Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

M.B.A.- SEMESTER – III • EXAMINATION – WINTER 2012

Subject code: 830201 **Date: 11-01-2012**

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

Time: 10:30 pm – 01:30 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)** How is depreciation computed under Section 32 of Income tax Act? Also state the conditions for claiming the Additional Depreciation under Income tax Act? **07**

(b) Mrs. R an individual and citizen of India earned remuneration in foreign currency from the university in London during her stay in that country in the previous year 2011-12. The remuneration was Rs. 4,00,000 and Rs. 30,000 was deducted at source by University. Other incomes of Mrs. R , in India were Rs. 1,67,000 which includes interest on bank deposits Rs. 55,000. Compute the relief available to her under section 91 assuming that Mrs. R brings Rs. 3,00,000 in India in convertible foreign exchange by 30-9-2011 **07**

Q.2 **(a)** During 2011-12 Shri Rajan gets the following payments **07**

	Date	Principal Rs	Interest Rs	Bonus Rs	Total Rs
National Savings scheme 1987	1-7-2011	30000	5000	-	35000
National Savings scheme 1992	1-5-2011	65000	15000	-	80000
Jeevan Dhara	1-3-2012	10000	-	2000	12000
Ascertain the amount chargeable to tax for assessment year 2012-13 assuming that on transfer of a short term capital asset on 1-4-2011, he gets income of Rs. 600000.					

(b) State the Permissible Deductions available under Section 80C, 80CCC, 80CCD, 80D, 80DD and 80DDB from Gross total income. Comment upon the tax treatment of the above mentioned deductions? **07**

OR

(b) From the following particulars of income of Shri Mayank for the AY 2011-12 and 2012-13, compute his total taxable income. **07**

Sr. No.	Particulars	Rs.
Particulars of the income for the PY ending on 31-3-2011		
1	Profit of cloth business	50000
2	Loss of cosmetic business(before charging the admissible depreciation of Rs. 12500)	67500
3	Income from other sources	5000
Particulars of the income for the PY ending on 31-3-2012		
1	Profit of cloth business	45000
2	Profit of cosmetic business(before charging admissible depreciation of Rs. 11250)	21250
3	Income from other sources	2000

Q.3 **(a)** Explain the Role of Tax Planning while determining the Residential **07**

Status of an Assessee?

(b) Find out whether the following acts are tax planning, tax avoidance, tax evasion or tax management and give reasons for the same. **07**

1. Amit deposits Rs.45000 in P.P.F. account so as to reduce tax payable from Rs. 19000 to Rs.10000.
2. Ajit Industries Ltd. installed an air conditioner costing Rs.60000 at the residence of a director as per terms of his appointment; but treats it as fitted in quality control section in the factory. This is with the objective to treat it as plant for the purpose of computing depreciation.
3. Anil Industries. Ltd. maintains register of tax deduction effected by it to enable timely compliance.
4. Surbhi Ltd. issues a credit note for Rs.36,000 for brokerage payable to Suresh, who is the son of Surjit, managing director of the company. The purpose is to increase his income from Rs.18000 to Rs.54000 and reduce its income correspondingly.

OR

Q.3 **(a)** ABC Ltd. converts its capital asset acquired for an amount of Rs. 50000 in June, 1991 into stock-in-trade in the month of November, 2008. The fair market value of the asset on the date of conversion is 200000. The stock-in-trade was sold for an amount of Rs.350000 in the month of December, 2011. What will be the tax treatment for Assessment year 2012-13? **07**

Financial year	Cost Inflation Index
1991-92	199
2008-09	582
2011-12	785

(b) Explain the various tax incentives available with regards to Nature of business? **07**

Q.4 **(a)** Explain the tax planning implications from view point of Sole Proprietorship, Hindu Undivided Family and Partnership? **07**

(b) An asset costing Rs. 1,00,000 is to be acquired. There are two alternatives available to the entrepreneur. First one is buying the asset by taking a loan of Rs. 1,00,000 repayable in five equal instalments of Rs. 20,000 each along with interest @14% p.a. assuming that lease rentals, processing fees, interest as well as the principal amounts are payable at the year end. The second one is leasing the asset for which annual lease rental is Rs. 30,000 up to five years. The lessor charges 1% as processing fees in the first year. Assume the internal rate of return to be 10% and the present value factor at 10% is: **07**

Years	1	2	3	4	5
PV Factor	0.909	0.826	0.751	0.683	0.621

Suggest which alternative is better in the above case. Assume the tax rate to be 30.9% and rate of depreciation @ 15%.

OR

Q.4 **(a)** A Ltd has offered you a Job in Delhi at a basic salary of Rs. 11,500 per month and an option to choose any one of the following two packages: **07**

Package 1: HRA Rs. 4500 per month (rent to be paid Rs. 4500 per month), Education allowance Rs. 300 per month (for one child), Telephone Allowance Rs. 1000 per month, Medical Allowance Rs. 1500 per month, Conveyance Allowance Rs. 1500 per month (for private user)

Package 2: Company owned unfurnished accommodation and its fair rental value is Rs. 54,000 per annum. Education facility for one child in an institution owned by the employer valued at Rs. 300 per month.

Free telephone facility at residence up to Rs. 1000 per month. Medical reimbursement up to Rs. 18,000 per annum. Motor car facility for private use with expenditure valued at Rs. 18000.

The company also offers you the services of watchman, sweeper, and gardener in both the above packages. The salary of each employee is Rs. 500 per month.

Which package will you choose so that your tax liability is minimum for assessment year 2012-13?

(b) Explain the Factors to be considered while deciding capital structure in context of tax planning? **07**

Q.5 **(a)** The Direct Taxes Code seeks to consolidate and amend the law relating to all direct taxes, namely, income-tax, dividend distribution tax, fringe benefit tax, and wealth-tax so as to establish an economically efficient, effective and equitable direct tax system? Discuss **07**

(b) Explain the tax planning implications with respect to receipt of insurance compensation under Income Tax Act? **07**

OR

Q.5 **(a)** For the assessment year 2012-13, the net agricultural income of an Assessee is Rs. 786000 and the non agricultural income is Rs. 285000. The tax payer contributes Rs. 40000 towards PPF. Find out the tax if the tax payer is (a) X, an individual(age 46 years), (b) Y, a HUF, (c) Z, a firm assessed as such, (d) A Ltd., an Indian company. **07**

(b) State the implications of repairs and renewal or replacement decisions to be undertaken from the view point of tax planning? **07**

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