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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY
EXAMINATION, APRIL 2024**

(CBCSS)

Master of Commerce

MCM4C15—INCOME TAX LAW, PRACTICE AND TAX PLANNING – II

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

*Answers should be written in English only.***Part A***Answer any **four** questions.**Each question carries 2 weightage.*

1. Define 'Amalgamation' as per Income Tax Act, 1961.
2. Explain In-house Scientific Research and Development Expenses.
3. How Tax evasion differs from tax planning ?
4. Explain the transfer pricing.
5. Explain the powers of CBDT.
6. A trust is holding property wholly for charitable purposes in India earned Rs. 200000 during 2021-22 but received only Rs. 150000 out of such income in 2021-22. Out of Rs. 150000 it set apart Rs. 30000 to be used for charitable purposes in future and spent Rs. 120000. In 2022-23 the trust received Rs. 50000 (accrued income) and spent Rs. 30000 in 2022-23 and Rs. 20000 in 2023-24 for charitable purposes in India. Compute the Income chargeable to tax, if any, for the previous year's 2021-22, 2022-23 and 2023-24.
7. When a company said to be resident ?

(4 × 2 = 8 weightage)

Turn over

Part B

*Answer any **four** questions.
Each question carries 3 weightage.*

8. Nithya, Raji and Mahima are partners sharing profits and Losses in the ration of 3:2:1. They have closed their accounts on 31/3/2023 and give the following Profit and Loss Account.

	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Office Expenses		15400	Gross Profit	40000
Income tax		1000	Net Loss :	
Salary to partners			Nithya	8700
Nithya	5000		Raji	5800
Raji	4000		Mahima	2900
Mahima	<u>10000</u>	19000		17400
Bonus to Partners				
Nithya	10000			
Mahima	12000	<u>22000</u>		
		<u>57400</u>		<u>57400</u>

Compute the total Income of the firm

9. From the following information compute the income of a tonnage tax company :
- The company has two qualifying ships. The net tonnage of ship I is 27,749-ton 400 kg and ship II 16,750 ton 500 kg.
 - Ship I run for 365 days during the previous year and ship II for 150 days during the previous year.
10. Discuss implications of foreign collaboration agreements.

11. Aby, Balu and Cathy are partners in a firm sharing profit and loss equally. The firm in the previous year has incurred a net loss of Rs. 75000 after deduction of following :

- i) Salary to Aby, Balu and Cathy Rs. 20000 each
- ii) Interest on capital @ 20% : Aby-Rs. 8000, Balu- Rs. 7000 and Cathy- Rs. 9000
- iii) Bonus to Aby and Balu Rs. 10000 each
- iv) Commission to Cathy Rs. 5000
- v) Donation to PM Drought Relief Fund Rs. 10000 by cheque
- vi) Depreciation on assets Rs. 50000 (allowed Rs. 60000)
- vii) Income Tax Rs. 5000
- viii) Goods and Service Tax Rs. 5000
- ix) General Reserve Rs. 15000
- x) The Profit and Loss account includes the following incomes :

a) Capital Gains :

Long Term	Rs. 10,000
Short Term	Rs. 10,000

b) Export Earnings Rs. 50,000

Compute the taxable income of the firm. The firm fulfills the conditions of section 184.

12. Discuss the tax incentives provided by the government for export promotion.

13. An Association of persons has 3 members who share profits and losses equally. The profit of the A.O.P as per its P&L A/c is Rs. 390000 after debiting the following to its P&L A/c.

- 1) Remuneration to the members of A.O.P Rs. 62000
- 2) Interest on capital to members Rs. 70000
- 3) Depreciation on fixed assets Rs. 60000

Depreciation allowable is only Rs 50000. Compute the tax payable by A.O.P, of none of the members of A.O.P has income exceeding the non-taxable limits.

14. Explain the provisions under section 80P of Income Tax Act, 1961.

(4 × 3 = 12 weightage)

Turn over

Part C

*Answer any two questions.
Each question carries 5 weightage.*

15. From the following Profit and Loss, A/c of a partnership firm for the year ended 31 March 2023, compute book profit, income from business and total income of the firm for the Assessment Year 2023-24. The firm fulfils the conditions of section 184.

Profit and Loss Account

To Rates and Taxes	To Rent	3,750	By Gross profit	1,44,000
To Rent		18,000	By Commission	7,500
To Car Expenses		13,500	By Income tax Refund	11,550
To Entertainment Expenses		4,500	By Excise suspense recd.	3,750
To Salaries		54,000	By Scrap Sales	7,500
To Electricity and water		3,300	By Short term Capital Gain	22,500
To Repair		9,000		
To Trade Expenses		9,750		
To Depreciation		12,000		
To Legal Expenses		5,250		
To Net Profit		63,750		
		<u>1,96,800</u>		<u>1,96,800</u>

Other particulars :

- Salaries include Rs. 23400 paid to Managing Partners
- Rent includes Rs. 9000 paid to a partner for the premises occupied by the firm.
- Rates and Taxes include municipal taxes of Rs. 1500 paid on the premises of the partner ,to be borne by him.
- Repairs include cost of electric motor replaced at a cost of R 4500

- e) Trade Expenses include :
- i) Donation to Charitable Institution Rs. 2250 by cheque
 - ii) Diwali pooja Expenses Rs.1500
 - f) Legal Expenses include Rs.750 paid to advocate in connection with the litigation of the partner's property.
- g) Excise suspense was disallowed when debited in the earlier year, i.e. Assessment Year 2021-22.
16. Tax planning is a very important and vital role in framing strategies for setting up new business. Explain the importance of tax planning for setting up new business towards optimizing tax liability.
17. From the following information compute the tax liability of Santa Ltd. for the assessment year 2023-24 :

Profit and Loss Account

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Raw material	10,00,000	Domestic sale of goods	25,00,000
Salary and wages	1,20,000	Export of goods	6,00,000
Entertainment expenditure	20,000	Other receipts	2,00,000
Travelling expenditure	30,000	Dividend from Indian company	3,22,000
Income tax	2,00,000		
Wealth tax	5,000		
Outstanding excise duty	15,000		
Provision for unascertained liability	40,000		
Dividend paid	52,000		
Dividend distribution tax	10,689		
Depreciation on assets after revaluation	6,40,000		
Net Profit	14,89,311		
	36,22,000		36,22,000

Turn over

Other information :

For tax purposes, the company wants to claim the following :

- a. Deduction under section 80-IAC (100% of Rs. 14,89,311).
- b. Custom duty of Rs. 50,000 pertaining to 2021-22 paid during 2022-23.
- c. Depreciation under section 32 is Rs. 6,00,000.
- d. Outstanding excise duty is paid on 12 December 2023.
- e. Assets whose book value was Rs. 8,00,000 was revalued at Rs. 20,00,000.
- f. The company wants to set-off the following losses/ allowances:

	For Tax purposes (Rs.)	For Accounting Purposes (Rs.)
B/F Loss of 2019-20	7,40,000	8,00,000
Unabsorbed Depreciation	3,00,000	4,50,000

18. A domestic company in which public are substantially interested, submits the following particulars of its income of the Previous Year ended March 31,2023.

i) Profits of business after deduction of donations to approved charitable institution	Rs. 1,90,000
ii) Donation to charitable institution by cheque	30,000
iii) Interest on Government securities	10,000
iv) Dividend from a domestic company (Gross)	60,000
v) long term capital gain	50,000
vi) Book Profit u/s 115-JB	8,00,000

During the FY 2022-23, the company deposited Rs 15,000 in Industrial Development Bank of India. The Company distributed gross dividend of Rs. 100,000 on 06/12/2022.

Compute the taxable income of the company and tax payable by it for the Assessment Year 2023-24.

(2 × 5 = 10 weightage)

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MCM4C15—INCOME TAX LAW, PRACTICE AND TAX PLANNING – II

(2019 Admission onwards)

[Improvement Candidates need not appear for MCQ Part]

(Multiple Choice Questions for SDE Candidates)

Time : 20 Minutes**Total No. of Questions : 20****Maximum : 5 Weightage****INSTRUCTIONS TO THE CANDIDATE**

1. This Question Paper carries Multiple Choice Questions from 1 to 20.
2. The candidate should check that the question paper supplied to him/her contains all the 20 questions in serial order.
3. Each question is provided with choices (A), (B), (C) and (D) having one correct answer. Choose the correct answer and enter it in the main answer-book.
4. The MCQ question paper will be supplied after the completion of the descriptive examination.

MCM4C15—INCOME TAX LAW, PRACTICE AND TAX PLANNING – II

(Multiple Choice Questions for SDE Candidates)

1. Tax evasion is _____.
(A) Legal. (B) Illegal.
(C) Unethical. (D) Both (B) and (C).
2. Out of the following, which expense is not admissible as deduction while computing income from business :
(A) GST. (B) Bad debt.
(C) Income tax. (D) Excise duty.
3. What is the exemption limit of income tax in case of a company ?
(A) 2,50,000. (B) 5,00,000.
(C) No exemption limit. (D) 10,00,000.
4. Tonnage tax system is exclusively intended to _____.
(A) Joint stock Companies. (B) Partnership firms.
(C) Shipping companies. (D) IT Companies.
5. Which among the following deduction is not available to companies ?
(A) 80 IB. (B) 80 C.
(C) 80 G. (D) 80 G.
6. In the case of which of the following co-operative society, the deduction under Section 80P is restricted to ₹ 1,00,000 :
(A) Consumers' co-operative society.
(B) Society engaged in collection and disposal of labor.
(C) Society engaged in fishing.
(D) Society engaged in processing of agricultural produce without the aid of power.
7. Additional depreciation to plant and machinery is chargeable at the rate of _____.
(A) 10 %. (B) 20 %.
(C) 15 %. (D) 5 %.

8. Share of profit of a partner from a firm assessed under section 184 is :
- (A) Taxable under the head business or profession.
 - (B) Exempted from tax in his hands.
 - (C) Taxable under business or profession but rebate allowable.
 - (D) Taxable under the head income from other sources.
9. Payment of interest authorized by partnership deed to partners up to 12 % is an allowable deduction to :
- (A) All partnership firms.
 - (B) Any AOP/BOI.
 - (C) Partnership firm assessed u/s 184.
 - (D) Partnership firm assessed u/s 185.
10. What will be the maximum amount of remuneration allowable to working partners of a PFAS as per sec 184 if the book profit of the firm is ₹ 50,000.
- (A) ₹ 50,000.
 - (B) ₹ 1,50,000.
 - (C) ₹ 3,00,000.
 - (D) Nil.
11. The amount of excess remuneration allowed to working partners than the allowable limit from a firm assessed under section 184 :
- (A) Should be added to partner's individual income for computing total income.
 - (B) Should be added to partner's individual total income and rebate is applicable on that income.
 - (C) Should not be added to partner's individual total income.
 - (D) None of the above.
12. For computing the Book Profit under section 115 JB, which of the following is not added back to the profits ?
- (A) Income-Tax.
 - (B) Provision for Tax.
 - (C) Dividend Distribution Tax u/s 115-0.
 - (D) Securities Transaction Tax.

Turn over

13. Notional Profit' from speculative business is :
- (A) Taxable under the head 'income from profits and gains of business and profession'.
 - (B) Taxable under the head 'income from other sources.
 - (C) Taxable either as income from other sources or as income from profits and gains of business and profession.
 - (D) Not taxable.
14. As per section 139 (1), a company shall have to file return of income :
- (A) When its total income exceeds Rs. `2,50,000.
 - (B) When its total income exceeds the maximum amount which is not chargeable to income-tax.
 - (C) In all cases irrespective of any income or loss earned by it.
 - (D) In all cases irrespective of any income earned by it.
15. E-filing of return in case of an office of the Government/company and a firm whose accounts are liable to be audited is :
- (A) Mandatory.
 - (B) Optional.
 - (C) Mandatory when its income exceeds Rs. `5,00,000.
 - (D) Mandatory when its income exceeds Rs. 10,00,000.
16. While computing business income, which of the following is inadmissible ?
- (A) Reserve for bad debts.
 - (B) Doubtful debt.
 - (C) Actual bad debts.
 - (D) All of the above.
17. A company incurred capital expenditure 2,00,000 during the previous year on promotion of family planning among its employees. During the year, deduction shall be allowed to the company: :
- (A) 40,000.
 - (B) 10,00,000.
 - (C) 2,00,000.
 - (D) Nil.
18. A company spent 1,00,000 on advertisement in a souvenir of a political party and will get a deduction from :
- (A) Profit and gains of business.
 - (B) Gross total income.
 - (C) Income from other source.
 - (D) None of these.

19. Under which the work of a doctor is covered ?
- (A) Trade. (B) Business.
(C) Profession. (D) None of these.
20. Under income tax Act, depreciation is allowed on _____.
- (A) Market price. (B) Purchase price.
(C) Written down value. (D) Face value.