

M.Com. 3rd Semester Examination, 2010

CORPORATE DIRECT TAXES

PAPER—CM-2102

Full Marks : 50

Time : 2 hours

The figures in the right-hand margin indicate marks

Candidates are required to give their answers in their own words as far as practicable

Illustrate the answers wherever necessary

UNIT – I

[Marks : 20]

1. Answer any *two* of the following : 5 x 2
- (a) State with reasons whether tax avoidance and tax planning mean the same thing or not.

(Turn Over)

(b) Mr. Asish Mukherjee, a resident individual and aged 35 years gives the details of his earnings and expenses/investment for the previous year 2009-2010.

	Rs.
Salaries	7,75,000
Investment in PPF	20,000
Deposit in a 3 year post office term deposit	25,000

Details of expenses incurred for the treatment of his dependent mother (a resident individual), aged 78 years is given below :

- (i) Treatment of a specified disease :
Rs. 50,000. The employer of the assessee reimbursed Rs. 10,000 to him on account of the treatment.
- (ii) Treatment of a non-specified disease :
Rs. 25,000 for which the insurance company reimbursed Rs. 12,000 to the assessee.

You are required to compute the income tax liability of Mr. Mukherjee for the assessment year 2010-2011.

(c) Mr. Bablu Das gives details relating to his transactions in securities during the previous year 2009-10 :

Company/ Mutual fund	No. of shares/ units	Date of purchase	Purchase rate (Rs.)	Sale date	Rate (Rs.)	Quantity	Record date	Dividend rate
A. Ltd.	125	15.04.09	100	20.12.09	85	125	20.06.09	10%
B. Ltd.	25	10.07.09	600	25.09.09	400	25	15.09.09	20%
C. Ltd.	60	06.06.09	50	19.09.09	35	60	21.08.09	NIL
Attrac- tive Sectoral Fund	1500	10.06.09	45	20.03.10	38	1500	15.08.09	5%

The face value of the shares and the mutual fund unit is Rs. 10. He also mentions that during the year he has earned a long-term capital gain of Rs. 88,000 on sale of gold.

You are required to calculate the income under the head capital gains for the assessment year 2010-2011.

(d) ABC Ltd., located in a Software Technology Park is in the business of manufacture of computer software. The details of its business is given below :

Profit during the previous year 2009-10 is Rs. 10,00,000.

Total sales (including domestic sales of Rs. 15,00,000) 55,00,000

The details with regard to receipts of export sale proceeds in India is given below :

% of export sales	Time of receipt of foreign currency
30	During the previous year
50	By 30.09.10
10	Within the extended period (31.10.10)
5	On 15.11.10

The balance 5% of the export sales turned out to be bad.

(5)

It is also mentioned that the sale price in respect of the exports included the following :

Freight	Rs. 25,000
Telecommunication charges	Rs. 45,000
Insurance	Rs. 50,000

You are required to compute the deduction U/S 10A for the assessment year 2010-11.

2. Answer any *one* of the following : 10 x 1

- (a) (i) A non-speculative business was discontinued on 4th October, 1998. The books of accounts showed an unabsorbed business loss of Rs. 2,50,000 which comprised of Rs. 25,000 pertaining to the previous year 1996-97, Rs. 1,65,000 relating to the previous year 1997-98 and Rs. 60000 relating to the period commencing on 01.04.1998 to 04.10.1998. On 20th September, 2009, there was a recovery of bad debt of Rs. 1,08,500 U/S 41(4) which was earlier allowed as bad debt in 1996-97. You are required to apply provisions relating to set-off and carry forward to determine the business income for the assessment year 2010-11.

(ii) What do you understand by a company in which the public are substantially interested U/S 2(18) ?

4 + 6

(b) ABC Ltd., a resident Indian company manufactures toys. The following information is given for the previous year 2009-10 :

	<u>Rs.</u>
Sale proceeds	25,00,000
Amount credited to the profit and loss account by debiting the general reserve	1,20,000
Amount credited to the P/L A/c by debiting the revaluation reserve	<u>90,000</u>
Total	<u>27,10,000</u>
<u>Less :</u>	
Salaries and wages	7,00,000
Provision for losses of its subsidiary, D Ltd.	1,00,000
Proposed dividend	25,000
Depreciation -	
Normal	45,000
Due to revaluation	52,500

(7)

	<u>Rs.</u>
Income tax	22,700
Wealth tax	15,000
Penalty from customs authorities	18,750
Outstanding customs duty	11,300
Consultancy fees	2,00,000
Total	<u>11,90,250</u>
Net ptofit	<u>15,19,750</u>

The additional information are as follows :

Depreciation allowable U/S 32 is Rs. 50,000
Unabsorbed capital expenditure relating to
assessment year 2005-06 is Rs. 45,000

The company wants to set-off the following
losses/allowances :

	For tax purposes	For accounting purpose
	Rs.	Rs.
Brought forward business loss of 2000-01	7,58,900	2,58,000
Unabsorbed depreciation	25,000	55,500

There is a long-term capital gain of Rs. 40,000 during the year. The general reserve was created in the year 2002-03 by not debiting the P/LA/c. You are required to determine the income tax liability of the company for the assessment year 2010-2011.

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UNIT – II

[Marks : 20]

3. Answer any *two* of the following: 5 x 2

(a) Explain the concept of revised return. 5

(b) Mrs. Sabita Gupta, aged 30 years, gives the following information to you relating to her tax, interest and prepaid taxes :

	<u>Rs.</u>	<u>Rs.</u>
Tax liability		95,800
Interest :		
U/S 234A	1,500	
U/S 234B	2,700	
U/S 234C	<u>1,800</u>	6,000
Prepaid taxes :		
Advance taxes	78,000	
Tax deducted at source	<u>2,500</u>	80,500

Determine the amount of self-assessment tax to be paid by the assessee. If the amount paid by her is less than the amount due, what will be the consequences? 2 + 3

- (c) XYZ Ltd. estimated its income for the year 2009-10 to be Rs. 5,60,000. However, after payment of the first instalment, due to a sudden increase in demand it revised its initial estimate and increased it by Rs. 75,000 in the month of August. In January 2010, there was a major fire accident in its premises and due to substantial loss, it again revised its estimated income. The income was projected to be Rs. 4,95,000 for the year.

On the basis of the given information, you are required to calculate the instalments of advance tax. Show necessary calculations. 5

- (d) Abraham Ltd. wants to purchase a machinery costing Rs. 2,50,000, the depreciation rate on which during the five-year life will be at the rate of 20% on straight line basis.

It has two options :

- (i) Use 100% own funds to purchase the machine
or
- (ii) Purchase it on the basis of a lease agreement
having the following terms :
 - Lease rentals will be Rs. 60,000 for each
of the five years.
 - Management fee of Rs.1000 will be
incurred at the time of commencement
of the lease.

Additional information :

The cost of capital of the company is 11%.

By making necessary calculations, you are asked
to recommend the better option. (Make necessary
assumptions, wherever necessary).

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4. Answer any *one* of the following : 10 x 1

- (a) (i) Mr. Khuswant Pyarelal, aged 45 years, is
employed in Smart Ltd. as a manager. His
annual salary income for the previous year

2009-10 is estimated to be Rs. 7,70,000. He has informed the finance department the following :

Bank interest	Rs. 10,000
Loss from let-out house property	Rs. 25,000

The amount of tax deducted at source is as follows :

From rent	Rs. 12,000
From securities :	Rs. 3,500
From lottery winnings :	Rs. 15,000 (at the rate of 30%)

His proposed investment plan is as follows :

U/S 80C Rs. 45,000

Contribution to National Defence Fund
U/S 80G Rs. 20,000.

However, from different sources the finance department has come to gather the following information (which have not been declared to the finance section of the company):

His income from let-out house property is Rs. 20,000 and he has earned a long-term capital gain of Rs. 35,000 (not from sale of shares) in April, 2009.

You are required to calculate the amount to tax to be deducted by the employer of Mr. Pyarelal during the previous year 2009-10.

(ii) Write a short note on return of loss. 7 + 3

(b) X Ltd., an Indian company filed its return on 15th January, 2011 for the assessment year 2010-11. Before filing the return, he makes a payment of Rs. 79,450 under section 140A, the calculation of which is given below :

Tax on income declared of Rs. 5,00,000		1,54,500
<i>Less :</i>		
Advance tax paid	45,000	
Tax deducted at source	<u>15,000</u>	
		60,000
		<u>94,500</u>
<i>Add : Interest</i>		
U/S 234A	3,780	
U/S 234B	9,450	
U/S 234C(Correctly computed)	<u>1,800</u>	
		15,030
		<u>1,09,530</u>
	Total	<u>1,09,530</u>

Assessment is completed on 10th May, 2011 under section 143(3) and the income is determined to be Rs. 5,90,000.

You are required to determine the amount still payable to the income tax department.

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[Internal Assessment : 10 Marks]
