Seat No.: ________ Enrolment No.______________

GUJARAT TECHNOLOGICAL UNIVERSITY

M.B.A -IIInd 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 particulars for the Assessment Year 2010-2011 compute Total Income. **07**

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 5th May-2009 on A/c of outstanding custom duty of the previous year 2008-2009.
   - Rs.5, 000 paid on 3rd 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 10th 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. **07**

	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	3, 80,000	8, 20,000
Business Income	1, 00,000	1, 50,000
Other Income	2, 20,000	2, 30,000
PPF Contribution	40,000	50,000
LIC	-	60,000

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

Causal workman on 5-4-09	10
Workman employed through contract labor from 10-5-09	20
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 one example of each. **07**

OR

(b) State meaning of "Amalgamation" under the Income Tax Act and conditions for a merger to qualify as "Amalgamation" for the purpose of Income Tax Act. **07**

Q.3 **(a)** What is regarded as "income" under The Income Tax Act(any seven points) **07**

(b) Find out Gross Total Income of X for assessment year 2010-2011 if he is **07**

- Resident & ordinary resident
- Resident & not ordinary resident
- Non resident

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

OR

Q.3 **(a)** State any 7 incomes which do not form part of Total Income (Tax free incomes). **07**

(b) A company wants to appoint marketing manager Mr. X aged 40 years , it has two options **07**

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.

Q.4 **(a)** A & B are minor sons of Mr. X and Mrs. X. Business income of Mr. X is Rs.3, 50,000 and Mrs. X Rs.5, 00,000. Income of A & B from stage acting is Rs.60, 000 and Rs.70, 000 respectively besides interest on company deposits of A & B (deposit was made out of Income from acting) is Rs.30, 000 and Rs.1, 000 respectively. A & B have received following birthday gifts, on 20th May-2009 gift received by B from his grand father Rs.80,000 and on 14th 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. **07**

(b) X purchases a property on 1st April-1976 for Rs.1, 00,000. He enters into an agreement of the property to A on 1st 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 15th May-1985. The following expenses are incurred by X & Y for renewal of the property. **07**

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

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

Y enters into agreement of sale the property for Rs.8, 50,000 to B on 1st 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 1stDecember-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

OR

Q.4 (a) X a business man of Delhi furnishes the following information for the Assessment Year 2010-2011. **07**

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

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. **07**

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 31st march-2010 but paid on 4th 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 for Assessment year 2011-2012 with respect to below provisions **07**

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.

(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 **07**

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 Indian Sectors in brief. **07**

(b) Decide which one is a better alternative lease or buy in following situation **07**

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.

****