

2009**M. Com.**

3rd Semester Examination
CORPORATE DIRECT TAXES

PAPER — CM-2102*Full Marks : 50**Time : 2 Hours*

The figures in the right-hand margin indicate full 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 : 5×2
- (a) What are the points of difference between tax avoidance and tax evasion?
- (b) Explain in brief the relation between residential status and incidence of tax.
- (c) Ruby Ltd. located in a Special Economic Zone, is engaged in the business of cutting of precious stones from the year 2006-07. It gives details regarding its business:

	Rs. (lakhs)
Export turnover	45
Total turnover of the business	70
Profit of the business of the underrating	28

(Turn Over)

It also mentions that Ruby Ltd. has recovered the following from the US importer :

	Rs.
Freight	54,000
Telecommunication Charges	46,000
Insurance charges for delivering the goods to USA	2,00,000

You are required to calculate the deduction u/s 10A.

- (d) you are asked to fill in the blanks in the table given below using provisions relating to treatment of MAT credit :

Assessment Year

(figures in Rs.'000)

Particulars	2008-09	2009-10	2010-11	2011-12
1. Tax (ignoring provisions of Sec. 115 JB)	95	102.5	115.7	129.6
2. Tax (considering provisions of Sec. 115 JB)	88	105.8	114.3	128.1
3. MAT credit	(i)	(iii)	(v)	(vii)
4. Tax payable	(ii)	(iv)	(vi)	(viii)

Give proper explanation wherever necessary.

2. Answer any one of the following : 10×1

- (a) Rambo Ltd. is engaged in diversified set of activities. It earned a net profit of Rs. 10,23,000 (for the assessment year 2009-10) after debiting/crediting the following items :

<i>Items debited :</i>	Rs.
Opening stock (under-valued buy 15% of cost)	51,000
Income-tax	15,000
Sales tax (actually paid relating to assessment year 2009-10)	27,500
Interest on loan taken from IFCI (paid)	33,800
Depreciation — normal	45,000
— due to asset revaluation	80,000
Provision for loss of subsidiary	25,000
<i>Item credited :</i>	
Closing Stock (over-valued by 20%)	87,000
Transfer from Revaluation Reserve	1,02,000
Income from house property	1,25,000
Transfer from Reserve (created in 1995-96 not by debiting the P/L Account)	15,000

Additional Information :

- (i) Depreciation allowed as per Income-Tax Rules :
Rs. 54,000
- (ii) Brought forward business loss/unabsorbed
depreciation :

Financial Year	Amount as per books		Amount as per Income	
	Unabsorbed Loss (Rs.)	Unabsorbed Depreciation (Rs.)	Unabsorbed Loss (Rs.)	Unabsorbed Depreciation (Rs.)
2000-01	1,05,000	78,000	1,75,000	90,000
2006-07	NIL	1,08,000	75,500	1,20,000
2007-08	1,20,000	1,40,000	1,15,200	1,35,000

You are required to compute the tax liability of the company.

10

- (b) (i) The income of Ankit, a resident individual for the assessment year 2009-10 is Rs. 10,20,000. He invests Rs. 50,000 in PPF and Rs. 35,000 in a 5-year Post Office Time Deposit. He has also paid Rs. 20,000 in an annuity plan of LIC of India for receiving pension. In addition to this, he has paid Rs. 35,000 towards an insurance policy on the health of his mother aged 70 years.

You are asked to calculate the taxable income and the tax liability of Ankit for the assessment year 2009-10.

- (ii) AB, a resident individual, gives the following information for the assessment year 2009-10 :

	Rs,
Unabsorbed house property loss (relating to assessment year 2007-08)	40,000
Business P — Loss for the year 2008-09	56,000
Brought forward loss of the year 2007-08	16,000
Business Q — Profit for the year 2008-09	2,25,000
Business R (speculative) — loss for 2008-09	20,000
Loss from owning and maintaining race horses	35,000
Lottery winnings	50,000

You are asked to apply provisions of Sec. 70,71 and carry forward of loss to determine income for the assessment year 2009-10 and also mention the losses which would be carried forward.

5+(3+2)

Unit—II

[Marks : 20]

3. Answer any two of the following : 5×2

(a) Mrs. Shanti Kumar, a resident woman (having date of birth 30.12.1943) gives you the following details relating to her income pre-paid taxes and interest for the assessment year 2009-10 :

	Rs.
Total Income —	7,80,000
Interest — u/s 234A	2,412
u/s 234B	5,628
u/s 234C	5,215
Advance tax paid	35,000
Tax deducted at source	20,000

You are required to determine the self-assessment tax payable by the assessee.

(b) Write a short note on revised return.

(c) Katrina Ltd. manufacturer of ladies wear estimated its net income to be Rs. 8,50,000 in May, 2008. Accordingly, it paid its first instalment. However, due to global slowdown in August it lost an order and the revised estimate of its income was brought down to Rs. 6,50,000. The accountant of the company mentioned that no more installments will be required

to be paid. Is he correct in his view? Justify with necessary calculations.

(d) Discuss the liability for tax deduction at source in the following cases (for the assessment year 2009-10) :

- (i) A TV channel pays Rs. 8,00,000 to Mr. Sashi Gupta, the winner of a quiz programme.
- (ii) West Bengal Government pays Rs. 90,000 as commission to Smart Agency, its agent for selling lottery tickets.
- (iii) A turf club awards a jackpot of Rs. 5 lakhs to the winner of one of its races.
- (iv) Insurance commission paid by an insurance company to one of its agent — Rs. 3,500.

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

(a) (i) Y Ltd. an Indian Company submits the following information for the previous year 2008-09 :

	Rs.
Business income	2,10,000
Long-term capital gain on sales of debentures on 10th December, 2008	99,000
Short-term capital gain arising on 10th March, 2009 (on sale of a plant)	25,000

You are required to ascertain the minimum amount of advance tax payable by way of different installments so that no interest liability arises u/s 234C.

- (ii) What are the consequence of not filing the return of loss by an assessee within the specified due date ?

7+3

(b) A plant costing Rs. 5,00,000 is to be purchased by Jonty Ltd., a widely-owned company (having net income — Rs. 50,00,000) in February, 2009 in order to meet its expansion plans. It has the following two options:

- (i) Borrow — 80% and invest own capital — 20%.

The terms of borrowing are :

Interest rate is 10% per annum, and it would be repaid at the end of five years.

- (ii) Purchase under a lease financing arrangement, the terms being :

Lease rentals are Rs. 1,20,000 for five years (the payment starting with the commencement of the lease). In addition to this, an initial lease management fee of Rs. 2,000 will have to be paid.

The following relevant information is also given :

- The machinery has a life of five years.
- The depreciation rate of the plant is 15% (on WDV basis).
- The weighted average cost of capital is 12%.

As a consultant of the company, you are required to suggest the better option. Showing detailed computations.

10

[Internal Assessment : 10 Marks]
