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Register Number:

Date:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.COM - VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July-August 2022)**

**BC DEA 6518 - Corporate Taxation**

**Time-2 and 1/2 hours Max Marks-70**

**This paper contains three printed pages and four parts**

**SECTION A**

**Answer any FIVE questions. Each question carries two marks (5x2=10)**

1. Give the tax rate, surcharge and cess for domestic companies for A.Y 21-22.
2. Mention the conditions for claiming additional depreciation u/s sec. 32 (1).
3. What is “POEM” in relation to residential status of a company?
4. From the following information compute admissible amount of preliminary expenses as per section 35D.
	1. Capital employed is Rs. 50,00,000
	2. Cost of project Rs.45,00,000
	3. Actual preliminary expenses Rs. 15,00,000
5. State the rule for carry forward of MAT credit.
6. Give the meaning of tax management.

**SECTION B**

**Answer any THREE questions. Each question carries five marks. (3x5=15)**

1. Briefly explain the conditions for identifying an income an Indian Income and Foreign Income as per Income Tax Act 1961.
2. XCESS Limited set up a manufacturing unit in Warangal in the state of Telangana on 1.6.2020. It invested Rs. 30 crores in new plant and machinery on 1.6.2020. Further it invested Rs. 25 crores in in plant and machinery on 1.11.2020 out of which Rs. 5 crore was second hand plant and machinery. Compute depreciation allowable under section 32 and W.D.V. on 31.3.2021.
3. XYZ limited gives you the following information:

|  |  |  |  |
| --- | --- | --- | --- |
| As per Books | Amount ₹ | As per IT act | Amount ₹ |
| Book profits | 27,50,000  | Total taxable income | 25,30,000 |

You are required to compute:

a. Tax liability as per the provision of income tax act assuming the turnover of the company of 100 crores.

b. As per the provisions of MAT (Section 115JB)

c. Final tax liability

1. State the tax implications of amalgamation for amalgamated company.

**SECTION C**

**Answer any TWO questions. Each question carries fifteen marks. (2x15=30)**

1. Particulars of assets of manufacturing business of Mr. Suresh for 2020-21 are:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Assets | WDV on 1-4-2020 | Additions | Date of use | Rate of dep |
| Plant and machinery | 3,00,000 | 15,00,000 | 1.6.2020 | 15% |
| Furniture | 3,00,000 | 2,00,000 | 31.8.2020 | 10% |
| Motor car | 6,00,000 |  | 31.12.2020 | 15% |

During 2020-21 the entire stock of furniture was sold for ₹ 4,00,000. Two of the six motor cars were sold for ₹4,00,000 and Machinery was sold for ₹25,00,000. Calculate depreciation and closing W.D.V. for A.Y. 2021-22.

1. The profit and loss account of X Ltd., a domestic company, for the year ending 31.03.21 is given below:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Rs. | Particulars | Rs. |
| Expenses related to goods manufactured | 10,00,000  | Sale of goods manufactured by the company | 20,00,000 |
| Expenses related to sale of other goods  | 8,20,000 | Sale of other goods  | 10,50,000 |
| Proposed dividend | 7,00,000 | Long-term capital gain  | 5,00,000 |
| Provision for unascertained liabilities | 80,000 | Amount withdrawn from general reserve  | 90,000 |
| General reserve | 1,00,000 |  |  |
| Income Tax paid | 1,00,000 |  |  |
| Net profit | 8,40,000 |  |  |
|  | **36,40,000** |  | **36,40,000** |

Other relevant information is as follows:

1. An outstanding liability related to sales-tax for 2016-17 paid during 20120-21 is Rs.50,000 which was not charged to above profit and loss account.
2. Brought forward loss as per books of account is Rs. 80,000 while the brought forward depreciation as per books of account is Rs. 70,000.
3. Brought forward unabsorbed depreciation is Rs. 4,00,000.
4. Brought forward loss under the head capital gain Rs. 4,00,000.

Compute the total income of X Ltd. for the assessment year 2021-22.

1. Chelsea Ltd. wants to acquire an asset costing Rs. 2,00,000. It has two alternatives. The first one is buying the asset by taking a loan of Rs. 2,00,000 from a bank repayable in 5 equal instalments of Rs. 40,000 each with interest @ 14% p.a. File charges of ₹2000 to be paid to bank along with first year installment. The second one is leasing the asset for which annual lease rent is Rs. 56,000 up to 5 years. The lessor charges 0.5% as processing fees in the first year. At the end of 5 years the asset will fetch a scrap value of Rs.2000. Assume the internal rate return to be 14%. The present value factors are as under.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| 0.877 | 0.770 | 0.675 | 0.592 | 0.519 |

Assume lease rentals, processing fees, loan as well as interest amount are payable at year end. Suggest which alternative is better for the company. Assume rate of depreciation @ 25% and tax rate at 30%.

**SECTION D**

**Answer the following compulsory question. (1x15=15)**

1. The Net Profit of X Company Ltd., as per profit and loss account for the year ended 31.03.2021 is Rs. 17,50,000. From the following information calculate
2. the Book-Profit of the Company under section 115JB,
3. MAT and
4. final tax liability for the assessment year 2021-22:

The following amounts are found debited to profit and loss account:

(Rs.) Excise Duty 1,50,000

Provision for Unascertained Liability 1,00,000

Loss of Subsidiary Company 2,00,000

Provision for Income Tax 2,55,000

Proposed Dividend 9,95,000

 The following amount is found credited to profit and loss account:

 General Reserve (withdrawal) 5,00,000

Additional information: Unabsorbed losses/ allowances brought forward from past year as per books of accounts prepared under Companies Act are as follows: (Rs.)

Unabsorbed Business Loss (excluding depreciation) 2,65,000

Unabsorbed Depreciation 3,50,000

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