

**Avinashilingam Institute for Home Science and Higher Education for Women  
(Deemed to be University) Coimbatore-641043**

**Master's Degree Examination November 2018  
III Semester**

**Class : II PG  
Major : M.Com / M.Com (CA)**

**Time : 3 Hours  
Max.Marks: 60**

**17MCOC20 Elective-I Paper II Finance  
17MCOC20A / 17MCCC20 Tax Planning and Management**

**Part-A**

**Choose the Correct Answer**

**(10x1/2=5 Marks)**

- 1) Income tax is levied as a -----.  
a) Direct tax      b) Indirect tax      c) Local tax      d) Wealth tax
- 2) Residential status of taxable entities is -----.  
a) Fixed in nature      b) Can change from year to year  
c) Fixed once in 5 years      d) Fixed once in 7 years
- 3) Allowances received by a government employee posted abroad are -----.  
a) Fully exempted      b) Partly exempted  
c) Fully taxable      d) Taxable by the country where posted
- 4) Children education allowance is exempted upto -----.  
a) Rs. 200 p.m. per child      b) Rs.300p.m. per child  
c) Rs. 100 p.m. per child      d) Rs.400p.m. per child
- 5) Income from sale of house hold furniture is -----.  
a) Taxable capital gain      b) Exempted capital gain  
c) Short term capital gain      d) Long term capital gain
- 6) Which of the following income from other sources is not taxable?  
a) Dividend from co-operative society      b) Dividend from foreign company  
c) Dividend from domestic company      d) Winnings from lottery
- 7) Reduction admissible from tax liability is known as -----.  
a) Exemption      b) Deduction  
c) Rebate      d) Remission
- 8) Tax on dividends distributed by a company is payable by -----.  
a) Shareholders      b) Government  
c) No tax on dividends      d) Company
- 9) Tax credit statement is a differences between -----.  
a) Tax paid and tax Refund      b) TDS and Tax Payable  
c) Advance Tax      d) Refund tax
- 10) Tax incentives to shareholders of amalgamating company is exempted from -----.  
a) Provision      b) Baddebts  
c) Nominal expenses      d) Tax on exchange of shares

**Part – B**

**(5x4=20 Marks)**

**Answer All the Questions**

**Each answer should not exceed 200 words or one page**

11)a) Mr. Ram, who was born and brought up in India, went to U.K. for further studies on 1<sup>st</sup> February 2015 and came back to India on 1<sup>st</sup> October 2016. Ascertain his residential status for the previous year 2016-2017. **(Or)**

11)b) Mr. Arun, an Indian citizen, is employed with a company in Mumbai. He has never been out of India. On 1<sup>st</sup> January 2017, he was appointed as branch manager of the company in UK and he left for UK. He did not visit India again during 2017. What is his residential status for the assessment year 2017-2018?

12)a) Examine the tax treatment of allowances in the following cases for P.Y 2016-2017.

i) Mr. P.S. Sashwike, receives the following allowances:

- a) Dearness Allowances (D.A.) Rs.1,000 p.m.
- b) Medical Allowances Rs.500 p.m.
- c) Transport allowances Rs.1,500 p.m.

ii) Ragu Prasanth, a private Co. employee, receives the following allowances:

- a) D.P. (Dearness Pay) Rs.5,000 p.m.
- b) House Rent Allowances (H.R.A.) Rs.1,000 p.m. (Lives in own house)
- c) City Compensatory Allowance (C.C.A.) Rs.1,000 p.m.
- d) Entertainment Allowance Rs.500 p.m.

**(Or)**

12)b) Arun owns two houses, both of which are self-occupied. The particulars of the houses are as under:

	<b>House I (Rs.)</b>	<b>House II (Rs.)</b>
Municipal value	70,000	90,000
Fair rental value	78,000	1,20,000
Standard rent	-	1,00,000

Find the gross annual value of the property for the AY 2017-2018.

13)a) Ms. Ponmani furnishes the following particulars:

**Shares in 'A' Ltd**

Date of Purchase	1.2.2016
Date of sale	5.10.2016
Cost of Purchase	Rs.25,000
Expenses on Purchase	Rs.500
Sale value	Rs.50,000
Expenses on sales	Rs.1,000

Compute Capital Gain.

**(Or)**

13)b) Mr. Vasanth owns horses at Bangalore and Delhi. The horses run in races at the Respective race courses. During the year 2016-2017, Mr. Vasanth submits the following information.

i) Expenses on race horses at Bangalore Rs.4,00,000

ii) Expenses on race horses at Delhi Rs.6,00,000

iii) Stack money earned by horses at:

a) Bangalore Rs.5,00,000

b) Delhi Rs.3,00,000

iv) Mr. Vasanth received Rs.1,26,000 on betting during horse races at Bangalore.

v) Vasanth also received Rs.49,000 as lottery winnings and his winnings from card games were Rs.20,000, during the year.

Compute the income from other sources of Vasanth for the assessment year 2017-2018.

14)a) What are the salient features of assessment of companies under Income Tax act,1961?

(Or)

14)b) Sriram Company Ltd, furnish the following information:

Interest on Securities (Computed) Rs.10,000

Income from house property (Computed) Rs.20,000

a) Textile manufacturing:

Profit as per P & L A/c before depreciation Rs.2,00,000

Depreciation rs.95,000

b) Hosiery Manufacturing:

Profit as per P & L A/c before depreciation Rs.75,000

Depreciation Rs.18,000

Agency business loss b/f from 2007-2008 Rs.15,000

Income from other sources Rs.25,000

Compute the total income for the assessment year 2017-2018.

15)a) Define the term tax planning.

(Or)

15)b) How to planning in respect of starting new business?

**Part – C**

**(5x7=35 Marks)**

**Answer All the Questions**

**Each answer should not exceed 600 words or three pages**

16)a) Mr. Pramod, a citizen of India, went to Canada for business purpose on 1.1.2012. He was never out of India in the past. During the previous year 2012-2013, 2013-2014, 2014-2015, 2015-2016, he has been in India for 100 days every year. He returned to India to settle here on 1.1.2017. Determine his residential status for the assessment year 2017-2018. Would it make any difference if he comes to India on 1.1.2017 for three months on a visit and not to settle here.

(Or)

16)b) Babu has furnished the following particulars for the previous year 2016-2017. Calculate his total income if he is non – resident.

	Rs.
Salary received in India	9,000
Dividend received in Japan from Japanese Co. out of which Rs.3,000 was remitted to India	22,000
Income from business in Germany controlled from India.	10,000
Interest on savings Bank Deposits in State Bank of India.	1,000
Past untaxed income brought to India	20,000
Income from house property in India.	3,400

17)a) Compute salary income from the following:

- Salary @ Rs.6,250 p.m.
- D.A. @ Rs.3,000 p.m. [50% enters for retirement benefits]
- Commission @ 2% on turnover of Rs.8,00,000
- Bonus Rs.6,000
- PF contribution by employer and employee @ 14% of salary
- Interest credited during the year on PF is @ 11% being Rs.5,500. Calculate salary income if provident fund is recognized provident fund.

(Or)

17)b) From the particulars furnished by Suguna for the previous year ending March 31<sup>st</sup> 2017.

Compute the taxable income from house property for the assessment year 2017-2018.

He owns a house property at a metro city.

Its fair rental value per annum is Rs.27,000 and Municipal value Rs.24,000. The house was let out from April 1, 2016 to August 31, 2016 @ Rs.2,100 per month. From September 1, 2016, Suguna occupied the house for his residence.

Expenditure incurred and paid on the property: (a) Municipal tax Rs.4,000 (b) Fire insurance Rs.2,500 (c) Land revenue Rs.4,600 and (d) Repairs Rs.1,000.

Interest paid on borrowings for construction: (a) for the year Rs.21,600 (b) Proportionate preconstruction interest Rs.12,960.

18)a) Sri. Munna furnishes the following particulars of his income for the previous year 2016-2017. Compute his total income:

Sri. Munna purchases Diamonds for Rs.8 Lakh (Fair market value: Rs.8.5 lakh) He further purchases an art work for Rs.9 Lakh (Fair market value rs.9.5 lakh).

- Dividend on Equity shares (Gross) Rs.600
- Dividend on preference shares (Net) Rs.3,580
- Income from letting on hire of building and Machinery – Composite lease Rs.17,000
- Interest on bank deposits Rs.2,500
- Directors sitting fees Rs.1,200
- Ground Rent Rs. 600

vii) Income from undisclosed sources rs.10,000

viii) Income from lotteries Rs.10,000

The following deductiuons are claimed by him:

a) Collection charges of dividend Rs.20

b) Allowable depreciation on buildings and machinery Rs.4,000

c) Insurance on building and machinery Rs.100

(Or)

18)b) Mr. Manu purchases on 10<sup>th</sup> May- 2016, 1,000 preference shares of Rs.10 each in A Ltd., @ Rs.55.55. On 20<sup>th</sup> October – 2016, he transfers 800 shares @ Rs.37 per shares and remaining 200 shares are transferred on 20<sup>th</sup> December , 2016 @ Rs.20 per share. A Ltd., declares 50% dividend (record date 3<sup>rd</sup> August – 2016) during the P/Y 2016-2017 he has generated long term capital gain of rs.76,000 on sale of gold. Compute the taxable capital gain.

19)a) How do you ascertain the tax liability of an individual assessee?

(Or)

19)b) Prem Ltd., a company in which the public are substantially interested, has furnished to you the following particulars for its assessment in respect of its previous year ended on 31<sup>st</sup> march 2017:

	Rs.
(1)New industrial undertaking in backward district "A" category. Production commenced on 1.4.2017	
a) Profit before allowing depreciation	50,000
b) Depreciation admissible	40,000
(2) Old manufacturing business:	
a) Profit before depreciation	1,50,000
b) Depreciation admissible	40,000
(3) Speculation business – Profit / Loss:	
a) Oil – Loss	80,000
b) Cotton – Profit	40,000
(4) Agency business Loss b/f (Business discontinued on 31.3.2002)	20,000
(5) Profit/Loss on sale of assets:	
a) Long-term (indexed) profit	1,00,000
b) Short term loss	60,000

You are required to compute the total income of Assesse Company for the assessment year 2017-2018 indicating the reasons foOr your answer.

The company has distributed dividend of an amount of Rs.70,000 on 16<sup>th</sup> September 2016.

20)a) Discuss about tax planning and Tax evasion.

(Or)

20)b) Explain in briefly tax planning in connection with amalgamations of the firm.