ✓ Gain on sale of assets held for more than 36 months is Rs. 1,50,000
- ✓ Gain on sale of securities through recognized stock exchanges is Rs. 85,000
- ✓ Taxable income from house property is Rs. 35,000
- ✓ Interest received on fixed deposits is Rs. 25,000
- ✓ The company incurred the following expenses (donations given).

Sl. No.	Donation given to institutions	Amount of donation given in Rs.
01	Prime Minister's National Relief fund	30,000
02	Indian Olympic Association	18,000
03	An institution engaged in promotion of family planning	10,000
04	Prime Minister's Drought Relief fund	30,000
05	A notified temple (Rs. 15,000 given in cash)	29,000
06	Indira Gandhi Memorial Trust	25,000
07	An institution which is recognized u/s 80 G	9,000
08	National Defense Fund set up by the Central Government	28,000
09	National Foundation for Communal Harmony	16,000
10	Swach Bharath Kosh	23,000
11	Clean ganga project	29,000
12	Furniture's given to a Church	45,000

The company is eligible for deduction u/s 80 IB. The assessee had paid Rs. 30,000 to Indian national congress party as donation on 15th June, 2016.

Compute allowable amount of deduction u/s 80 G for the Assessment Year 2016-17.

4. Discuss the tax provisions under section 80 IC.



5. 'Bhimashankara' Ltd., is engaged in the business of manufacture of telephone dial pad since 2008. During the previous year 2015-16, the following assets are acquired and put to use :

Particulars	Block – I	Block – II	Block – III
Rate of depreciation	15%	20%	40%
Depreciable value of the block on April 1, 2015	8,00,000	25,00,000	5,00,000
Additions of Plant (new) during the previous year 2015-16			
Plant P	14,50,000	–	–
Plant Q	–	1,70,000	–
Plant R	–	–	6,25,000
Sale of old plants	45,000	7,35,000	12,00,000

Plant P, Q and R are acquired during May, 2014 and put to use during 15th August, 2015. However, Plant Q is put to use in February, 2016.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the Assessment Year 2016-17.

6. Suprabhath Company Limited has given the following information for the financial 2015-16. The company has filed its income on 10-11-2016. The total income of the company is Rs. 9,37,500. The has is having balance of Rs. 23,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 8,000. It has Rs. 45,000 balance as tax credit. It has paid advance tax as follows :

Due date	Amount of advance tax paid in Rs.
15-06-2014	35,000
13-09-2014	75,000
12-12-2014	45,000
15-03-2015	60,000

Compute Interest u/s 234 A, 234 B and 234 C for the Assessment Year 2016-17.

7. What is assessment ? Briefly explain the types of assessment.



SECTION – C

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

8. The following particulars are furnished by Panasonic Company Limited :

Trading and Profit and Loss Account for the year ending 31-03-2016

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Purchases	8,25,000	By Sale of goods and	
To Entertainment expenses	75,000	services provided	42,36,000
To Travelling expenses	1,10,000	By Amount withdrawn from	
To Depreciation	2,50,000	revaluation reserves	6,00,000
To Income tax	1,60,000	By Long term capital gain	2,20,000
To Wealth tax	55,000	By Transfer fees	12,000
To Dividend distribution tax	2,54,000	By Bad debts recovered	10,000
To O/s Value added tax	60,000	allowed earlier	
To Provision for unascertained liability	80,000		
To Proposed dividend	50,000		
To Auditor's fees	1,20,000		
To Provision for loss of subsidiary company	95,000		
To Salaries and Wages	19,00,000		
To Sundry expenses	2,50,000		
To Net profit	7,94,000		
	50,78,000		50,78,000

**Additional Information :**

- i) Depreciation under Section 32 is Rs. 1,75,000.
- ii) Customs Duty of 2014-15 paid during the year Rs. 1,25,000 was not included in the account.
- iii) Sundry expenses include an item of Rs. 28,000 paid in bearer cash to a farmer.
- iv) Amount of depreciation on account of revaluation of assets is Rs. 1,00,000.
- v) Out of the O/s amount of value added tax Rs. 25,000 was paid before due date of filing of return of income.
- vi) Unabsorbed loss brought forward Rs. 3,00,000 for income tax purpose and Rs.4,24,000 for accounting purposes.
- vii) Unabsorbed depreciation brought forward is Rs. 2,00,000 for accounting purposes.

Compute :

- a) Total income of the Company.
 - b) Book profit u/s 115 JB.
 - c) Total tax liability and
 - d) Tax credit if any.
9. Discuss the tax holidays and tax benefits available in respect of profits and gains from Industrial undertaking or enterprise engaged in infrastructure development u/s 80-IA.

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10. Answer both Part – A and Part – B :

A) From the following information of KoliJan (P) Limited, compute the gross total income for the assessment year 2016-17. Show the carry forward of losses clearly along with reasons :

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of Assessment year 2009-10	60,000
3	Business loss of Assessment year 2005-06	1,20,000
4	Long-term Capital gains	50,000
5	Current year Business loss	30,000
6	Unabsorbed depreciation of preceding years	90,000
7	Short-term Capital loss	35,000
8	Current year's depreciation	25,000
9	Dividend received from foreign company	30,000
10	Income from House Property	1,70,000
11	Long term capital loss	20,000

B) Explain the tax provisions under relating to scientific research u/s 35 of Income Tax Act, 1961.

11. State the tax provisions for the following :

- Scope of Tax planning
- Principles of direct taxation
- Types of returns.



12. MAK Motors Company limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component :
- 1) If the company decides to make the product itself, then it would need to buy a second hand machine for Rs. 4 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 6 lakh, Rs. 7 lakh, Rs. 8 lakh, Rs. 10 lakh and Rs. 12.50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 50,000 at the beginning of the sixth year.
 - 2) If the company decides to buy the component from a supplier the component would cost Rs. 9 lakh, Rs. 10 lakh, Rs. 11 lakh, Rs. 14 lakh and Rs. 17 lakh respectively for each of the five year. The relevant discounting rate and tax rate 10 percent and tax rate 32.445 percent.

Should MAK Motors Company Limited 'Make' the component or 'Buy' from the market ?
