



**II Semester M.Com. (FA) Degree Examination, June/July 2018
(CBCS)**

Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A

1. Answer **any seven** questions out of ten questions. **Each** question carries **two** marks. **(7×2=14)**
- a) What do you mean by Direct Tax ?
 - b) What is tax planning ?
 - c) Who is deemed assessee ?
 - d) What do you mean by Tax evasion ?
 - e) When a company is said to be resident ?
 - f) Define MAT u/s 115JB.
 - g) What is "Best Judgement Assessment" ?
 - h) What is Tax Holiday ?
 - i) What do you mean by Speculative Transactions ?
 - j) State the provisions of "Section 80GGA".
 - k) State the provisions of Section 35 ABB.

SECTION – B

Answer **any four** questions out of six questions. **Each** question carries **five** marks. **(4×5=20)**

- 2. State briefly tax advantages of amalgamations and mergers.
- 3. What are 'advance rulings' ? State the procedures to get advance rulings.
- 4. Briefly explain provisions relating to setoff and carry forward of losses.



5. Calculate the taxable income of the company from the following information for the assessment year 2017-18.
- Book profit Rs. 25 lakhs for the year 2016-17.
 - Subsidiary company loss for the year 2016-17 Rs. 5.5 lakhs.
 - Brought forward loss Rs. 3.75 lakhs.
 - Speculative business loss for the same year Rs. 5.5 lakhs.
 - Capital loss Rs. 2 lakhs.

6. From the following information compute depreciation allowance allowable to XY and Co., a Chartered Accountants Concern, for the A.Y. 2017-18.

Assets**W.D.V. on 01-04-2016**

	Rs.
a) Computers	1,40,000
b) Typewriters	30,000
c) Furniture and fittings	1,00,000
d) Office building	5,00,000
e) Staff quarters – Area not exceeding 80 sq. meter	15,00,000
f) Purchased a new computer during the P.Y. Rs. 60,000	
g) Sold old office building for Rs. 15,00,000 and purchased a new office building for Rs. 40,00,000 in Dec., 2016.	
h) Purchased books (Annual Publications) for professional purposes Rs. 40,000.	

7. The following are the particulars of income of an assessee for the last four accounting years :

	2013-14	2014-15	2015-16	2016-17
	Rs	Rs.	Rs.	Rs.
Profit or lossess before charging				
Depreciation	40,000	45,000	37,000	70,000
	(Loss)	(Profit)	(Profit)	(Profit)
Depreciation for the year	6,000	12,000	18,000	20,000

Work out the amount to be set-off or carried forward in each of the above four years, appending explanatory notes.



SECTION – C

Answer **any three** questions out of five questions. **Each** question carries **twelve** marks.
(3×12=36)

- 8. Explain the salient features of assessment of joint stock companies.
- 9. Discuss the tax provisions of Section 80 – IA.
- 10. Explain the tax planning provisions relating to make or buy and own or lease under the IT Act.
- 11. R Ltd., manufactures electric pump sets. The company has the option to either make or buy from the market component “M” used in the manufacture of the sets. The following are the details available.

The component will be manufactured on new machine costing Rs. 10,00,000 with a life of 10 years. Material required costs Rs. 4 per kg and wages Rs. 0.60 per hour. The salary of the foreman employed is Rs. 3,000 per month and other variable overheads include Rs. 40,000 for manufacturing 25000 components per year. Material requirement is 25000 kgs and requires 50000 labour hours. The component is available in the market at 8.60 per piece.

Will it be profitable to make or buy the component ?

Does it make any difference if the component can be manufactured on an existing machine ?

- 12. The following is the Profit and Loss A/c of Bharth Co. Ltd. for the year ended 31st March 2016.

Particulars	Rs.	Particulars	Rs.
To salaries, wages	3,00,000	By Domestic Sales	25,00,000
To Rent, Rates	2,00,000	By Export Sales	10,00,000
To Repairs	1,20,000	By Transfer from General	
To Selling Exp.	3,50,000	Reserve	2,00,000
To Depreciation	5,00,000		
To Income Tax	3,60,000		
To Proposed Dividend	2,70,000		
To Net Profit	16,00,000		
	37,00,000		37,00,000



Other Information :

- a) The company has long-term capital gain of Rs. 1,00,000, which is not credited to Profit and Loss A/c.
- b) Foreign exchange remittance Rs. 7,00,000.
- c) Depreciation u/s 32 Rs. 4,50,000.
- d) The company wants to set off the following :

	For Tax Purpose Rs.	For Accounting Purpose Rs.
Brought Forward Loss of 2015-16	5,00,000	4,00,000
Unabsorbed depreciation	2,00,000	2,00,000

You are required to compute :

- a) Book profit as per section 115JB.
- b) Total Income of the company.
- c) Tax liability of the company.

Particulars

Particulars	Rs.	Particulars	Rs.
To Balance Brought Forward	4,00,000	By Balance Brought Forward	4,00,000
To Depreciation	4,50,000	By Depreciation	4,50,000
To Foreign Exchange Remittance	7,00,000	By Foreign Exchange Remittance	7,00,000
To Long Term Capital Gain	1,00,000	By Long Term Capital Gain	1,00,000
To Profit and Loss A/c	37,00,000	By Profit and Loss A/c	37,00,000
Total	13,00,000	Total	13,00,000



PG – 545

**II Semester M.Com. (FA)/MFA Degree Examination, July 2017
(CBCS)**

Paper – 2.3 : CORPORATE TAX 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)**
- Mention the time frame for advance payment of tax for company assessee.
 - What is MAT u/s 115JB ? What's the reason for its introduction ?
 - State the specific managerial decisions relating to make or buy.
 - Differentiate between 'Tax Management' and 'Tax Planning'.
 - State the tax provisions of Section 35ABB.
 - What is Best judgment assessment ? When it is applied ?
 - Distinguish between 'Tax Avoidance' and 'Tax Evasion'.
 - 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)**

- Explain the scope of Tax planning with respect to
 - Amalgamation and Mergers.
 - Discuss the scope of Tax planning.
- What is assessment ? Briefly explain the types of assessment.

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4. Compute tax credit and show its utilization for the various assessment years assuming tax rates applicable are same as of current assessment year for various assessment years given. The information pertaining to Ciplar Company Limited.

Assessment Years	Book profit calculated as per Section 115JB	Total income computed as per Normal provisions of Income Tax Act, 1961
2014-15	20,00,000	25,00,000
2015-16	25,00,000	15,00,000
2016-17	20,00,000	16,00,000
2017-18	1,10,00,000	61,00,000
2018-19	1,15,00,000	95,00,000

5. Discuss the tax provisions under Section 80 IAB.
6. Gananath Limited has given the following information of its incomes and expenses for the financial year 2016-17.
- ✓ 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.
 - ✓ The company incurred the following expenses (donations given).

Donation given to institutions	Amount of donation given in Rs.
• An institution which is recognized u/s 80G	18,000
• Clean Ganga project	60,000
• Furniture's given to a church	30,000
• Indian Olympic Association	30,000
• An institution engaged in promotion of family planning	20,000
• Indira Gandhi Memorial Trust	13,000
• Swacch Bharath kosh	23,000



- National Defense Fund set up by the Central Government 48,000
- National Foundation for Communal Harmony 23,000
- Prime Minister's National Relief fund 35,000
- A notified temple (Rs. 15,000 given in cash) 28,000
- Prime Minister's Drought Relief fund 12,000

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 80G for the Assessment Year 2017-18.

7. P Limited is engaged in selling of mobile phones. The following details are extracted from books of accounts of P Limited. The net profit for the year Rs. 4,50,000. It is calculated by adjusting the following adjustments :

	Rs.
• Amount transferred to general reserve	50,000
• Wealth tax paid	20,000
• Long term capital gain liable for STT u/s 111A	60,000
• Amount withdrawn from revaluation reserve	60,000
• Income tax provision	60,000
• Profit from sick industrial unit	90,000
• Reserve for known liability	32,000
• Depreciation (revaluation depreciation Rs. 58,000)	1,50,000
• Loss of subsidiary company	30,000
• Deferred tax provision	48,000
• Dividend from domestic company	46,000
• Reserve for unknown liability	34,000

Compute book profit and tax liability on book profit for the A.Y. 2017-18.



SECTION – C

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

8. The books of accounts of Macleodes limited reveals the following date. You are required to compute total income as per normal provisions of Income Tax Act, 1961 and tax liability for the A.Y. 2017-18. The book profit calculated u/s 115 JB is Rs. 8,90,000.

Trading and Profit and Loss account for the year ending 31-3-2017

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Purchases	10,50,000	By Sale of goods and	
To Entertainment expenses	24,000	services provided	45,36,000
To Travelling expenses	1,60,000	By Amount withdrawn from	
To Depreciation	2,80,000	revaluation reserves	7,00,000
To Income tax	1,60,000	By Long term capital gain	3,10,000
To Wealth tax	55,000	By Transfer fees	54,000
To Dividend distribution tax	1,76,000		
To O/s Value added tax	60,000		
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	By bad debts recovered	
To Sundry expenses	2,50,000	disallowed earlier	30,000
To Net profit	11,70,000		
	56,30,000		56,30,000

Additional Information :

- i) Depreciation under Section 32 is Rs. 1,75,000.
 - ii) Customs duty of 2014-15 paid during the year Rs. 95,000 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.
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.

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

(7+5)

- A) Coot Company Limited has given the following information for the financial year 2016-17. The company has filed its income on 7-11-2017. The total income of the company is Rs. 15,85,000 which includes long term capital gain of Rs. 4,00,000 and short term capital gain liable for STT is Rs. 62,500. The Company is having balance of Rs. 75,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 44,000. It has Rs. 49,000 balance as tax credit. It has paid advance tax as follows :

Due date Amount of advance tax paid in Rs.

15-6-2015	35,000
13-9-2015	50,000
12-12-2015	58,000
15-3-2016	1,20,000

Compute Interest u/s 234A, 234B and 234C for the Assessment Year 2017-18.

- B) Briefly explain the Types of returns.



11. Answer both Part A and Part B :

(7+5)

A) ZPC Company Limited engaged in manufacture and selling of tube lights. It has acquired and used the following assets during the previous year 2015-16.

Assets	Rate of Depreciation (%)	Date of Acquisition	Date when put into use	Cost of acquisition (in Rs.)
Busses and lorries	100	10-9-2016	2-10-2016	7,00,000
Factory building	10	4-4-2016	1-9-2016	23,00,000
Residential guest house	5	15-5-2016	20-5-2016	12,00,000
<u>Plant and Machinery</u>				
Plant at Mysore	15	4-5-2016	1-8-2016	6,00,000
Equipment used in				
Flour Mills	80	5-5-2016	1-9-2016	12,00,000
Machinery at				
Kannore (second hand)	15	1-9-2016	31-10-2016	6,00,000
Electrical fittings	10	10-2-2017	13-2-2017	5,00,000
Motor car	15	1-2-2017	1-2-2017	3,00,000
Plant at Bengaluru	15	1-2-2017	2-2-2017	8,00,000

Compute the allowable depreciation u/s 32 for the A.Y. 2017-18 and written down value as on 1-4-2017.

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



12. West Coast 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 new machine for Rs. 16 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 24 lakh, Rs. 28 lakh, Rs. 32 lakh, Rs. 40 lakh and Rs. 50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 2 lakh at the beginning of the sixth year.
- 2) If the company decides to buy the component from a supplier the component would cost Rs. 36 lakh, Rs. 40 lakh, Rs. 44 lakh, Rs. 56 lakh and Rs. 68 lakh respectively for each of the five year.

The relevant discounting rate and tax rate 10 percent and tax rate 33.063 percent.

Should West Coast Limited 'Make' the component of 'Buy' from the market ?



PG – 532

II Semester M.Com. (Financial Accounting)/M.F.A. Examination, June 2016
(CBCS)

Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A

1. Answer **any 7** questions out of **ten** questions. **Each** sub-question carries **2** marks : (7×2=14)
- Distinguish between 'Tax avoidance' and 'Tax Evasion'.
 - What is MAT u/s 115JB ? State the reason for its introduction.
 - What are the exceptions to the general rule of previous year ?
 - State the specific managerial decisions relating to 'Own' or 'Lease'.
 - State the tax provisions of section 33ABA.
 - Define Block of assets.
 - What is Best judgment assessment ?
 - What is Tax planning ? State types of tax planning ?
 - Mention the time frame for advance payment of tax for company assessee.
 - State the tax provisions of section 80G of the Income Tax Act, 1961.

SECTION – B

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

- What is assessment ? Briefly explain the types of assessment.
- Discuss the tax provisions under section 80 IE.

P.T.O.



4. Explain the scope of Tax planning with respect to
- Capital structure decisions.
 - Own or lease decisions.
5. 'Bhoruka' Ltd. is engaged in the business of manufacture of computer hardware since 2006. During the previous year 2014-15, the following assets are acquired and put to use.

Particulars	Block – I	Block – II	Block – III
Rate of depreciation	15%	20%	40%
Number of assets in the block	23	18	16
Depreciable value of the block on			
April 1, 2014	16,00,000	50,00,000	10,00,000
Additions of Plant (new) during the previous year 2014-15 :			
Plant M	28,50,000	–	–
Plant N	–	2,00,000	–
Plant O	–	–	8,50,000
Sale of old plants (five plant in each block)	90,000	14,45,000	21,00,000

Plant M, N and O are acquired during August, 2014 and put to use during 30th September, 2014. However, Plant N is put to use in March 2015.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the A.Y. 2015-16.

6. The following details are furnished by Asokaram Company Limited for the previous year 2014-15. Gross Total Income is Rs. 5,10,000 which includes the following.
- Capital gain on sale of long term capital asset Rs. 50,000.
 - Short term capital gain liable for STT u/s 111A is Rs. 75,000.



c) The company is eligible for deduction u/s 80IB at 30% of its income from business Rs. 2,50,000.

Sl. No.	Donation given to the following	Amount in Rs.
01	Prime Minister's National Relief Fund	25,000
02	Indian Olympic Association	36,000
03	An institution engaged in promotion of family planning	13,000
04	Prime Minister's Drought Relief Fund	40,000
05	A notified temple (Rs. 15,000 given in cash)	23,000
06	Indira Gandhi Memorial Trust	30,000
07	An institution which is recognized u/s 80G	15,000
08	National Defense Fund set up by the Central Government	60,000
09	National Foundation for Communal Harmony	10,000
10	Zilla Saksharata Samiti	15,000

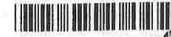
Compute allowable amount of deduction u/s 80G for the Assessment Year 2015-16.

7. MA Company Limited has given the following information for the financial year 2014-15. The company has filed its return of income on 12-12-2015. The total income of the company is Rs. 18,75,000. It has having balance of Rs. 45,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 14,000. It has Rs. 87,000 balance as tax credit.

It has paid advance tax as follows :

Due date	Amount of advance tax paid in Rs.
15-06-2014	70,000
13-09-2014	1,89,000
12-12-2014	1,45,000
15-03-2015	1,20,000

Compute interest u/s 234A, 234B and 234C for the Assessment Year 2015-16.



SECTION – C

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

8. 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.

9. Answer **both Part A and Part B.**

A) From the following information of Pathan Jah (P) Limited, compute the gross total income for the assessment year 2015-16. Show the carry forward of losses clearly along with reasons.

7

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of assessment year 2008-09	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 relating to scientific research u/s 35 of Income Tax Act, 1961.

5

10. State the tax provisions for the following :

- Scope of Tax Planning
- Principles of Direct Taxation
- Types of returns.



11. The following particulars are furnished by Sunrise Company Limited.

Trading and Profit and Loss Account for the year ending 31-03-2015

Particulars	Amount	Particulars	Amount
	(in Rs.)		(in Rs.)
To Opening stock	6,89,000	By Sales	25,00,000
To Purchases	8,95,000	By Dividend from	
To Advertisement expenses	2,35,000	domestic company	30,000
To Travelling expenses	1,05,000	By Miscellaneous incomes	17,500
To Depreciation	3,25,000	By Long term capital gain	2,80,000
To Income tax	1,35,000	By Bad debts recovered	
To Wealth tax	22,500	disallowed earlier	35,000
To Entertainment expenses	52,500	By Amount withdrawn from	
To O/s Service tax	45,000	Contingency reserves	2,75,000
To Provision for unascertained		By Closing stock	4,65,000
liability	90,000		
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	3,00,000		
To Sundry expenses	1,15,000		
To Net profit	2,26,000		
	36,02,500		36,02,500

**Additional Information :**

- i) Value added tax of 2012-13 paid during the year Rs. 1,65,000 was not considered in the above account.
- ii) Sundry expenses include an item of Rs. 25,000 paid in cash.
- iii) Out of the O/s amount of service tax Rs. 15,000 was paid before due date of filing of return of income.
- iv) Brought forward business loss Rs. 1,00,000 for income tax purpose and Rs. 3, and Rs. 50,000 for accounting purposes.
- v) Brought forward unabsorbed depreciation is Rs. 3,00,000 for accounting purposes.
- vi) Value of plant and machinery as on 1-4-2014 was Rs. 50,00,000 and building and furniture Rs. 12,00,000. Rate of depreciation : 15% on Plant and Machinery and 10% of Building and Furniture.
- vii) Opening stock was overvalued by Rs. 34,000 and closing stock was overvalued by Rs. 54,000.

Compute :

- a) Total income b) Book profit u/s 115JB and Total tax liabilities for the A.Y. 2015-16.

12. MAK 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. Additional depreciation is not available.

Should ZMR Limited 'Make' the component or 'Buy' from the market ?

Present value factor @ 10% is :

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



II Semester M.F.A. Degree Examination, June 2015
(CBCS)
Finance and Accounting
Paper – 2.3 : CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all Sections.

SECTION – A

1. Answer **any seven** questions out of ten questions. **Each** question carries **two** marks. **(7x2= 14)**

- a) Define Block of assets.
- b) Write the principles of direct taxation.
- c) Differentiate between 'Tax evasion' and 'Tax avoidance'.
- d) What are the exceptions to the general rule of previous year ?
- e) Define net wealth u/s 2 (m) of Wealth Tax Act, 1957.
- f) How do you treat short term and long term capital gain liable for securities transaction tax (STT) u/s 111A ?
- g) State the applicability and non-applicability of Wealth Tax Act.
- h) Define assessment year and previous year.
- i) State the specific managerial decisions relating to retain of replace.
- j) Give the tax rates applicable for company assessee.

P.T.O.



SECTION - B

Answer **any four** questions out of six questions. **Each** question carries **five** marks.

(4×5 = 20)

2. Discuss the tax provisions under Section 35 of Income Tax Act, 1961.
3. Explain the deemed assets u/s of Wealth Tax Act, 1957.
4. Discuss the tax incentives available under Section 80ID.
5. An industrial undertaking which commences the manufacturing activity w.e.f. 01/08/2014 has acquired the following assets during the previous year 2014-15.

Assets	Date of acquisition	Date when put into use	Cost of acquisition (in Rs.'s)
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Furniture	12-4-2014	1-8-2014	50,00,000
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Plant and Machinery

i. Equipment used in solid waste management	2-5-2014	1-8-2014	4,00,000
ii. Machinery A	13-5-2014	1-8-2014	17,00,000
iii. Machinery B	1-9-2014	31-10-2014	7,00,000
iv. Machinery C (second hand)	1-1-2015	13-1-2015	2,00,000
v. Motor car	1-2-2015	6-2-2015	5,00,000
vi. Air conditioner (installed in office)	1-2-2015	15-3-2015	1,00,000

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



6. ACC Company Limited has let out a premise with effect from 1st October 2014 on monthly rent of Rs. 1,50,000. The lease is valid for 10 years and tenant has undertaken to pay a deposit equivalent to 3 months rent. The tenant has undertaken to pay the Municipal taxes of the premises amounting to Rs. 3,00,000.

What will be the value of the property under Schedule III of the Wealth Tax Act for the assessment to Wealth Tax ?

What are the circumstances under which the Assessing Officer is not required to follow the procedure laid down for evaluation of the house property in Rule 3 of Schedule III of the Wealth Tax Act, 1957 ?

7. Compute Tax payable by Roman Limited for various assessment years from the following details assuming that the rates of tax for the past and future years shall be same as that for the current assessment year.

Assessment Year	Total income as per	Book Profits u/s
	Income Tax Act	115 JB
2014 – 15	2,10,000	7,50,000
2015 – 16	2,70,000	10,00,000
2016 – 17	9,00,000	12,50,000
2017 – 18	1,65,000	6,25,000
2018 – 19	7,50,000	7,50,000

What is Tax Credit ? State its tax provision u/s 115JAA.



SECTION - C

Answer **any three** questions out of five questions. **Each** question carries **twelve** marks. **(3×12=36)**

8. Discuss the following :
- Types of assessment.
 - Assets u/s 2 (ea) of Wealth Tax Act, 1957.
9. Explain the tax provisions regarding set-off and carry forward of losses under the Income Tax Act, 1961.
10. Mr. Mohit Sharma is the owner of a house property which is constructed on leasehold land. He has let out this house property to a tenant for Rs. 15,750 per month. The other terms are as under.
- The tenant will pay half the Municipal taxes and bear the cost of repairs.
 - He will pay Rs. 1,50,000 as advance on which no interest will be paid to him and this amount will be refunded at the time of vacating the house.
 - He will pay Rs. 90,000 as premium for leasing the property for five years.
 - The annual value assessed by the local authority is Rs. 2,70,000 and taxes levied and paid is Rs. 36,000.
 - The tenant spent Rs. 60,000 on the repairs of the house.
 - The different between un built area and specified area is 10% of the aggregate area.
 - He paid Rs. 1,80,000 for the acquisition of the land now the Lessor's value of the land is Rs. 9,00,000. The lessor charges 40 % of the unearned increase on the transfer of the house property. The unexpired period of lease is 60 years.
- Find out the value of the house for wealth tax purpose, if the cost of the building (including land) in 1981 was Rs. 18,00,000.



11. From the following information determine whether assessee should "Purchase the asset or take on lease".

- a) Cost of asset Rs. 10,00,000.
- b) Rate of depreciation 15 %.
- c) Rate of interest 10 %.
- d) Repayment of loan by the assessee Rs. 1,60,000 p.a.
- e) Rate of tax 30.9 %.
- f) Residual value of Rs. 1,60,000 after 5 years.
- g) Profit of the assessee Rs. 10,00,000 before depreciation, interest and tax or before lease rent and tax.
- h) Lease rent Rs. 2,40,000 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 CNR 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	7,69,000	By Sale of goods	
To Purchases	25,95,000	manufactured	35,00,000
To Advertisement expenses	2,65,000	By Interest received on	
To Travelling expenses	1,35,000	fixed deposits	75,000



To Depreciation	8,25,000	By sale of traded goods	12,75,000
To contribution to National Laboratory for Scientific Research	1,75,000	By other business incomes	27,500
To Income Tax	4,75,000	By Long term capital gain liable for Securities Transaction Tax (STT)	1,80,000
To Wealth Tax	1,25,500	By bad debts recovered disallowed earlier	45,000
To Entertainment expenses	52,500	By long term capital gain on sale of building	2,50,000
To O/s Sales Tax	65,000	By amount withdrawn from contingency reserves	9,50,000
To provision for unascertained liability	1,90,000	By Closing stock	9,54,000
To salaries and wages	9,20,000	By income from unit in SEZ	3,15,000
To Auditor's fees	1,30,000		
To provision for loss of subsidiary company	97,500		
To proposed dividend	3,45,000		
To Sundry expenses	1,50,000		
To Net profit	2,57,000		
	75,71,500		75,71,500

Additional Information :

- i) Sundry expenses include an item of Rs. 35,000 paid in cash.
- ii) Customs duty of 2012 – 13 paid during the year Rs. 1,05,000 was not considered in the above account.
- iii) Advertisement expenses include an item of Rs. 45,000 given to a political party.
- iv) Out of the O/s amount of sales tax Rs. 20,000 was paid before due date of filing of return of income.



- v) Brought forward business loss Rs. 8,00,000 for income tax purpose and Rs. 6,50,000 for accounting purposes.
- vi) Brought forward unabsorbed depreciation is Rs. 5,00,000 for accounting purposes.
- vii) Value of Plant and Machinery as on 01-04-2014 was Rs. 90,00,000 and Building Rs. 16,00,000 and Furniture Rs. 6,00,000. Rate of depreciation : 15 % on plant and machinery and 10 % of Building and Furniture.
- viii) Opening stock was overvalued by Rs. 95,000 and closing stock was overvalued by Rs. 1,12,500.

Compute :

- a) Total income.
- b) Book profit u/s 115JB.
- c) Total tax liability for the A.Y. 2015 – 16.

(7+2=14)