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**IV Semester MBA Examination, May - 2017**

**(Scheme - 2011)**

**BUSINESS ADMINISTRATION**

**(Elective - 7)**

**FM : Corporate Taxation**

**Time : 3 Hours**

**Max. Marks : 75**

**SECTION - A**

- I. Answer all questions. Each question carries 6 marks. [5 × 6 = 30]
1. Describe the deduction available to a company under section 35D of the Income Tax Act, 1961, in respect of the amortisation of preliminary expenses.
  2. Give definition of the following terms as per income Tax Act, 1961
    - a) Person
    - b) Assessee
  3. Explain how the residential status of a company is determined? Also explain the basis of charge in the case of company assesses.
  4. Explain the special provisions for computation of profits and gains under presumptive basis u/s 44AD & 44AE of the income Tax Act, 1961.
  5. What do you mean by
    - a) Long Term capital asset
    - b) Short term capital Asset
    - c) Indexed cost of acquisition
    - d) Personal effect

**SECTION - B**

- II. Answer any 3 questions. Each question carried 10 marks : [3 × 10 = 30]
6. What do you mean by depreciation? Explain the concepts of cost, written down value, block of assets, usage of asset in the business.
  7. Compute the capital Gain earned by M/S Z limited during the assessment year 2016-17 from the information given below.

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Date of Acquisition of land :	15-10-2002
Date of sale of the asset	15-08-2015
Purchase price of the land	Rs.50,00,000
Stamp Duty paid at the time of purchase	Rs. 50,000
Registration fee paid	Rs.20,000
Sale value of the land	Rs.1,50,00,000
Commission paid to broker for getting buyer	1% of sale value
Guideline value as per the records of sub registrar	Rs.1,75,00,000
Cost inflation index : 2002-03 : 447	2015-16 : 1081

8. Describe the tax implications in respect of mergers and acquisitions of companies.
9. Explain the provisions contained in the income Tax Act, in respect of
  - a) Cash credit - section 68
  - b) Unexplained Investments - Sections 69
  - c) Unexplained money etc. - Sections 69 A
  - d) Amount of investments not disclosed in the books of account - Section 69 B
10. The statement of income and losses for the year ended 31<sup>st</sup> March 2016 of Mr.x is as follows :

	Rs.
i) Taxable Income from salary	1,16,800
ii) Taxable Income from interest on debentures (Gross)	84,000
iii) Taxable income from house property :	
a) Income from house 'A'	72,000
b) Loss from house 'B'	(34,000)
c) Loss from house 'C'	(92,000)
iv) Income from Business	
a) Profit from iron business	1,28,000
b) Loss from stationery business	(89,000)
c) Profit from speculation business	1,06,000
d) Loss from speculation Business 'B'	(46,000)
v) Income from capital gains	
a) Short Term capital gains	1,86,000
b) Long Term capital Gains	42,000
c) Long Term capital loss	(83,000)
vi) Income from other sources	77,000

Compute gross total income of Mr. x for the assessment year 2016 - 17

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**SECTION : C**

(Compulsory)

[15]

11. M/S General Traders Ltd. Indian company, furnishes the following particulars for the year ending 31-03-2016 relevant to the assessment year 2016-17

	Rs.		Rs.
Salary to staff	2,40,000	Gross profit	15,58,000
Expenses on issue of shares for Setting up an industrial undertaking (cost of project : Rs. 10 lakhs)	18,000	Rent of flats given to officers	12,000
Expenditure on promotion of family planning among the employees	3,000	sundry receipts	5,000
Sales Tax	2,000	Interest on bank deposits	17,000
Contribution to a approved scientific research association for carrying on approved research	10,6,000	Capital gains on sale of short - term investment	3,000
Gratuity fund	5,000		
Reserve for future losses	20,000		
Bad debts written off	3,000		
Reserve for payment of advance			
Income tax	13,000		
Car expenses	9,000		
Depreciations :			
Machinery	18,000		
Car	3,000		
Furniture	5,000		
Building	3,000		
Office expenses	7,500		
Rent & repairs of building	3,000		
Municipal taxes - flats to officers	7,000		
Sundry expenses	16,000		
Income tax	11,000		
Dividend tax	700		
Net profit	11,01,800		
	15,95,000		15,95,000

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Other information :

- a. Car is utilised for non-business purposes by a friend of a director. In the past years, one - fourth of this expenditure was disallowed.
  - b. **Sundry expenses include Rs. 9,000 being payment of printing bill to relative of the managing director payment is unreasonable to the extent of Rs.4,700.**
  - c. Salary includes payment of Rs. 21,000 in cash to an employee
  - d. Though amount of depreciation on building, car and furniture is calculated as per tax provisions, depreciation in respect of machinery is excessive to the extent of Rs.2,000
  - e. **Rs.1,06,000 being payment to national lab. is qualified for weighted deduction under Sec. 35 (2AA)**
  - f. The company has deposited Rs.2,40,000 with maruti udyag ltd on march 1,2016 for purchasing car. The car is likely to be delivered by june 2016. The said amount is not debited to profit & Loss Account.
  - g. During the PY 2015 -16 the company pays Rs. 15,00,000 as compensation to employees on voluntary retirement under the VRS of the company. The amount is not debited to the P & LA/c.
  - h. On 16-03-2016, the company gets a refund of sales tax of Rs 3,000 (allowed as deduction for the PY 2014-15). The amount is not credited to the profit & loss account, as the appeal against the refund is still pending in he delhi high court.
  - i. Expenditure on family planning includes capital expenditure of Rs. 2,500
- Determine the taxable income of the assessee - company for the assessment year 2016-17.**

