

- Q.4 i. What do you mean by Tax incentives to amalgamating company? **3**  
 ii. A Ltd. is a widely-held company. It proposes to increase its production for which it will require Rs. 1,00,00,000. The company proposes the following three alternatives for the structure of the additional capital. **7**

	I	II	III
Share Capital	1,00,00,000	40,00,000	20,00,000
10% Debentures	---	40,00,000	30,00,000
Loan from Financial Institutions (Interest @12%)	---	20,00,000	50,00,000

Expected Return on capital employed in business in 25% (Before Tax). Assume tax rate is 30%.

You have to advise the company as to which alternative it should choose for the capital structure best and why?

- OR iii. Explain the tax planning related to dividend and bonus shares. **7**

- Q.5 i. What do you mean by Shut Down or Continue Decision? **2**  
 ii. A Ltd. wants to acquire an asset costing Rs. 1, 00,000. It has two alternatives available. The first one is buying the asset by taking a loan of Rs. 1,00,000 repayable in 5 equal instalments of Rs. 20,000 each with interest @14% p.a. The second one is leasing the asset for which annual lease rental is Rs. 30,000 upto 5 years. The lessor charges 1% as processing fees in the first year. **8**

Assume the internal rate return to be 10%. The present value factors are:

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

Assume lease rentals, processing fees, loan as well as interest amount are payable at year end. Suggest which alternative is better for the company. Take rate of depreciation @ 15%, tax rate at 33.99%.

- OR iii. Explain the provisions of tax planning with regards to purchase or lease an asset. **8**

- Q.6 Attempt any two:  
 i. What do you mean by Advance Tax? **5**  
 ii. Explain the term 'Tax Deducted at Source' (TDS). **5**  
 iii. Describe about the Avoidance of Double Taxation Agreements. **5**

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Enrollment No.....

**Faculty of Management Studies**  
**End Sem (Even) Examination May-2019**  
**MS5EF12 Corporate Taxation**  
 Programme: MBA Branch/Specialisation: Management/  
 Finance

**Duration: 3 Hrs.**

**Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d.

- Q.1 i. Out of the following, which expenses is not an admissible expense **1**  
 (a) Bad Debts (b) Value Added Tax  
 (c) Income Tax (d) Excise Duty
- ii. For capital gain being long-term capital gain on securities an assessee should retain the asset for a period of **1**  
 (a) 24 months (b) 12 months  
 (c) 36 months (d) More than 36 months
- iii. For how many assessment years unabsorbed depreciation can be carried forward for set off? **1**  
 (a) 5 years (b) 7 years (c) 8 years (d) Unspecified period
- iv. Loss from business or profession can be adjusted or set off from **1**  
 (a) Any other profession income  
 (b) Any other business income  
 (c) Any other head except Salary  
 (d) All of these
- v. For computing the taxable income of assessee interest on capital & dividend on share capital is **1**  
 (a) Deductible  
 (b) Not deductible  
 (c) Only dividend deductible not interest  
 (d) None of these
- vi. When rate of return on investment is more than the rate of interest, the rate of return of equity capital will be **1**  
 (a) Decrease (b) Increase (c) Zero (d) None of these

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- vii. In case of discontinued or closed the brought forward unabsorbed depreciation can be **1**  
 (a) Set-off against income from business or profession  
 (b) Income under any other head  
 (c) Carry forward & set-off for indefinite period  
 (d) All of these
- viii Which fact is not true regarding management decisions of illegal speculation loss **1**  
 (a) Cannot set-off against income from any lawful speculation  
 (b) Can be carry forward up to next eight subsequent years  
 (c) Illegal business dies with all its losses in the same year  
 (d) Cannot be carried forward in the subsequent year
- ix. The prescribed rate for deducting tax at source from winning from horse race is **1**  
 (a) 10% (b) 30% (c) 5% (d) None of these
- x. The advance tax shall be payable during a financial year is **1**  
 (a) Rs. 20,000 or more (b) Rs. 5,000 or more  
 (c) Rs. 10,000 or more (d) None of these
- Q.2 i. What is Long-term Capital Gain? Explain the Computation of Long-term Capital Gain. **4**
- ii. Determine the Income from House Property in the following cases: **6**
- |                      | A        | B         |
|----------------------|----------|-----------|
| Municipal Value      | 1,00,000 | 1, 00,000 |
| Fair Rent            | 1,20,000 | 1,20,000  |
| Standard Rent        | 90,000   | 1,40,000  |
| Actual Rent received | 1,32,000 | 96,000    |
- 
- |  | Municipal Tax 10% of Municipal Valuation | Paid by Owner | Paid by Tenant |
|--|--|---------------|----------------|
|  |  |               |                |
- OR iii. Compute the Taxable Income of Business of Prakash Ltd. for the previous year 2017-18 from the following Profit & Loss and additional information's: **6**

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Profit & Loss A/c  
For the year ended 31<sup>st</sup> March 2018

**6**

Particulars	Amount	Particulars	Amount
To Salaries	1,00,000	By Gross Profit	5,00,000
To Office Rent	10,000	By Interest on Securities	10,000
To Insurance for Office	10,000	By Short Term Capital Gain	15,000
To Postage & Stationery	10,000		
To General Charges	20,000		
To Reserve for Depreciation	25,000		
To Provision for Income Tax	2,00,000		
To Net Profit	1,50,000		
	5,25,000		5,25,000

Additional Information's:

- (a) The general charges include Rs. 5,000 for advertising, Rs. 1,000 for Charitable Donation, Rs. 3,000 paid for personal travelling expenses.
- (b) The amount of Depreciation is allowed as per Income Tax only Rs.15, 000.

- Q.3 i. The Book Profits of a company in previous year 2017-18 computed in accordance with Section 115JB of the Income Tax is Rs. 12, 00,000. Its total income under the Income Tax Act for the same period is computed at Rs. 3,50,000. **4**  
 Normal rate of tax as per Income Tax is 25% and MAT rate is 18.5%. Education Cess is 3% in both. How much has to be paid and what is Tax Credit to be carry forward?
- ii. Explain the rules of Set off and Carry forward of Losses. **6**
- OR iii. How the book profit is calculated for Minimum Alternative Tax? **6**

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**Marking Scheme**  
**MS5EF12 Corporate Taxation**

- Q.1 i. Out of the following, which expenses is not an admissible expense **1**  
(c) Income Tax
- ii. For capital gain being long-term capital gain on securities an assessee should retain the asset for a period of **1**  
(d) More than 36 months
- iii. For how many assessment years unabsorbed depreciation can be carried forward for set off? **1**  
(d) Unspecified period
- iv. Loss from business or profession can be adjusted or set off from **1**  
(d) All of these
- v. For computing the taxable income of assessee interest on capital & dividend on share capital is **1**  
(b) Not deductible
- vi. When rate of return on investment is more than the rate of interest, the rate of return of equity capital will be **1**  
(b) Increase
- vii. In case of discontinued or closed the brought forward unabsorbed depreciation can be **1**  
(d) All of these
- viii Which fact is not true regarding management decisions of illegal speculation loss **1**  
(b) Can be carry forward up to next eight subsequent years
- ix. The prescribed rate for deducting tax at source from winning from horse race is **1**  
(b) 30%
- x. The advance tax shall be payable during a financial year is **1**  
(c) Rs. 10,000 or more

- Q.2 i. Meaning of Long-term Capital Gain 1 mark **4**  
Computation of Long-term Capital Gain. 3 marks
- ii. Determine the Income from House Property in the following cases: **6**  
For A house income 3 marks  
For B house income 3 marks
- OR iii. Compute the Taxable Income of Business of Prakash Ltd. **6**  
Proportionate marking

- Q.3 i. Tax as per Normal rate of Income tax 2 marks **4**  
Tax as per MAT 2 marks
- ii. Rules of Set off and Carry forward of Losses. **6**
- OR iii. How the book profit is calculated for Minimum Alternative Tax **6**  
Proportionate marking
- Q.4 i. Tax incentives to amalgamating company **3**  
ii. 2 marks for each alternatives (2 marks \* 3) 6 marks **7**  
Correct answer 1 mark
- OR iii. Tax planning related to dividend 3.5 marks **7**  
Tax planning related to bonus shares. 3.5 marks
- Q.5 i. Meaning of Shut Down or Continue Decision **2**  
ii. Buy option 4 marks **8**  
Lease option 4 marks
- OR iii. provisions of tax planning with regards to purchase or lease an asset. **8**  
Proportionate marking
- Q.6 Attempt any two:  
i. Meaning of Advance Tax **5**  
ii. Tax Deducted at Source (TDS). **5**  
Proportionate marking  
iii. Avoidance of Double Taxation Agreements. **5**  
Proportionate marking

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