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ST. JOSEPH'S COLLEGE (AUTONOMOUS), BANGALORE-27
M.COM - III SEMESTER
SEMESTER EXAMINATION: NOVEMBER 2020
MCODEA9418: CORPORATE TAXATION

Time- 2 1/2 hrs

Max Marks-70

This paper contains 4 printed pages and four parts

SECTION A

Answer any TEN of the following. Each question carries two marks. (10x2=20)

1. State the rule to determine the residential status of an Indian company and a non-Indian company.
2. How do you read the applicability of the Finance Act of a year? Give example
3. Give the treatment of unabsorbed depreciation.
4. What are included in actual cost of an asset for the purpose of depreciation?
5. Mention the provision for deduction for Section 80JJAA.
6. Give two exceptions to the conditions of Section 79.
7. What is the rule for claiming expenditure on in-house research and development while computing taxable income from Business?
8. If book profits of a company as per Section 115JB in P.Y.2019-20 is Rs.12,00,000 and total income as per Income tax is Rs.3,50,000, Calculate the MAT, if any.
9. When and how much can a company claim MAT credit?
10. What is meant by slump sale?
11. Mention the treatment for preliminary expenses under section 35D.
12. What is the capital gain on buy back of own shares?

SECTION B

Answer any THREE of the following. Each question carries five marks. (3x5=15)

13. WDV of block of Plant and machinery on 1-4-2019 was ₹ 5,95,000. During the year 2019-20 a new item costing ₹ 150,000 was acquired in May 2019 and an item was sold on 15-9-2019 for ₹ 79,000. Calculate the W.D.V. of this block of asset and calculate the depreciation @15% in relation to A.Y.2020-21.
14. On April 1, 2017, X and his wife purchased all the shares of a private limited company. Up to March 31, 2017, the company had accumulated business losses of Rs. 5,00,000 and unabsorbed depreciation amounting to Rs. 3,00,000. For the previous year 2017-18, the profits of business are computed at Rs. 4,50,000. Would the company be entitled to carry forward and set-off the past accumulated losses and unabsorbed depreciation?

Would it make any difference if X and his wife have received the shares as a gift from a relative?

15. The Net Profit of X Company Ltd., as per profit and loss account for the year ended 31.03.2020 is Rs. 17,50,000. From the following information **calculate the Book-Profit** of the Company under section 115JB for the assessment year 2020-21:

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	2,50,000
Wealth Tax	5,000
Proposed Dividend	9,95,000

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

General Reserve (withdrawal)	5,00,000
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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

16. An undertaking engaged in generation and distribution of power, purchased an asset in July 2016 for ₹ 100000 on which depreciation is allowed @7.84% on the basis of SLM. If the assessee sells the asset in 2019-20 for (a) ₹ 120000, (b) ₹ 92000, (c) ₹ 70000, compute capital gain, balancing charge, terminal depreciation, as the case may be, for the A.Y. 2020-21.

17. Explain the tax incentives to the amalgamated company in case of amalgamation.

SECTION C

Answer any TWO of the following. Each question carries ten marks. (2x10=20)

18. A new industrial undertaking set up on 1-4-2019 has acquired the following assets:

Assets	date of acquisition	date of use	Cost	rate of depreciation
Machinery	31-3-2019	5-9-2019	Rs.6,00,000	15%
Electric Motor	1-7-2019	1-1-0-2019	Rs.78,000	15%
Plant	12-11-2019	15-12-2019	12,00,000	15%

Calculate the amount of admissible depreciation and W.D.V. as on 1-4-2020.

19. Reliance company Ltd. Is an Indian company. It furnished the following particulars of its income for the P.Y. ended 31.03.2020. Compute the total income for A.Y. 2020-21.

- a. Trading Business income ₹ 4200000
 b. Loss from trading business carried forward from previous year ₹ 1,50,000

- c. Dividends from: Domestic company(gross) ₹ 200000
A foreign company ₹ 150000
- d. STCG ₹ 250000
- e. LTCG ₹ 700000

Additional information:

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

- (a) ₹ 5000 revenue expenditure and ₹ 20000 capital expenditure for family planning programme amongst employees.
- (b) Donation to B.R. Ambedkar University, Agra ₹ 30000 by cheque; Dev Mata trust (approved) ₹ 70000 by cheque and Rajiv Gandhi Foundation ₹ 5000 by cheque.

20. Horizon Ltd. An Indian company manufactures textiles. For the year ended 31.3.2020, statement of Profit and loss showed net profit of Rs.20,50,000 which included below:

- a. Dividend of Rs.4,00,000 paid to shareholders on August 2019 for 2018-19.
- b. Interest paid Rs.20,000 for loan taken for the payment of income tax liability of company.
- c. Interest paid Rs.30,000 for loan taken to make donation to an approved charitable institution.
- d. Rs.1,00,000 spent by managing director on his visit to:
- Canada to buy machinery and finalise an agreement of collaboration for a new undertaking proposal Rs.40,000
 - U.S.A. to study export market for textiles Rs.60,000
- e. Company incurred expenditure of Rs,2,00,000 as follows:
- Advertisement in newspaper Rs.1,50,000
 - Advertisement in souvenir of a political party paid in cheque Rs.50000
- f. Rs.20,000 paid to legal advisors in respect of proceedings before income tax authorities.
- g. Penalty of Rs.48,000 for importing yarn in contravention of import regulations.
- h. The company has paid advance tax of Rs.6,00,000.
- Compute taxable income of the company and net tax payable for A.Y.2020-21.

SECTION D

Answer the following compulsory question. The question carries fifteen marks.

(1x15=15)

21. The Profit and Loss account of a trading company for the year ended 31.3.2020 is given below:

Profit and Loss Account			
Particulars	Rs. (00,000)	Particulars	Rs. (00,000)
Salary and wages	7.50	Sales	48.00
Postage and Telegrams	0.40	Amount withdrawn from general reserve	3.00
Travelling and Conveyance	0.50		
Depreciation	5.00		
Income Tax	4.10		

Excise duty due	1.00		
Provision for future losses	0.60		
Proposed dividend	0.80		
Loss of subsidiary company	0.50		
Audit fee	0.35		
Director remuneration	8.00		
Deferred tax	1.35		
Net Profit	21.00		
	51.00		51.00

Other information:

For tax purposes, the company provides the following information:

- Excise duty due on 31.03.2020 was paid on 02.11.2020.
- Custom duty of Rs. 1,20,000 which was due on 31.03.2018 was paid during the financial year 2019-20.
- Depreciation under section 32 is Rs. 11,43,000.
- The company wants to set-off the following losses/ allowances:

	For Tax purposes	For Accounting Purposes
B/F Loss of assessment year 2019-20	12,00,000	10,00,000
Unabsorbed Depreciation	3,00,000	3,00,000

Compute net taxable income and tax liability as per the normal provisions of Income tax Act for the assessment year 2020-21. Also compute book profits and tax payable under section 115JB and final tax liability.

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