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 **M-6375**

Sl.No.

Total No. of Pages : 4

IV Semester M.B.A. Examination, May- 2019

(Scheme :2011)

**BUSINESS ADMINISTRATION
Corporate Taxation (Elective FM-7)**

Time : 3 Hours

Max. Marks : 75

Section-A

Answer all questions, each question carries 6 marks.

[5 × 6 = 30]

1. Income of a previous year is chargeable to tax in the immediately following assessment year. Is there any exception to this rule?
2. Discuss whether the following persons are "assessee" under section 2(7)-
 - i) Taxable income of 'X' is Rs.3,50,000 for the assessment year 2019-20. He does not file his return of Income. Tax on Rs.3,50,000 is not paid by him. Income-tax department has not taken any action against 'X' to recover unpaid tax.
 - ii) Income of 'Y' is Rs.2,50,000. Since exemption limit is Rs.2,50,000, no tax is due. He does not submit his return of income. However, the Assessing officer has issued a notice requiring 'Y' to submit his return of income. 'Y' has not submitted his return of income in response to the notice.
 - iii) Income of Z is not more than the exemption limit. He has paid salary to his employees. Tax is deductible but 'Z' has not deducted tax at source.
3. What is Minimum Alternative Tax and Dividend Distribution Tax applicable to the Companies under the provision of the Income Tax Act, 1961
4. Explain the provisions of the Income Tax Act, 1961 in relation to 'capital asset' for the purposes of computation of income under capital gains.
5. How is the income from business / profession computed under presumptive basis under section 44AD, 44ADA and 44AE of the Income Tax Act, 1961.

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Section- B

Answer any three questions, each question carries 10 marks. [3×10=30]

6. X Ltd. Owns the following assets on April 1st 2018.

| Assets | Actual Cost Rs. | Written down Value on April 1.2018Rs. | Rate of Depreciation (Per cent) |
|----------|--------------------|--|---------------------------------------|
| Building | | | |
| A | 30,00,000 | 13,50,000 | 10 |
| B | 6,00,000 | 2,25,000 | 10 |
| C | 8,00,000 | 40,000 | 5 |
| Plant | | | |
| A | 1,70,000 | 45,100 | 15 |
| B | 3,10,000 | 68,000 | 15 |
| C | 30,000 | 7,000 | 40 |
| D | 50,000 | 31,000 | 40 |

The Company acquires the following assets after April 1st 2018:

| Assets | Cost Rs. | Date of acquisition | Data when the asset is put to use | Rate of depreciation (per cent) |
|------------|-------------|---------------------|--------------------------------------|---------------------------------------|
| Building D | 6,00,000 | May 28.2018 | June 1.2018 | 10 |
| Building E | 4,00,000 | June 08.2018 | June 8.2018 | 5 |
| Plant E | 4,90,000 | August 12.2018 | September 01.2018 | 15 |
| Plant F | 2,10,000 | September 18.2018 | September 19.2018 | 15 |
| Plant G | 1,50,000 | September 19.2018 | October 30.2018 | 40 |
| Building F | 2,00,000 | May 10.2018 | May 10.2018 | 10 |
| Plant H | 1,30,500 | June 05.2018 | July 06.2018 | 15 |

The Company sells the following assets after April 1st 2018:

| Assets | Date of Sale | Sale consideration Rs. |
|------------|------------------|------------------------|
| Building A | May 11.2018 | 13,00,000 |
| Plant B | May 16.2018 | 20,000 |
| Plant D | December 18.2018 | 2,15,000 |
| Plant C | December 08.2018 | 32,000 |

Determine the amount of depreciation for the assessment year 2019-20 on the assumption that additional depreciation is not available.

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7. Determine the amount of disallowance in the cases given below:
- Generally X pays salary to his employees by account payee cheques. Salary of December 2018 is, however, paid to three employees A, B & C by bearer cheques (payment being Rs. 6,000, Rs. 10,000 & Rs. 10,500 respectively).
 - X Ltd. Purchases goods on credit from Y Ltd. On May 6, 2018 for Rs. 86,000 which is paid as follows:
 - Rs. 5,000 in cash on May 11, 2018;
 - Rs. 30,000 by a bearer cheque on May 31, 2018;
 - Rs. 51,000 by an account payee cheque on May 16, 2018.
 - Z Ltd. purchases goods on credit from A Ltd. On May 10, 2018 for Rs. 6,000 & on May 30, 2018 for Rs. 5,000. The total payment of Rs. 11,000 is made by a crossed cheque on June 1, 2018.
 - A Ltd. Purchases goods on credit from a relative of a director on June 20, 2018 for Rs. 50,000 (market value Rs. 42,000). The amount is paid in cash on June 25, 2018.
 - B Ltd. Purchases raw material on credit from A who holds 20% equity share capital in B Ltd. (the amount of bill being Rs. 36,000, Market price being Rs. 9,000). It is paid in cash on July 26, 2018.
8. Explain the provisions relating to
- | | |
|----------------------|--------------------|
| i) Voluntary return. | ii) Revised return |
| iii) Belated return. | iv) Loss return. |
| v) Defective return. | |
9. What are the provisions framed under the Income Tax law in relation to set off and carry forward of loss including unabsorbed depreciation.
10. X (43 years) purchased a house property on July 17, 1999 for Rs. 45,000 (in addition he paid stamp duty at the rate of 12% on stamp duty value of Rs. 50,000). Fair market value of the property on April 1, 2001 is Rs. 48,000. X incurred the following expenses-
- Construction of a room on the ground floor during 1999-00 Rs. 30,000/-
 - Renewals / reconstruction in 2017-18 Rs. 40,000/-
- The property is transferred on April 6, 2018 for Rs. 94,00,000/- (stamp duty value is Rs. 99,00,000/- on which the purchaser has paid stamp duty at the rate of 9 percent). X made the following investments :
- On April 1, 2018, X purchased Rs. 10,00,000 NHAI bonds for availing of exemption under section 54EC.
 - On March 31, 2018, X purchased a residential house property in Pune for Rs. 13,00,000/-. In addition he paid stamp duty at the rate of 6 percent on stamp duty value of Rs. 15,00,000/-
 - On June 30, 2018, X constructed first floor in Pune property by spending Rs. 2,70,000/-

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- d) On October 8, 2018, X purchased Rs. 8,00,000 REC bonds for availing of exemption under section 54EC.
Find out the capital gain subject to capital gain tax for the assessment year 2019-20
[CII 2001-02: 100; 2017-18 : 272; 2018-19 : 280]

Section - C

11. Case study (Compulsory): **{1 × 15 = 15}**

A B C Ltd. is engaged in the manufacture and sale of textiles. Its net profit for the year ending 31.03.2019 after debit /credit of the following items to the Profit and Loss Account was Rs. 1,50,00,000:

- a) Payment to two employees of Rs 5,00,000 each in connection with their voluntary retirement.
- b) Salary paid to employees includes payment of Rs. 50,000/- paid in Cash to one of its employees.
- c) The company has contributed to a national laboratory Rs. 1,00,000/- towards scientific research in relation to its business.
- d) Wealth tax paid of earlier years Rs. 2,00,000.
- e) Charges of Rs. 4,00,000 paid for advertisement in Souvenir published by a Political Party registered with the Election Commission of India.
- f) Retrenchment compensation paid to employees of one of the units closed down during the year Rs. 20,00,000.
- g) Capital Expenditure incurred for the purpose of promoting Family Planning amongst its employees Rs. 6,00,000.
- h) Interest paid under section 234B for short payment of advance tax pertaining to the Assessment Year 2018-19 Rs. 2,20,000.
- i) Loss incurred in transactions of purchase and sale of shares of various companies Rs. 6,00,000.
- j) Compensation received from supplier for delay in supply of raw materials Rs. 2,00,000. <https://www.uomononline.com>
- k) Dividend received from a foreign company Rs. 4,00,000.
- l) The Company owns a car which is used by the director for both personal and business purposes. Total expenditure debited to profit and loss account towards car maintenance is Rs. 2,00,000/- 25% of the expenditure is estimated towards personal use.

Compute the total income of ABC Ltd. For the Assessment Year 2019-20. Furnish explanation for the treatment of the various items given above.

