ILL Semester M.B.A. Degree Examination, January/February 2019
(CBCS Scheme)
(2014 – 15 & Onwards)
Management
Paper – 3.3.2 : CORPORATE TAX PLANNING AND MANAGEMENT

Time : 3 Hours
Max. Marks : 70

Instruction : Answer all the Sections.

SECTION – A

Answer any five of the following questions, each question carries five marks.

(5x5=25)

1. “Tax planning is not possible without Tax management”. Discuss.

2. Explain the procedure of GST Returns and types of Returns.

3. The WDV of a block of assets on 1st April 2017 comprising twelve machines is ₹ 13,00,000 at 25% depreciation. A new machine falling within that block is acquired on 1st Nov. 2017 for ₹ 3,00,000 on 20th March 2018 all the twelve old machines were sold for ₹ 2,00,000 leaving only the newly acquired machine within the block. Determine the amount of Depreciation. The Assessee is not entitled to additional Depreciation on machine.

4. A company requires a component from the following information suggest to the company whether it should make the component or buy it from the market.

Making the component
A new machine will be purchased for ₹ 20,00,000 after 5 years it will be sold for ₹ 5,00,000. If there is any loss on sale of machine, it will be set-off against any other STCG. Rate of Depreciation 15% manufacturing cost of component.

I year ₹ 15,00,000
II year ₹ 18,00,000
III year ₹ 20,00,000
IV year ₹ 22,00,000
V year ₹ 24,00,000

Rate of Tax 30%

Buying the component
Cost I year ₹ 18,00,000
II year ₹ 21,00,000
III year ₹ 23,00,000
IV year ₹ 25,00,000
V year ₹ 28,00,000
5. Value of supply of goods and services of manufacturer in inter-state is ₹1,000, value of supply of goods and services within state is ₹1,100. IGST rate on supply of goods and services is 12%, CGST and SGST rate is 6% each. Value of receipt of goods and services within state is ₹1,500, SGST and CGST rate on receipts is 6% each. Calculate tax liability.

6. Mrs. and Mr. Ram visited Japan and brought the following goods while returning to India. Their personal effects valued at ₹85,000. A personal computer bought for ₹68,000. A laptop computer bought for ₹79,000. Two litres of liquor bought for ₹1,800. A new camera bought for ₹67,400, 150 cigars cost ₹24,000, 100 firearm cartridges cost ₹10,000. Air dryer from duty free shop ₹14,000. What is the amount of customs Duty payable?

7. X company Ltd. an Indian company, furnished the following particulars of its income for the previous year ended 31st March 2018, compute its total income for the Assessment year 2018-19.

<table>
<thead>
<tr>
<th>Business Income</th>
<th>₹4,20,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends from :</td>
<td></td>
</tr>
<tr>
<td>A Domestic company</td>
<td>20,000</td>
</tr>
<tr>
<td>A Foreign company</td>
<td>15,000</td>
</tr>
<tr>
<td>Capital gains :</td>
<td></td>
</tr>
<tr>
<td>Short term</td>
<td>25,000</td>
</tr>
<tr>
<td>Long term</td>
<td>70,000</td>
</tr>
</tbody>
</table>

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

a) ₹5,000 revenue expenditure and ₹20,000 capital expenditure for family planning programme amongst employees.

b) Donation to Ambedkar university, Agra ₹30,000 by cheque; Ved Mata Gayatri trust, Shandi Kunj, Haridwar (an approved trust u/s 80 G) ₹70,000 by cheque and Rajiv Gandhi Foundation ₹5,000 by cheque.

SECTION – B

Answer any three of the following. Each question carries ten marks (10x3=30)

8. Explain the set-off and carry forward under company tax and important corporate Deductions.

9. P and Q want to start a business. They have two options for selecting a form of organization, partnership firm or a Pvt. Co. The estimated profits of which, before the following deduction are ₹11,96,000.

1) Remuneration ₹25,000 p.m. each by the firm and ₹35,000 p.m. each by the company.

2) Each will give a loan to the business of ₹4,00,000 @ 12% p.a.

3) Contribution as capital ₹4,00,000 each, on this interest will be paid @12% p.a. However, the company cannot pay the interest on it.

4) The profit after tax will be distributed equally as profits/dividends.

Suggest whether they should form a partnership firm or a private company.
10. Compute the Assessable value and custom duty payable from the following information:
FOB value of machine $ 10,000, freight paid $ 2,500, Design and Development charges paid in America $ 500, commission payable to local agent @ 2% of FOB in Indian Rupees, date of bill of entry 25-10-2015 (Rate of BCD 10%, Exchange rate as notified by CBI and C ₹ 70.02/$), date of entry inward 20-10-2015 (Rate of BCD 18%, exchange rate as notified by CBI and C ₹ 70.01/$). IGST @ 12% plus cess at applicable rate, Insurance charges-details not available.

1) Received inputs with invoice evidencing payment of IGST of ₹ 54,000 on 2/12/2017.
2) 600 pieces of final products were dispatched to a customer located in Punjab under invoice on 6/12/2017. Transaction value was ₹ 900 per piece and IGST rate was 18%.
3) 1,200 pieces of input ‘Tran’ were procured and directly sent for job work on 10/12/2017. The invoice was received where the supplier had charged CGST ₹ 15,000 and SGST of ₹ 15,000.
4) An imported consignment of raw materials was received on 10/12/2017. Bill of entry showed that BCD paid was ₹ 36,000, IGST paid ₹ 19,200 and anti-dumping duty paid was ₹ 6,400 and education cess of customs ₹ 1,080.
5) Goods worth ₹ 3,00,000 were dispatched on 24/12/17 within Maharashtra, rate of duty is 18% (CGST and SGST 9% each).
There was no opening balance of electronic cash ledger or electronic credit ledger on 1/12/17. Calculate the amount of GST payable by cash.

SECTION – C

12. Compulsory Question:
(15×1=15)
The following is the statement of Profit and Loss of ABC Co.Ltd. for the year ended 31st March 2018.
Statement of Profit and Loss for the year ended 31st March, 2018

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Note no.</th>
<th>Figures as at the end of current reporting period</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Revenue from operations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic sales</td>
<td></td>
<td>35,00,000</td>
</tr>
<tr>
<td>Export sales</td>
<td></td>
<td>15,00,000</td>
</tr>
<tr>
<td>II Other Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III Total Revenue</td>
<td></td>
<td>50,00,000</td>
</tr>
</tbody>
</table>
IV Expenses:
- Cost of materials consumed
- Changes in inventories of finished goods, WIP and stock-in-trade

Employee benefits expenses:
- Salaries and wages: 4,00,000
- Depreciation and Amortization expenses: 5,00,000
- Other expenses:
  - Rent and rates: 3,00,000
  - Repairs: 1,40,000
  - Selling expenses: 3,80,000
- Total expenses: 17,20,000

V Profit before tax: 32,80,000

VI Tax expenses:
- Income Tax: 3,80,000

VII Profit for the period: 29,00,000

Surplus Statement
- Profit/loss as per last B/S (if any): 0
- Current year's profit: 29,00,000
- Add: Transfer from General Reserve: 4,00,000
- Less: Appropriations:
  - Proposed dividend: 2,90,000
  - Profit carried to B/S: 30,10,000

Other Information:
1) The company has long-term capital gain of ₹ 2,00,000 which is not added in statement of profit and loss.
2) Foreign Exchange remittance ₹ 9,00,000.
3) Depreciation u/s 32 ₹ 5,50,000
4) The company wants to set-off the following:

<table>
<thead>
<tr>
<th>For Tax purpose</th>
<th>For Accounting Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>B/F loss of 2015-16</td>
<td>₹ 6,00,000</td>
</tr>
<tr>
<td>Unabsorbed Depreciation</td>
<td>₹ 3,00,000</td>
</tr>
</tbody>
</table>

You are required to compute:
- Book profit u/s 115JB.
- Total income of the company.
- Tax liability of the company.