

Question Paper Code : 1664

MBA (CM-F) Examination, 2018

(Semester-IV)

CORPORATE TAXATION AND PLANNING

[F-043]

Time : Three Hours]

[Maximum Marks : 70

Note : Answer **five** questions in all. Question **No.1** is **compulsory**. Besides this, **one** question is to be attempted from each unit. The Candidate are required to answer in serial order only.

1. Answer the following in brief : [3×10=30]
- (a) What are the objectives of tax planning ?
 - (b) Difference between Tax Evasion and Tax Avoidance.
 - (c) Difference between HRA and Value of Rent Free House.
 - (d) Explain Dividend Distribution Tax.
 - (e) From the tax point of view which would you prefer : Issue of Share or Issue of Debentures.

1664/200

(1)

[P.T.O.]

- (f) Define Amalgamation as per Income Tax Act, 1961?
- (g) State three deductions which are allowed to corporate assessee from Gross Total Income.
- (h) Carry forward of losses.
- (i) Explain the factors you will consider in making a decision regarding 'Make Or Buy.'
- (j) The capital structure of two companies are as followed:

Particulars	Companies	
	A	B
Equity Share	2,00,000	1,60,000
10% Debenture	-	40,000
	2,00,000	2,00,000

Rate of Return :-25%; Tax Rate :-30%. Explain whose capital structure is best.

UNIT - I

2. "Tax Management is essential for every assessee but tax planning is optional". Comment. [10]

3. "Tax planning is a legal and moral way of tax saving."
Discuss the statement and describe its importance.[10]

UNIT-II

4. Amit, Faiz and Manpreet are the partners in a firm with equal profit sharing ratio. Each of the partners have contributed Rs. 3,00,000 as capital. The expected income from business is Rs. 15,00,000. From the tax point of view suggest them whether they should pay:
- (a) Interest on capital @10% p.a. and remuneration to each partner Rs. 2,00,000.
- (b) Interest on capital @ 12% p.a. and remuneration to each partner Rs. 3,00,000. [10]
5. "From tax point of view it is always better to form a partnership firm and not a company ". Do you agree with the statement ?If not,enumerate a case where formation of a company is economical as compare to partnership. [10]

UNIT-III

6. On the basis of following information advice the assessee whether he should purchase an asset or taken on lease: [10]

1664/200

(3)

[P.T.O.]

- (a) Cost of Asset Rs. 5,00,000
- (b) Rate of Interest 10%
- (c) Rate of tax 30%.
- (d) Rate of depreciation 25%
- (e) Repayment of loan by the assessee Rs.1,00,000 p.a.
- (f) Residual value after 5 years Rs. 1,00,000
- (g) Profit before depreciation , interest tax / before lease rent Rs. 5,00,000 p.a.
- (h) Lease rent Rs. 1,40,000 p.a.

7. The xyz Ltd., a domestic company, has two business plastic and jute. For the last 2 years the plastic business has been running at a loss which wipe out the entire profit of jute business. At the end of financial year 2016-17, there are brought forward losses of Rs. 10,00,000 and unabsorbed depreciation Rs. 7,00,000. In the financial year 2017-18 onward it is expected that jute business will earn a profit of Rs. 6,00,000 annually and if plastic business is continued at a minimum level , there will be an annual loss of Rs. 1,00,000. The tax rate is 30.9%. Suggest the management of xyz Ltd.

1664/200

(4)

- (a) Whether plastic business should be continued or shut down.
- (b) If continued for how many years. [10]

UNIT-IV

- 8. List out the deductions which are allowed from the gross total income to individual and corporate assessee under Income Tax Act,1961. [10]
- 9. "Tax Incentive have been provided for amalgamation to amalgamating Company, the shareholders of amalgamating company and the amalgamated company". In the light of this statement, enumerate the tax incentives available in case of amalgamation. [10]

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1664/200

(5)