PJ – 534

III Semester M.Com. Degree Examination, January 2019
(CBCS)
COMMERCE
Paper – 3.5 (AT) : Direct Taxes and Planning

Time : 3 Hours Max. Marks : 70

Instruction : *Answer* ***all*** *Sections.*

SECTION – A

1. Answer **any seven** of the following. **Each** question carries **two** marks : **(7×2=14)**
   a) Define Domestic Company.
   b) Distinguish between Tax Planning and Tax Evasion.
   c) State the provisions of Residential Status of the Company.
   d) ABC (P) Ltd. made a provision of 30 lacs for doubtful debts by debiting to profit and loss account. The Assessing Officer, while computing book profit under Section 115JB, wants to add back the provision. Is the Assessing Officer justified in making such addition for computing book profit ? Just answer in 2 sentences.
   e) What is Advance Tax Ruling ?
   f) What do you mean by Arm's Length Price under Transfer Pricing ?
   g) Mention the due date for TDS payment and TDS return filing.
   h) Give conditions for claiming additional depreciation under Income Tax.
   i) Provide tax rate (Basic tax rate, Surcharge and Cess) applicable to domestic and foreign companies for the AY 2018-19.
   j) Provide Appellate Authorities under Income tax Law in proper order.

SECTION – B

Answer **any four** of the following. **Each** question carries **five** marks : **(4×5=20)**

2. Write a short note on Structure or basic frame work of direct taxes.
3. Write a short note on sec. 1941 (TDS on rent) and 194 A (TDS on Interest other than securities) of Income Tax Act of 1961.

P.T.O.

4. X Ltd., a pharmaceutical company having accumulated losses and unabsorbed depreciation to be set off in future for Rs. 130 lacs and Rs. 250 lacs as on 31-03-2017 was demerged on 16-5-2017 and 30% of its total assets were transferred to resulting company, XY Ltd., How accumulated losses and unabsorbed depreciation of the demerged company shall be dealt with in the return for the Assessment Year 2018-19 of the resulting company.
   i) When the same are not directly related to undertakings transferred.
   ii) When the same are directly related to the undertakings transferred.

5. G. V. Ltd., has furnished the following particulars relating to payments made towards scientific research for the year ended 31-3-2018. Calculate the amount of deduction allowable under Section 35 of IT Act of 1961 :

Particulars	**(in Crores)**
• Payments made to Chanakya Research Ltd.	20
• Payment made to G. M. College for social research	15
• Payment made to Mean Median Mode College for Statistical research (M Qube College)	10
• Payment made to National Laboratory	8
• Machinery purchased for in-house scientific research	25
• Salaries to research staff engaged in in-house scientific research	12

6. X Ltd. set up a manufacturing unit in Warangal in the state of Telangana on 1-06-2017. It invested Rs. 30 Crore in new plant and machinery on 1-6-2017. Further, it invested Rs. 25 Crore in the plant and machinery on 01-11-2017, out of which 5 crore was second hand plant and machinery. Compute the depreciation allowable under Section 32. Is X Ltd. entitled for any other benefit in respect of such investment ? If So, what is the benefit available ?

7. What are the condition to get the deduction under Sec. 37 ? Can amount paid to Doctor as referring fee be allowed as deduction for pharmacy and diagnostic company under Sec. 37. Examine.

SECTION – C

Answer **any three** of the following. **Each** question carries **twelve** marks : **(3×12=36)**

8. Specify with reason, whether the following acts can be considered as :
   i) Tax planning : or
   ii) Tax management : or
   iii) Tax evasion.
   i) Mr. P deposits 1,00,000 in PPF Account so as to reduce his total income from Rs. 3,40,000 to Rs. 2,40,000.

ii) SQL Ltd., maintains register of tax deduction at source effected by it to enable timely compliance.

iii) An individual tax payer making tax saver deposit of Rs. 1,00,000 in a nationalized bank.

iv) A partnership firm obtaining declaration from lenders/depositors in Form No. 15G/15H and forwarding the same to income-tax authorities.

v) A company installed an air-conditioner costing Rs. 75,000 at the residence of a director as per terms of his appointment but treats I as fitted in quality control section in the factors. This is with the objective to treat it as plant to the purpose of computing depreciation.

vi) RR Ltd. issued a credit note for Rs. 80,000 as brokerage payable to Mr. Ramana who is the son of the managing director of the company. The purpose is to increase the total income of Mr. Ramana from Rs. 4,00,000 to Rs. 4,80,000 and reduce the income of RR Ltd., correspondingly.

vii) A company remitted provident fund contribution of both its own contribution and employees' contribution on monthly basis before due date.

9. The net profit as per the Profit and Loss Account of XYZ Ltd., a resident company, for the year ended 31-3-2017 is 190 lacs arrived at after making the following adjustments.

Particulars	(in lacs)
i) Depreciation on assets	100
ii) Reserve for currency exchange fluctuation	50
iii) Provision for tax	40
iv) Proposed dividend	120

Following further information are also provided by company

a) Net profit includes 10 lacs, being dividend received from an Indian subsidiary company.

b) Provision for tax includes 16 lacs of tax payable on distribution of profit and of 2 lacs of interest payable on Income-Tax.

c) Depreciation includes 40 lacs towards revaluation of assets.

d) Amount of 50 lacs credited to P and L account was drawn from revaluation reserve.

e) Balance of profit and Loss Account shown in balance sheet at the asset side as at 31.3.2016 was 30 lacs which includes unabsorbed depreciation of 10 lacs.

Compute the income of the company for the year ended 31-3-2018 liable to tax under MAT.

10. M/s Chatrapathi Shivaji Ltd. a manufacturing company provided the following details of the assets as on 01-04-2017. Calculate depreciation allowable under IT Act, 1961.

Particulars	WDV on 1-4-2017	Additions More than 180 days	Additions less than 180 days	Scrap value	Rate of Depreciation
Plant and Machinery	42,20,000	6,90,000	–	2,10,000	15%
Aircraft	34,50,000	5,00,000	–		40%
Motor Buses and Lorries (used for hiring)	6,40,000	–	2,80,000	4,15,000	30%
Imported cars	–		3,60,000	–	15%
Patent Rights	–	8,00,000	–	–	25%
Technical know how	–	6,00,000	–	–	25%

11. Answer both the questions below :

A) Explain the best judgement assessment u/s 144 of IT Act, 1961.

And

B) Enumerate the provisions of Advance tax and its installment for companies.

12. X Ltd., wants to acquire an equipment for which the following two alternatives are available.

Alternative I. To lease the equipment for 7 years, which is the machine's expected useful life. The annual lease payments would be Rs. 14,700 and would include service and maintenance. Lease payments would be due at the end of the year.

Alternative II. To purchase the equipment through 100 per cent loan. The cost of the machine is Rs. 50,000. It would make seven annual payments of Rs. 9,935 each to repay the loan of Rs. 50,000. Payments would be made at the end of each year.

The marginal tax rate is 44%. It has estimated that the equipment has an expected salvage value of Rs. 1,000. The Company plans to depreciate the equipment by using straight-line method. The service and maintenance would cost Rs. 3,700 annually.

You are required to advise on the desirability of the acquisition mode using the following PV factor.

Year	0	1	2	3	4	5	6	7
PVF	1.00	0.952	0.907	0.864	0.823	0.784	0.746	0.711

PVF for salvage value 0.452.

PG – 703

III Semester M.Com. Degree Examination, January 2018
(CBCS)
COMMERCE
Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions of the following. **Each** sub-question carries **2** marks. **(7x2=14)**

a) Give the meaning of Domestic Company.

b) What are the methods of tax collection ?

c) What do you mean by tax avoidance and tax evasion ?

d) How do you treat income tax paid and provision for GST under computation of book profits u/s 115JB ?

e) What is an Appeal ?

f) What do you mean by tax credit under MAT ?

g) Give the meaning of return of income. Mention types of return.

h) State the provisions of deduction under Section 80GGB.

i) What do you mean by colourable devises ?

j) State the provisions of residential status of a company.

P.T.O.

SECTION – B

Answer **any 4** of the following. **Each** question carries **5** marks. **(4×5=20)**

2. What do you mean by assessment ? Briefly explain the types of assessment.

3. Discuss allowable expenditure on Scientific Research U/s 35 of the Income-tax Act, 1961.

4. What is minimum alternative tax ? State any four positive adjustments and four negative adjustments for determining book profits.

5. Compute the tax payable by Adorable Ltd. for various assessment years from details furnished hereunder, assuming the company has achieved turnover of over 20 crores in each year and the rate tax for all assessment years is 30% plus applicable SC and EC. Tax under MAT provisions is 18.50%

Assessment Year	**Total Income as per Income Tax Act. (Rs.)**	**Book profits under Section 115 JB (Rs.)**
2014 – 15	1,28,40,000	2,45,50,000
2015 – 16	1,75,80,000	2,68,00,000
2016 – 17	1,95,40,000	4,50,00,000
2017 – 18	2,06,60,000	3,25,00,000

6. X Ltd. furnishes the following particulars of income or losses for the assessment year 2017–18 :

	Rs.
Gain during the year on transfer of long-term capital asset	2,25,000
Gain on transfer of short-term capital asset	1,25,000
Income from other sources, other than casual income and income from maintenance of race horses	3,75,000
Business loss before depreciation for the year	2,00,000
Depreciation for the year	4,50,000

Brought forward losses from earlier years as follows :

Long-term Capital loss of previous year 2014 – 15	4,25,000
Business loss of previous year 2012 – 13	3,75,000
Unabsorbed depreciation of earlier years	6,25,000

Assume return of income for current year and earlier years was filed within the due date. Calculate total income for AY 2017–18 and losses to be carried.

7. ABC Ltd. is engaged in the manufacturing activity and furnishes the following details of two blocks of plant and machinery used in the production department for the year ending 31-03-2017 :

Particulars	**Block – I Rs.**	**Block – II Rs.**
Rate of Depreciation	15%	30 %
Number of assets in the block	10	20
WDV as on 01-04-2016 (assuming each asset in the block has equal value)	50,00,000	1,50,00,000
New machines purchased and added in production department (July 2016)	10,00,000	15,00,000
Five old assets from each block sold	8,00,000	30,00,000

Compute allowable depreciation under Section 32.

SECTION – C

Answer **any thee** questions. **Each** question carries **12** marks. **(3×12=36)**

8. Explain in detail the Income-tax provisions regarding set-off of losses and carry forward of losses while computing the total income.

9. Discuss the Tax holiday and Tax incentives available for companies U/s 80-IA.

10. The following particulars are furnished by Project Co. Ltd.

Trading and Profit and Loss account for the year ending 31-3-2017

	Rs.		Rs.
Purchases	8,06,50,000	Sales	9,22,72,000
Entertainment Exp.	70,000	Amount withdrawn from	
Travelling Exp.	1,40,000	Capital reserve	56,00,000
Depreciation	11,00,000	L.T.C.G.	2,40,000
Income tax	7,60,000	Miscellaneous income	10,000
O/s Sales tax	90,000	STCG	50,000
Provision for unascertained liabilities	1,20,000	Int. on tax free Govt. Securities	40,000
Proposed dividend	3,60,000		
Tax consultation fees	40,000		
Provision for loss of subsidiary Co.	90,000		
Salaries	4,00,000		
Sundry expenses	3,00,000		
Net profit	1,40,92,000		
	9,82,12,000		**9,82,12,000**

Other details :

Value of Plant and Machinery as on 1-4-16 was Rs. 1,20,00,000 and building Rs. 20,00,000. Excise duty of 2014 – 15 paid during the year Rs.10,30,000 was not included in the account.

Sundry expenses include an item of Rs. 1,80,000 paid in cash.

Purchases include donations to PMNRF Rs. 2,50,000 and PMDRF Rs. 4,00,000

Out of the outstanding amount of sales tax, Rs. 60,000 was paid before due date of filing returns.

Brought depreciation and loss is as follows :

Financial Year	Amount as per Books		Amount as per Income tax	
	Loss (Rs.)	Depn. (Rs.)	Loss (Rs.)	Depn. (Rs.)
2012 – 13	6,25,000	3,50,000	8,50,000	2,25,000
2013 – 14	2,75,000	2,50,000	3,50,000	1,75,000

Compute the tax liability by examining applicability of MAT u/s 115JB for the A.Y. 2017 – 18.

11. Heera Ltd. requires a machinery of Rs. 10,00,000 to be added to the production line to increase the production capacity. It has two alternatives one being to purchase and another rent it out. To fund the purchases, it borrows Rs. 8,00,000 at 11% interest per annum repayable in five equal instalment of Rs. 1,60,000 each along with interest. The rest of Rs. 2,00,000 the company funds from own sources. The residual value of the machine at the end of fifth year is Rs. 75,000.

The other option is to take the machine on lease at an annual rental of Rs. 2,50,000 upto five years. Assume the internal rate of return to be 10% and PV factor is

Year	1	2	3	4	5
PV factor	0.909	0.826	0.751	0.683	0.621

Advise the company in making decision. Assume the tax rate to be 30.9% and rate of depreciation at 15%.

12. Dallah Ltd. furnishes the fallowing particulars of income and loss for the ending 31 March 2017

	Rs.
Income from house property owned by the company (computed)	5,50,000
Income from owning of race horses	7,25,000
Dividends on shareholdings of foreign ventures	4,50,000
Dividends from Indian companies	10,00,000
Long-term capital gain (computed) on transfer of buildings	7,50,000
Short-term capital gains	3,50,000
Profits of business before depreciation and interest	7,50,000
Depreciation for the year 2016 – 17	12,45,000
Interest paid for the year 2016 – 17	6,25,000
Brought forward losses of the earlier previous years are as follows :	
Loss from House property of PY 2013 – 14	2,75,000
Business loss of PY 2014 – 15	4,00,000
Unabsorbed depreciation of 2008 – 09	8,25,000
Long-term capital loss of PY 2012 – 13	4,95,000
Loss from owning of race horses of PY 2015 – 16	3,50,000

The company made the following donations during the year :

Sl.No.	Donation given to the following funds	Rs.
01	Zila Saksharta Samiti	45,000
02	Prime Minister's Drought Relief Fund	75,000
03	Indian Olympic Association	50,000
04	An institution recognized u/s 80G	80,000
05	National Foundation for Communal Harmony	60,000
07	Prime Minister's National Relief Fund	1,25,000

Compute the total income of the company for the Assessment Year 2017 – 18 and losses to be carried forward to the following assessment years.

PG – 579

III Semester M.Com. Degree Examination, January 2017
(CBCS)
COMMERCE
Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions out of **ten** questions. **Each** sub-question carries **2** marks : **(7×2=14)**

   a) What is the time frame for advance payment of tax for company assessee ?

   b) What is MAT u/s 115 JB ? What's the reason for its introduction ?

   c) State the specific managerial decisions relating to 'retain' or 'replace'.

   d) State the tax provisions of section 35 ABB.

   e) What is Best judgement assessment ? When it is applied ?

   f) Distinguish between 'Tax avoidance' and 'Tax Evasion'.

   g) What is Tax planning ? State types of tax planning.

   h) What is tax credit ? State its tax provision.

   i) Mention any 4 double taxation treaties which are entered by India.

   j) What are the exceptions to the general rule of previous year ?

SECTION – B

Answer **any 4** questions of the following in about **one** page. **Each** question carries **5** marks : **(4×5=20)**

2. Explain the scope of Tax Planning with respect to :

   a) Joint ventures

   b) Factors affecting make or buy decisions.

P.T.O.

3. G. R. Hari Limited has given the following information of its incomes and expenses for the financial year 2015-16 :

   - ✓ Taxable income from business is Rs. 4,50,000
   - ✓ Gain on sale of assets held for more than 36 months is Rs. 1,50,000
   - ✓ Gain on sale of securities through recognized stock exchanges is Rs. 85,000
   - ✓ Taxable income from house property is Rs. 35,000
   - ✓ Interest received on fixed deposits is Rs. 25,000
   - ✓ The company incurred the following expenses (donations given).

Sl. No.	Donation given to institutions	Amount of donation given in Rs.
01	Prime Minister's National Relief fund	30,000
02	Indian Olympic Association	18,000
03	An institution engaged in promotion of family planning	10,000
04	Prime Minister's Drought Relief fund	30,000
05	A notified temple (Rs. 15,000 given in cash)	29,000
06	Indira Gandhi Memorial Trust	25,000
07	An institution which is recognized u/s 80 G	9,000
08	National Defense Fund set up by the Central Government	28,000
09	National Foundation for Communal Harmony	16,000
10	Swach Bharath Kosh	23,000
11	Clean ganga project	29,000
12	Furniture's given to a Church	45,000

The company is eligible for deduction u/s 80 IB. The assessee had paid Rs. 30,000 to Indian national congress party as donation on 15th June, 2016.

Compute allowable amount of deduction u/s 80 G for the Assessment Year 2016-17.

4. Discuss the tax provisions under section 80 IC.

5. 'Bhimashankara' Ltd., is engaged in the business of manufacture of telephone dial pad since 2008. During the previous year 2015-16, the following assets are acquired and put to use :

Particulars	Block – I	Block – II	Block – III
Rate of depreciation	15%	20%	40%
Depreciable value of the block on April 1, 2015	8,00,000	25,00,000	5,00,000
Additions of Plant (new) during the previous year 2015-16			
Plant P	14,50,000	–	–
Plant Q	–	1,70,000	–
Plant R	–	–	6,25,000
Sale of old plants	45,000	7,35,000	12,00,000

Plant P, Q and R are acquired during May, 2014 and put to use during 15th August, 2015. However, Plant Q is put to use in February, 2016.

Find out the allowable amount of Depreciation, Additional Depreciation and Capital gains if any for the Assessment Year 2016-17.

6. Suprabhath Company Limited has given the following information for the financial 2015-16. The company has filed its income on 10-11-2016. The total income of the company is Rs. 9,37,500. The has is having balance of Rs. 23,000 as tax deducted at source, it also has relief u/s 91 of Income Tax Act, 1961 amounting to Rs. 8,000. It has Rs. 45,000 balance as tax credit. It has paid advance tax as follows :

Due date	Amount of advance tax paid in Rs.
15-06-2014	35,000
13-09-2014	75,000
12-12-2014	45,000
15-03-2015	60,000

Compute Interest u/s 234 A, 234 B and 234 C for the Assessment Year 2016-17.

7. What is assessment ? Briefly explain the types of assessment.

SECTION – C

Answer **any 3** questions of the following. **Each** question carries **12** marks : **(3×12=36)**

8. The following particulars are furnished by Panasona Company Limited :

Trading and Profit and Loss Account for the year ending 31-03-2016

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Purchases	8,25,000	By Sale of goods and	
To Entertainment expenses	75,000	services provided	42,36,000
To Travelling expenses	1,10,000	By Amount withdrawn from	
To Depreciation	2,50,000	revaluation reserves	6,00,000
To Income tax	1,60,000	By Long term capital gain	2,20,000
To Wealth tax	55,000	By Transfer fees	12,000
To Dividend distribution tax	2,54,000	By Bad debts recovered	10,000
To O/s Value added tax	60,000	allowed earlier	
To Provision for unascertained liability	80,000		
To Proposed dividend	50,000		
To Auditor's fees	1,20,000		
To Provision for loss of subsidiary company	95,000		
To Salaries and Wages	19,00,000		
To Sundry expenses	2,50,000		
To Net profit	7,94,000		
	50,78,000		**50,78,000**

Additional Information :

i) Depreciation under Section 32 is Rs. 1,75,000.

ii) Customs Duty of 2014-15 paid during the year Rs. 1,25,000 was not included in the account.

iii) Sundry expenses include an item of Rs. 28,000 paid in bearer cash to a farmer.

iv) Amount of depreciation on account of revaluation of assets is Rs. 1,00,000.

v) Out of the O/s amount of value added tax Rs. 25,000 was paid before due date of filing of return of income.

vi) Unabsorbed loss brought forward Rs. 3,00,000 for income tax purpose and Rs.4,24,000 for accounting purposes.

vii) Unabsorbed depreciation brought forward is Rs. 2,00,000 for accounting purposes.

Compute :

a) Total income of the Company.

b) Book profit u/s 115 JB.

c) Total tax liability and

d) Tax credit if any.

9. Discuss the tax holidays and tax benefits available in respect of profits and gains from Industrial undertaking or enterprise engaged in infrastructure development u/s 80-IA.

10. Answer both Part – **A** and Part – **B** :

A) From the following information of KoliJan (P) Limited, compute the gross total income for the assessment year 2016-17. Show the carry forward of losses clearly along with reasons :

Sl. No.	Particulars	Amount in Rs.
1	Dividend received on shares in Indian Company	50,000
2	Business loss of Assessment year 2009-10	60,000
3	Business loss of Assessment year 2005-06	1,20,000
4	Long-term Capital gains	50,000
5	Current year Business loss	30,000
6	Unabsorbed depreciation of preceding years	90,000
7	Short-term Capital loss	35,000
8	Current year's depreciation	25,000
9	Dividend received from foreign company	30,000
10	Income from House Property	1,70,000
11	Long term capital loss	20,000

B) Explain the tax provisions under relating to scientific research u/s 35 of Income Tax Act, 1961.

11. State the tax provisions for the following :

a) Scope of Tax planning

b) Principles of direct taxation

c) Types of returns.

12. MAK Motors Company limited needs a component in an assembly operation. It is contemplating the proposal to either make or buy the aforesaid component :

    1) If the company decides to make the product itself, then it would need to buy a second hand machine for Rs. 4 lakh which would be used for 5 years. Manufacturing costs in each of the five years would be Rs. 6 lakh, Rs. 7 lakh, Rs. 8 lakh, Rs. 10 lakh and Rs. 12.50 lakh respectively. The relevant depreciation rate is 15 percent. The machine will be sold for Rs. 50,000 at the beginning of the sixth year.

    2) If the company decides to buy the component from a supplier the component would cost Rs. 9 lakh, Rs. 10 lakh, Rs. 11 lakh, Rs. 14 lakh and Rs. 17 lakh respectively for each of the five year. The relevant discounting rate and tax rate 10 percent and tax rate 32.445 percent.

    Should MAK Motors Company Limited 'Make' the component or 'Buy' from the market ?

PG – 528

III Semester M.Com. Degree Examination, December 2015
(CBCS Scheme)
COMMERCE
Paper – 3.5 AT : Direct Taxes and Planning

Time : 3 Hours Max. Marks : 70

SECTION – A

1. Answer **any 7** sub-questions of the following. **Each** sub-question carries **2** marks. **(7×2=14)**
   a) What do you mean by colourable devises ?
   b) State the treatment of expenditure incurred on promotion of family planning among employees.
   c) Differentiate between 'Tax Planning' and 'Tax Management'.
   d) State the general principles governing assessment of business income.
   e) What are appeals under Income Tax Act, 1961 ?
   f) Define Block of assets u/s 2(11).
   g) What is MAT u/s 115JB ? What's the reason for its introduction ?
   h) Define Net Wealth u/s 2(m).
   i) State the provisions u/s 35D for amortization of preliminary expenditure.
   j) What is return of income ? Mention the types of return.

SECTION – B

Answer **any 4** of the following. **Each** question carries **5** marks. **(4×5=20)**

2. Briefly explain the Exempted assets under Section 5 of the Wealth Tax Act, 1957.
3. State the tax provisions for the following :
   a) Advance Payment of Tax
   b) Types of assessment
   c) Due date for filing return of income.
4. Enumerate the tax holidays entitled to business undertaking established in north eastern states u/s 80 IE.

P.T.O.

5. The following details are furnished by Ram Pottu Company Limited for the previous year 2014-15. Gross Total Income is Rs. 8,10,000 which includes the following :

   a) Capital gain on sale of long term capital asset Rs. 1,50,000.

   b) Short term capital gain liabile for STT u/s 111A is Rs. 75,000.

   c) The company is eligible for deduction u/s 80IB at 30% of its income from business Rs. 3,50,000.

Sl. No.	Donation given to the following	Amount in Rs.
01	Zila Saksharta Samiti	15,000
02	Prime Minister's Drought Relief Fund	45,000
03	An institution engaged in promotion of family planning	15,000
04	Indian Olympic Association	25,000
05	An institution which is recognized u/s 80G	10,000
06	Indira Gandhi Memorial Trust	40,000
07	National Foundation for Communal Harmony	25,000
08	National Defense Fund set up by the Central Government	45,000
09	A notified Temple (Rs. 15,000 given in cash)	30,000
10	Prime Minister's National Relief Fund	35,000

   Compute allowable amount of deduction u/s 80G for the Assessment Year 2015-16.

6. An industrial undertaking which commences the manufacturing activity w.e.f. 15/06/2014 has acquired the following assets during the previous year 2014-15 :

Assets	Date of Acquisition/ construction	Date when put into use	Cost of acquisition/ construction (in Rs.)
Factory building	14/5/2014	01/9/2014	50,00,000
Residential Building	16/08/2014	07/11/2014	3,70,000
Plant and Machinery			
i) Air pollution control equipment	09/6/2014	01/9/2014	4,00,000
ii) Machinery A	25/8/2014	02/10/2014	16,50,000
iii) Machinery B	29/9/2014	31/10/2014	7,50,000
iv) Machinery C (Second hand)	04/01/2015	13/01/2015	3,00,000
v) Motor car	01/12/2014	01/12/2014	4,50,000
vi) Air conditioner (installed in office)	10/3/2015	15/03/2015	1,00,000

   Compute the allowable depreciation u/s 32 for the A.Y. 2015-16 and WDV as on 01/04/2015.

7. From the following information of Mohith Private Limited, compute tax liability and show the utilization of tax credit for the various assessment years assuming tax rates applicable are same as of current assessment year for various assessment years given.

Assessment Years	Total income computed as per normal provisions of Income Tax Act, 1961 Rs.	Book profit calculated as per Section 115JB Rs.
2014-15	25,00,000	40,00,000
2015-16	15,00,000	50,00,000
2016-17	75,00,000	40,00,000
2017-18	1,10,00,000	85,00,000
2018-19	95,00,000	1,15,00,000
2019-20	65,00,000	60,00,000

SECTION – C

Answer **any 3** questions of the following. **Each** question carries **12** marks. **(3×12=36)**

8. Discuss the tax holidays in respect of profits and gains from certain undertakings involved in infrastructure development undertakings u/s 80 IA.

9. Enumerate the tax provisions regarding set-off and carry forward of losses under the Income Tax Act, 1961.

10. Discuss the valuation rules under Part B of Schedule III relating to Immovable property under Wealth Tax Act, 1957. Illustrate with an example.

11. From the following information determine whether assessee should "purchase the asset or take on lease".
    a) Cost of asset Rs. 5,00,000
    b) Rate of depreciation 15%
    c) Rate of interest 10%
    d) Repayment of loan by the assessee Rs. 80,000 p.a.
    e) Rate of tax 30.9%
    f) Residual value of Rs. 80,000 after 5 years
    g) Profit of the assessee Rs. 5,00,000 before depreciation, interest and tax or before lease rent and tax.
    h) Lease rent Rs. 1,20,000 p.a.
    i) Present value factor @ 10% is :

Year	1	2	3	4	5
P. V. Factor	0.909	0.826	0.751	0.683	0.621

12. The following particulars are furnished by Sunrise Company Limited.
Trading and Profit and Loss Account for the year ending 31/03/2015

Particulars	Amount (in Rs.)	Particulars	Amount (in Rs.)
To Opening stock	3,89,000	By Sales	25,00,000
To Purchases	10,05,000	By Dividend from Domestic Company	10,000
To Advertisement expenses	85,000	By Long term capital gain	2,40,000
To Travelling expenses	60,000	By Bad debts recovered disallowed earlier	15,000
To Capital expenditure on promotion of family planning	25,000	By Amount withdrawn from contingency reserves	2,30,000
To Depreciation	6,25,000	By Closing stock	4,65,000
To Income tax	2,15,000		
To Wealth tax	40,500		
To Entertainment expenses	36,500		
To VAT due	34,000		
To Provision for unascertained liability	30,000		
To Salaries and wages	2,70,000		
To Auditor's fees	30,000		
To Provision for loss of subsidiary company	67,500		
To Proposed dividend	1,75,000		
To Sundry expenses	2,25,000		
To Net profit	1,47,500		
	34,60,000		**34,60,000**

Additional information :

i) Opening stock was overvalued by Rs. 28,000 and closing stock was overvalued by Rs. 37,000.
ii) Customs duty of 2012-13 paid during the year Rs. 75,000 was not considered in the above account.
iii) Sundry expenses include an item of Rs. 42,000 paid in cash.
iv) Out of the O/s amount of VAT tax Rs. 25,000 was paid before due date of filing of return of income.
v) Brought forward business loss Rs. 4,00,000 for income tax purpose and Rs. 3,50,000 for accounting purposes.
vi) Brought forward unabsorbed depreciation is Rs. 2,00,000 for accounting purposes.
vii) Depreciation as per Section 32 is Rs. 5,75,000.

Compute :

a) Total income
b) Book profit u/s 115JB and
c) Total tax liability for the A.Y. 2015-16.