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III Semester M.Com. Degree Examination, March/April - 2021

COMMERCE**Direct Taxes & Planning**

(CBCS Scheme 2018-19)

Paper : 3.5

Time : 3 Hours

Maximum Marks : 70

Instructions to Candidates:Answer **ALL** the sections.**SECTION - A**

1. Answer any 7 questions. Each question carries 2 marks. (7×2=14)
- Define block of Assets
 - What do you mean by MAT? Why it is introduced?
 - Write the principles of Direct tax
 - Differentiate Foreign Company and Domestic Company
 - What is Additional Depreciation? Write the condition to be satisfied to claim the depreciation.
 - Name any 4 deductions which are eligible for 50% deduction without limit U/s 80G.
 - How do you treat capital expenditure on family planning expenses while calculation of business income?
 - List out the various intangible assets which are eligible for claiming depreciation under normal provisions.
 - What do you mean by set off? Write the order of setoff.
 - Under what circumstances advance tax payment is not applicable?

SECTION - B

Answer any 4 questions. Each question carries 5 marks. (4×5=20)

- Discuss the tax provisions under section 80IB of Income Tax Act, 1961.
- State the provision for set off and carry forward U/s 70, U/s 71 and U/s 71B.
- Write a note on Double Taxation Avoidance Agreements entered into by India with other countries.

[P.T.O.]



5. XYZ limited has is involved in scientific research and has incurred the following expenditures for the financial year 2019-20.

- Contribution made to Bengaluru City University for statistical research Rs. 35,000.
- Salaries paid to employees working in scientific research Rs. 2,80,000
- Water & electricity of the building Rs. 1,40,000.
- Contribution to IIT, Rohtak Rs. 7,80,000
- Construction of building Rs. 5,00,000
- Acquisition of land Rs. 12,45,000.
- Purchase of furniture's Rs. 1,29,000
- Purchase of Plant and Machineries Rs. 3,45,000
- Maintenance of machineries Rs. 29,000
- Contribution to National laboratory Rs. 3,40,000
- Contribution to Approved Research institute Rs. 56,000.

You are required to compute allowable amount of deduction u/s 35 of Income tax act, 1961.

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

- Income tax provision Rs. 30,000.
- Depreciation (revaluation depreciation Rs. 25,000) Rs. 75,000
- Amount transferred to general reserve Rs. 25,000
- Long term capital gain liable for STT u/s 111A Rs. 30,000
- Amount withdrawn from revaluation reserve Rs. 30,000
- Profit from sick industrial unit Rs. 45,000
- Provision for Loss of subsidiary company Rs. 15,000
- Deferred tax provisions Rs. 24,000
- Dividend received from domestic company Rs. 23,000
- Expenditure incurred to collect the above dividend Rs. 5,000
- Reserve for known liability Rs. 16,000

Compute book profit and tax liability on book profit for the AY 2020-21

7. 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 R Company limited.

Assessment Years	Book profit calculated as per section 115 JB	Total income computed as per normal provisions of Income Tax Act, 1961
2017-18	20,00,000	21,00,000
2018-19	1,10,00,000	85,00,000
2019-20	20,00,000	16,00,000
2020-21	25,00,000	61,00,000
2021-22	1,15,00,000	95,00,000



SECTION - C

Answer any 3 questions. Each question carries 12 marks.

(3×12=36)

8. ABC 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 lakhs, Rs. 40 lakhs, Rs. 44 lakhs, Rs. 56 lakh and Rs. 68 lakhs respectively for each of the five year.

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

Year	1	2	3	4	5	6
PV factor @ 10%	0.909	0.826	0.751	0.683	0.621	0.564

Should ABC limited 'Make' the component or 'Buy' from the market?

9. A) Cootra Company limited has given the following information for the financial 2019-20. The company has filed its income on 7/11/20. 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 has 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 data	Amount of advance tax paid in Rs.
15/06/2019	30,000
13/09/2019	60,000
12/12/2019	90,000
15/03/2020	75,000

Compute Interest u/s 234A, 234B and 234C for the Assessment year 2020-21.

- B) Briefly explain the different Types of returns.
10. 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.

[P.T.O.]



11. D company Ltd involved in manufacturing activity and had provided the following information.

Particulars	Amt
Net profits as per P&L accounts	3,80,000
<u>Debits to the P&L accounts are as follows</u>	
Purchase	7,80,000
Salaries & wages	1,20,000
Advt.	10,000
Bad debts	30,000
Provision for bad debts	10,000
Provision for certain liabilities	25,000
Provision for uncertain liabilities	20,000
Income tax	30,000
Contribution to staff welfare fund	10,000
Staff welfare expenditure	10,000
Contribution to National laborator scientific research	15,000
Depn.	40,000
<u>Credits to the P&L accounts are as follows</u>	
Sales	9,00,000
Closing stock	2,00,000
Amt withdrawn from GR	50,000
Amt withdrawn from revaluation reseve	30,000
LTCG	2,00,000
Income from HP	1,00,000
LTCG liable for STT	50,000
Dividend from Domestic company	50,000

Other information :

- Depreciation. As per section 32 is Rs. 40,000
- Service tax of Rs. 40,000 relating to 2018-19 was paid on 10-08-2019
- Rs. 30,000 worth was paid to a supplies in Cash which is included in Purchase
- B/F business loss Rs. 75,000 of 2014-15 and B/F unabsorbed Depn. Rs. 1,00,000 for business purpose.
- B/F business loss Rs. 45,000 of 2014-15 and B/F unabsorbed Depn. Rs. 50,000 for income tax purpose.

Compute :

- Total Income & Tax Liability as per Normal Provision of income tax**
 - Compute Booke profits, tax liability on book Profits.**
12. Explain the scope of Tax planning with respect to
- Amalgamation and Mergers.
 - State the Factors affecting retain or replace decisions.