



End Term (Even) Semester Examination May-June 2025

Roll no.....

Name of the Program and semester: MBA II
Name of the Course: Financial and Tax Planning
Course Code: MBA 205 FN1

Time: 3 hour

Maximum Marks: 100

Note:

- (i) This question paper contains two Sections-Section A and B
- (ii) Both Sections are compulsory
- (iii) Answer any two sub questions from a, b & c in each main question of Section A. Each sub question carries 10 marks.
- (iv) Section B, consisting of a case study, is compulsory. It is of 20 Marks.

Section A

- Q1. (2X10=20 Marks)
- a. Explain the concept of tax planning and distinguish it from tax avoidance and tax evasion. (CO1)
- b. Why is tax planning considered a legitimate and essential activity for businesses? (CO1)
- c. "A well-managed tax planning leads to financial efficiency in the economy." In this context, explain with suitable examples how effective tax planning can lead to financial efficiency. (CO2)
- Q2. (2X10=20 Marks)
- (a) A domestic company is considering a joint venture with a foreign entity. Explain the tax planning considerations the company must take into account. (CO2)
- (b) Discuss the provisions under Double-Taxation-Avoidance Agreements (DTAA) relevant to such foreign collaborations. (CO2)
- (c) A firm is planning to shut down its operations in an Export Oriented Unit (EOU). Analyze the tax implications of this decision and suggest ways to minimize tax liability. (CO5)
- Q3. (2X10=20 Marks)
- (a) Design a tax planning strategy for a business looking to set up operations in an FTZ (Free Trade Zone) or EPZ (Export Processing Zone). Consider startup benefits, exemptions, and export-related deductions. (CO5)
- (b) Do you think the Indian tax laws provide sufficient clarity to differentiate tax planning from tax avoidance? Justify your opinion with examples and legal references. (CO1)
- (c) Critically evaluate whether short-term tax benefits should override long-term operational efficiency while making capital investment decisions. (CO2)
- Q4. (2X10=20 Marks)
- (a) ABC Ltd. is evaluating whether to manufacture a component in-house or outsource it. Analyze the tax-related factors that should influence the "Make or Buy" decision. Create a comparative table using



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hypothetical data to justify the preferred option. (CO2)

- (b) With reference to dividend policy and capital structure decisions analyze how retained earnings and bonus share issues affect the company's tax liability. (CO3)
- (c) Evaluate the implications of choosing debt over equity from a tax planning perspective. (CO3)

Section B

Q5. Case Study

(20 Marks)

NovaTech Pvt. Ltd., an Indian manufacturing firm, has been expanding rapidly in the domestic market. The company is now considering three strategic moves to optimize its tax outgo and enhance profitability:
Dividend and Capital Structure Review: NovaTech has traditionally followed a conservative dividend policy. However, shareholders have demanded higher payouts. Simultaneously, the CFO is evaluating a plan to raise ₹50 crores for expansion through either equity or long-term debt.

Foreign Joint Venture: The company is in talks with TechnoGlobal Inc., a U.S.-based firm, to enter into a joint venture for developing green energy components. The joint venture will operate in India and export 70% of its production. The management is also concerned about double taxation and repatriation of profits.

Location-Based Incentives: NovaTech has shortlisted two sites for its new manufacturing unit:

Site A: Located in an FTZ with tax incentives and export subsidies.

Site B: In a metro city with no tax incentives but better logistics and skilled manpower.

The board has asked the finance team to perform a detailed tax planning analysis before finalizing decisions.

Q5a. Analyze how NovaTech's decision regarding dividend payout and choice between debt and equity financing will affect its overall tax liability and shareholder value. What trade-offs should the management consider? (CO2 & CO3) 10 Marks

Q5b. Evaluate the tax planning implications of entering a foreign joint venture with TechnoGlobal Inc. and setting up the unit in an FTZ. How can NovaTech structure the joint venture and location decision to optimize tax efficiency without compromising operational effectiveness? (CO4 & CO5) 10 Marks