

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2022
(Regular/Improvement/Supplementary)

COMMERCE
FMCM4C15 - INCOME TAX LAW, PRACTICE AND TAX PLANNING II

Time: 3 Hours

Maximum Weightage: 30

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Explain the term “Book Profit”, in relation to the Assessment of Firms.
2. Mention the exempted incomes u/s 11 of trust wholly charitable.
3. Define the term “Trust”.
4. What is an Anonymous Donation?
5. State the objectives of Tax planning.
6. Comment on the concept, Dividend Distribution Tax.
7. What do you mean by “Minimum Alternative Tax”?

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. ABC Ltd. an Indian company furnished the following particulars of its income for the previous year ended 31st March 2020. Compute its total income for the assessment year 2020-21.

1. Business income	4,25,000
2. Dividends from a domestic company	20,000
3. Dividend from a foreign company	15,000
4. Short term capital gain	25,000
5. LTCG	70,000

Additional information:

The following amounts have been deducted to arrive at the business income.

- a) Rs. 5,000 revenue expenditure and Rs. 20,000 capital expenditure for the family planning programme among employees.

(P.T.O.)

b) Donation to B.R Ambedkar University, Agra Rs. 30,000 by cheque, Vedmata Trust, Haridwar (an approved trust u/s 80G) Rs. 75,000 by cheque and Rajiv Gandhi Foundation Rs. 5,000 by cheque.

9. A, B and C are partners of a firm with equal shares. The Profit and Loss Account for the year ended 31-03-2021 shows a net profit of Rs. 99,750 after debiting the following as per deed:

1. Salaries of Rs. 20,000 and 15,000 to A and B respectively.
2. Bonus to C Rs. 15,000.
3. Rs. 5,000 for interest on capital to A calculated @20%.
4. Rs. 10,000 for rent of the business premises paid to B.
5. Commission of Rs. 5,000 to C.

Compute book profit and the total income of the Firm for the assessment year 2021-22 assuming that it is a professional firm and all are working partners.

10. From the following information compute the tax payable by an AOP and its members A, B and C who share profits of AOP equally for the assessment year 2021-22.

1. Income of AOP	9,00,000
2. Personal income of members	
a. Mr. A	2,20,000
b. Mr. B	2,30,000
c. Mr. C	2,40,000

11. A college cooperative society has the following income during the year 2020-21.

1. Income from college canteen	10,000
2. Income from general merchandise business	43,000
3. Income from credit facilities given to members	8,000
4. Interest on government securities	10,000
5. Taxable income from house property	6,000
6. Dividends on share held in another cooperative society	5,000

Determine the total income and tax liability of the society for the assessment years 2021-22.

12. Identify various tax incentives offered towards exporters.
13. Explain tax planning provisions in respect of repair or replace.
14. Mention various deductions u/s 80P.

(4 × 3 = 12 weightage)

Part C: Answer any two questions. Each carries five weightage.

15. Elucidate the tax planning options related to Special Economic Zone, Export Processing Zone and Export oriented Units.

16. X Co. Ltd. has provided the following information for the year ended 31-03-2021.

1. Total income computed as per provisions of the income tax Act	21,00,000
2. Profit as per statement of Profit or Loss	50,00,000
3. (A) items deducted in statement of Profit and Loss:	
a. Provision for income tax	6,50,000
b. Dividend distribution tax	40,000
c. Provision for deferred tax	60,000
d. Provision for gratuity on actuarial valuation	1,50,000
e. Dividend declared	2,50,000
f. Expenditure to earn agriculture income	1,00,000
g. Depreciation	4,50,000
(This includes depreciation of Rs. 2,00,000 on revaluation of assets)	

(B) Items added to statement of Profit and Loss

a. Transfer from special reserve	2,00,000
b. Agriculture income	4,00,000
4. Brought forward business loss as per books of account	8,00,000
5. Brought forward depreciation as per books of account	7,00,000

You are required to compute:

- a. Tax payable by the company
- b. Tax credit to be carried forward, if any.

17. A, B and C are partners in a firm, sharing profits and losses in the proportions of 2:2:1 respectively. The profit and loss Account for the year ended 31-03-2021 is as follows.

To Sundry trade expenses	1,01,800	By gross profit b/d	4,90,000
To Interest on capital@15%		" Interest on securities	10,000
A 15,000			
B 15,000			
C 15,000	45,000		
To Rent to B	30,000		
To Salary to B	72,000		
To Commission to C	36,000		
To Net profit	2,15,000		
	5,00,000		5,00,000

(P.T.O.)

Compute:

- a. The total income of the firm. The firm fulfills the conditions of section 184
- b. Taxable income of the three partners in the firm. B and C are working partners.

18. Companies A, B and C raised capital in three alternative ways.

	A	B	C
Capital	4,00,000	3,20,000	80,000
Loans		80,000	3,20,000
Total investment done	4,00,000	4,00,000	4,00,000

Further information:

1. Interest rate on loan is 10 %
2. Rate of return 25%, 10%, 8%
3. Rate of tax 30%.

Explain which company's capital structure is best with reasons.

(2 × 5 = 10 weightage)