Seat No.:	Enrolment No.

# **GUJARAT TECHNOLOGICAL UNIVERSITY**

M.B.A -III<sup>nd</sup> SEMESTER-EXAMINATION – MAY/JUNE- 2012

Subject code: 830201 Date: 31/05/2012

**Subject Name: Corporate Taxation & Financial Planning (CT&FP)** 

Time: 02:30 pm – 05:30 pm Total Marks: 70

## **Instructions:**

1. Attempt all questions.

2. Make suitable assumptions wherever necessary.

3. Figures to the right indicate full marks.

Q.1 (a) XYZ Ltd. An Indian company furnishes following 07 particulars for the Assessment Year 2010-2011 compute Total Income.

Net Profit as per P&L A/c:- Rs.4, 00,000

**Additional Information** 

- 1. Income Tax debited to P&L A/c Rs.6, 000, out of it Rs.1, 200 is excessive.
- 2. During the previous year 2009-2010, the following payments are made not debited to P&L A/c.
  - Rs.7, 000 paid on 5<sup>th</sup> May-2009 on A/c of outstanding custom duty of the previous year 2008-2009.
  - Rs.5, 000 paid on 3<sup>rd</sup> January-2010 on A/c. of outstanding Sales Tax of the previous year 2008-2009.
- 3. Copyright of Rs.30, 000 debited to P&L A/c. was acquired and put to use on 10<sup>th</sup> March-2010.
- 4. Opening stock & Closing stock was respectively Rs.3, 60, 000 & Rs.4, 50, 000 as per books, it was found that it has been consistently valued 10% below cost.
- 5. Goods of Rs.50, 000 purchased by bearer cheque from Y Ltd. debited as purchase in P&L A/c.
- 6. Contribution to a national laboratory for carrying out approved scientific research qualified for weighted deduction U/s.35 (2AA) Rs.1, 06, 000 debited to P&L A/c.
- 7. During the previous year 2009-2010 company pays Rs.10, 00,000 not debited to P&L A/c. as compensation to employees on voluntary retirement under VRS scheme.

**(b)** Find out the Total Income in the cases of X & Y for the assessment year 2010-2011 both are resident retail traders at Ahmedabad.

	X	Y
Sales Turnover	40, 00,000	60, 00,000
Less: Expense		
Cost of Goods Sold	35, 00,000	50, 00,000
Depreciation	20,000	30,000
Other Expenses	<u>3, 80,000</u>	8, 20,000
<b>Business Income</b>	1, 00,000	1, 50,000
Other Income	2, 20,000	2, 30,000
<b>PPF Contribution</b>	40,000	50,000
LIC	-	60,000

Q.2 (a) As on 31-3-2009 the regular workers employed by an 07 industrial undertaking were 120. During the previous year following workers were employed

Causal workman on 5-4-09	10
Workman employed	20
through contract labor	
from 10-5-09	
Workman employed by	
company	
• w.e.f 1-5-09	15
• w.e.f 1-6-09	5
• w.e.f 15-7-09	15
• w.e.f 15-10-09	5

Compute the deduction under section 80JJAA if the salary of each new workman is Rs.2000P.M.

(b) Explain Tax planning, Tax avoidance and Tax evasion with **07** one example of each.

### OR

- (b) State meaning of "Amalgamation" under the Income Tax **07** Act and conditions for a merger to qualify as "Amalgamation" for the purpose of Income Tax Act.
- Q.3 (a) What is regarded as "income" under The Income Tax 07 Act(any seven points)

- **(b)** Find out Gross Total Income of X for assessment year **07** 2010-2011 if he is
  - Resident & ordinary resident
  - Resident & not ordinary resident
  - Non resident

1 (011 100100111	
	Rs.
Interest on USA	60, 000
development bonds(two	
fifth is received in India)	
Income from Agriculture	1, 00,000
in Australia(Activity is	
controlled in Australia)	
Income from business in	50, 000
Uganda(controlled from	
Delhi)	
Pension from a former	30, 000
employer in India received	
in Bangladesh	
Profit on sale of building in	1, 00,000
India but received in Sri	
Lanka	
Gift in foreign currency	80, 000
from a friend received in	
India on 20 <sup>th</sup> January-2010	

#### OR

- Q.3 (a) State any 7 incomes which do not form part of Total 07 Income (Tax free incomes).
  - (b) A company wants to appoint marketing manager Mr. X 07 aged 40 years, it has two options
    - 1. Monthly Salary Rs.30, 000
    - 2. (i) Monthly Salary Rs.15,000
      - (ii) Employers contribution to RPF Rs.1, 800 P.M.
      - (iii) Education allowance for 2 children Rs.200 P.M.
      - (iv) Academic research allowance Rs.2, 000 P.M. (50% use for conducting research)
      - (v) Uniform allowance Rs.3000 P.M.(utilize for purchasing & maintaining uniform for official use)
      - (vi) Rent free house in Delhi company pays rent at Rs.5, 000 P.M.
      - (vii) Medical reimbursement Rs.12, 000 P.A.
      - (viii) Telephone at residence of employee Rs.9000 P.A.
      - (ix) Bonus Rs.15, 000 P.A.

Compute tax liability under both option for Assessment Year 2010-2011 and state which option will be beneficial to X.

gift received by B from his grand father Rs.80,000 and on 14<sup>th</sup> September-2009 gift received by A Rs.60, 000 from X friend and Rs.35, 000 from a relative. Find out the income of Mr. X, Mrs. X, A and B for Assessment Year 2010-2011.

(b) X purchases a property on 1<sup>st</sup> April-1976 for Rs.1, 00,000. He enters into an agreement of the property to A on 1<sup>st</sup> November-1983 and receives Rs.10, 000 in advance. A could not however keep his promise & advance of Rs.10, 000 given by him is forfeited by X. Later on he gifts the property to his friend Y on 15<sup>th</sup> May-1985. The following expenses are incurred by X & Y for renewal of the property.

	Cost Rs.
Addition of two Rooms by X during	25, 000
1978-1979	
Addition of first floor by X during	40,000
1983-1984	
Addition of second floor by Y during	1, 15,000
1990-1991	

Fair Market Value of the property on 1<sup>st</sup> April-1981 is Rs1, 20,000.

Y enters into agreement of sale the property for Rs.8, 50,000 to B on 1<sup>st</sup> April-1993 after receiving an advance of Rs.50, 000. B could not pay the balance within and Y forfeits the advance. Y ultimately finds a buyer C to whom the property is transferred for Rs.10, 75,000 on 1<sup>st</sup>December-2009. Compute the capital gain chargeable to tax in the hands of Y for Assessment Year 2010-2011.

Previous Year	Cost Inflation Index
1981-82	100
1983-84	116
1985-86	133
1990-91	182
2009-10	632

	Rs.
Income from house	2, 50,000
property(computed)	
Business Profit (before	2, 40,000
claiming following	
deduction)	
Current Year depreciation	1,10,000
allowance	
Unabsorbed depreciation	
allowance of previous	
years	15, 000
• 2003-2004	5, 000
• 1993-1994	
Unabsorbed Business	
losses of the previous years	
• 2003-2004	10, 000
• 1993-1994	6, 000
Current Scientific research	1, 05,000
expenditure	

Determine his total income for Assessment 2010-2011

- Q.4 (b) Mr. X aged 45 years has Gross Total Income of Rs.4, 00,000. Compute his total income and tax payable by him for Assessment year 2010-2011 considering below payments, investments or deposits.
  - 1. LIC premium on life of his married daughter Rs.6,000(Sum assured Rs.20, 000)
  - 2. LIC premium on his own life Rs.2, 700(sum assured Rs.60, 000) due on 31<sup>st</sup> march-2010 but paid on 4<sup>th</sup> April-2010.
  - 3. LIC premium on life of dependent sister Rs.9, 000 (sum assured Rs.1, 00,000)
  - 4. LIC premium on life of his Major son Rs.3, 100(sum assured Rs.20, 000)
  - 5. Medical Insurance premium of own & spouse Rs.12, 000.
  - 6. Tuition fee of his son Rs.15,000
  - 7. Repayment of housing loan installment to LIC Rs.10, 000.
- Q.5 (a) State the amendments brought in by the Finance Act 2010 07 for Assessment year 2011-2012 with respect to below provisions
  - 1. Limit of turnover or gross receipts for the purpose of audit of accounts.[Sec.44AB]
  - 2. Limit of turnover for the purpose of presumptive taxation. [Sec.44AD]
  - 3. Normal rates of income tax in case of individual being a resident in India who is of the age 65 years or more at any time during previous year.

07

- (b) A company wants to raise capital of Rs.20, 00,000 for a project where earning before interest and tax shall be 30% of the capital employed. The company can raise debt fund at 11% P.A. Suggest which of the following three alternatives should it opt for
  - A. Rs.20, 00,000 to be raised by equity capital.
  - B. Rs.15, 00,000 by equity and Rs.5, 00,000 by loans.
  - C. Rs.5, 00,000 by equity and Rs.15,00,000 by loans Assume the company shall distribute the entire amount of profit as dividend. Assume effective Tax rate for company at 30.90% and effective dividend Tax rate 16.995%

#### OR

- Q.5 (a) Discuss the implications of Direct Tax code on various 07 Indian Sectors in brief.
  - (b) Decide which one is a better alternative lease or buy in **07** following situation

Tax rate 30.90%

Cost of capital 14%

Depreciation Rate(Income Tax) 15%

Lease Cost Rs.34, 000 P.A for 5 Years(per Rs.1, 00,000)

Present Value of Rs1 discounted at 14% is as follow

Year	1	2	3	4	5
	0.877	0.769	0.675	0.592	0.519

Assume cost of asset Rs.1, 00,000 with salvage value of Rs.1, 000 and there is no capital gain Income Tax liability.

\*\*\*\*\*