



Roll No.

**PRESIDENCY UNIVERSITY
BENGALURU**

SCHOOL OF LAW

MID TERM EXAMINATIONS

Sem & AY: Odd Sem 2019-20

Date: 17.10.2019

Course Code: BCL 203

Time: 9.30 AM to 11.30 AM

Course Name: Corporate Tax Planning

Max Marks: 60

Program & Sem: B.Com.,LL.B.(Hons.) & V

Weightage: 30%

Instructions:

- (i) *Use of non-programmable calculator is allowed*

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries four marks. (3Qx4M=12M)

1. What is tax planning? Discuss any three objectives of tax planning.
(C.O.NO.1) [Knowledge]
2. What is tax avoidance? Can the penalty be imposed on tax avoidance?
(C.O.NO.1) [Knowledge]
3. How is deduction different from exemption? Explain with examples.
(C.O.NO.1) [Knowledge]

Part B [Thought Provoking Questions]

Answer all the Questions. Each Question carries ten marks. (3Qx10M=30M)

4. What is book profit of firm? How is this computed?

A and B are two equal partners in a firm. Their capital contributions in the firm are ₹ 2,00,000 and ₹ 3,00,000 respectively. As per partnership deed they are entitled to interest on capital at the rate of 15% p.a. Further A is to be given a salary of ₹ 20,000 per month and B ₹ 12,000 per month. During the year they made a profit of ₹ 6,00,000 after allowing salary and interest to partners. You are required to compute:

- a) Taxable income of firm and partners for the Assessment year 2019-20
- b) Tax payable by firm and partners for the Assessment year 2019-20
(C.O.NO.2) [Comprehension]

5. What is Minimum Alternate Tax? How is this computed?

Jackson Ltd has the taxable income as per normal provisions of the income tax Act ₹ 40 lakhs and Book profits of ₹ 75 lakhs for the previous year 2018-19. You are required to compute tax payable by company and the MAT credit. Suppose company falls in tax bracket of 30%. (C.O.NO: 2) [Comprehension]

6. What is MAT credit? What is the system and period of carry forward of MAT credit?
ABC Ltd. provides you following particulars

Previous Year	Tax payable as per normal provisions of income tax (₹ Lakhs)	Tax payable as per MAT (₹ Lakhs)
2010-11	500	400
2011-12	600	700
2012-13	800	750
2013-14	650	700
2014-15	900	825
2015-16	1000	1200
2016-17	800	700
2017-18	1200	1000
2018-19	1200	1400

You are required to compute tax payable by the company, MAT credit, MAT credit set off and MAT credit to be carried forward. (C.O.NO.3) [Comprehension]

Part C [Problem Solving Questions]

Answer the Question. The Question carries eighteen marks. (1Qx18M=18M)

7. X and Y are two friends. They are doing their own sole proprietorship business. X is making a profit of ₹ 10,00,000 and Y ₹ 12,00,000. If they combine they are expected to make a profit of ₹ 30,00,000. Hence they enter into partnership on 1st April, 2018 having equal profit ratio. X is to be given a salary of ₹ 4,00,000 per annum and Y is to be allowed interest on capita @ 20% which amounts to ₹ 4,00,000 per annum. Both interest on capital and salary are authorized as per partnership deed. Very unfortunately they made a profit of only ₹ 14,00,000 after allowing for interest on capital and salary to partners for the previous year 2018-19. Compute tax payable by them under the following situations

- If they do not enter into partnership and carry their own businesses
- If they enter into partnership

Decide whether they should continue partnership business or carry their own businesses. (C.O.NO.3) [Application]



SCHOOL OF MANAGEMENT

Semester: Odd Sem 2019-20

Course Code: BCL-203

Course Name: Corporate Tax Planning and Management

Date:

Time:

Max Marks: 60

Weightage: 30%

Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (%age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted] Bloom's Levels	[Marks allotted] Bloom's Levels	[Marks allotted]	
			K	C	A	
1	1	I	4			4
2	1	I	4			4
3	1	I	4			4
4	2	II		10		10
5	2	III		10		10
6	3	I		10		10
7	3	III			18	18
	Total Marks					60

K =Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines. [Name of faculty]

Reviewer's Comments:

Annexure- II: Format of Answer Scheme



SCHOOL OF LAW

SOLUTION

Semester: III

Course Code: BCL 203

Course Name: Corporate Tax Planning and Management

Date:

Time:

Max Marks: 60

Weightage: 30%

Part A

(3Q x 4M = 12Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	<p>Tax planning means planning to minimize the taxable income and tax payable there on such that full benefit may be claimed for every deduction, exemption, rebate and relief as intended by income tax law.</p> <p>A good tax planning should reduce litigation, should reduce tax liability and should be beneficial to the economy.</p>	1 mark for meaning and 3 marks for objectives	7 Minutes
2	<p>Ans. Tax avoidance implies finding loopholes in tax law provisions and taking benefit of it which was not intended by income tax law. Even if no penalty can be imposed for tax avoidance but it is not in the interest of our Country</p>	2 marks each part	7 Minutes
3	<p>Deduction is allowed from gross total income while exemption is allowed for respective income. If income is exempted, it will not form part of gross total income.</p>	3 Marks for definition, 1 mark for example	7 Minutes

Part B

(3Q x 10M = 30 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question																																	
4	<p>Book profit means that part of profit of firm from which remunerations to partners are deducted to arrive at business profit. It is computed after disallowing interest on capital in excess of 12% per annum and remuneration debited in profit and loss account.</p> <p>i) Computation of taxable profit of firm</p> <table border="1" data-bbox="300 421 997 1182"> <tbody> <tr> <td>Profit as per profit and loss account</td> <td>600000</td> </tr> <tr> <td>Add interest in excess of 12% p.a. A- 6000 B- 9000</td> <td>15000</td> </tr> <tr> <td>Add Salary to partners A- 240000 B- 144000</td> <td>384000</td> </tr> <tr> <td>Book Profit</td> <td>999000</td> </tr> <tr> <td>Less Salary lower of a) Maximum – 689400 b) Actual - 384000</td> <td>(384000)</td> </tr> <tr> <td>Business profit of firm</td> <td>615000</td> </tr> <tr> <td>Tax payable @ 30%</td> <td>184500</td> </tr> <tr> <td>Add education cess @ 4%</td> <td>7380</td> </tr> <tr> <td>Net tax payable by firm</td> <td>191880</td> </tr> </tbody> </table> <p>ii) Computation of taxable income of partners and tax payable</p> <table border="1" data-bbox="290 1344 997 1691"> <thead> <tr> <th>Partners</th> <th>A</th> <th>B</th> </tr> </thead> <tbody> <tr> <td>Interest on capital @ 12%</td> <td>24000</td> <td>36000</td> </tr> <tr> <td>Salary to partners</td> <td>240000</td> <td>144000</td> </tr> <tr> <td>Total taxable income</td> <td>264000</td> <td>180000</td> </tr> <tr> <td>Tax payable</td> <td>728</td> <td>nil</td> </tr> </tbody> </table>	Profit as per profit and loss account	600000	Add interest in excess of 12% p.a. A- 6000 B- 9000	15000	Add Salary to partners A- 240000 B- 144000	384000	Book Profit	999000	Less Salary lower of a) Maximum – 689400 b) Actual - 384000	(384000)	Business profit of firm	615000	Tax payable @ 30%	184500	Add education cess @ 4%	7380	Net tax payable by firm	191880	Partners	A	B	Interest on capital @ 12%	24000	36000	Salary to partners	240000	144000	Total taxable income	264000	180000	Tax payable	728	nil	3 marks for theory and 7 marks for numerical	18 Minutes
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5	<p>MAT is the minimum tax which companies in India is required to pay @ 18.5% on their book profits</p> <p>Tax payable will be higher of the following two:</p> <p>a) Rs 40, 00,000 @ 30 % plus 4% = 12,48, 000</p> <p>b) Tax liability as per MAT provisions will be :</p> <p>Rs 75, 00,000 @ 18.5 % plus 4% = Rs 14,43,000</p>						3 marks for theory and 7 marks for numerical	18 Minutes																																																																						
6	<table border="1"> <thead> <tr> <th>Previous Year</th> <th>Tax payable as per normal provisions of income tax (Rs. Lakhs)</th> <th>Tax payable as per MAT (Rs. Lakhs)</th> <th>MAT Credit</th> <th>MAT credit set off</th> <th>Net tax payable</th> <th>MAT credit C/F</th> </tr> </thead> <tbody> <tr> <td>2010-11</td> <td>500</td> <td>400</td> <td></td> <td></td> <td>500</td> <td></td> </tr> <tr> <td>2011-12</td> <td>600</td> <td>700</td> <td>100</td> <td></td> <td>700</td> <td>100</td> </tr> <tr> <td>2012-13</td> <td>800</td> <td>750</td> <td></td> <td>50</td> <td>750</td> <td>50</td> </tr> <tr> <td>2013-14</td> <td>650</td> <td>700</td> <td>50</td> <td></td> <td>700</td> <td>100</td> </tr> <tr> <td>2014-15</td> <td>900</td> <td>825</td> <td></td> <td>75</td> <td>825</td> <td>25</td> </tr> <tr> <td>2015-16</td> <td>1000</td> <td>1200</td> <td>200</td> <td></td> <td>1200</td> <td>225</td> </tr> <tr> <td>2016-17</td> <td>800</td> <td>700</td> <td></td> <td>100</td> <td>700</td> <td>125</td> </tr> <tr> <td>2017-18</td> <td>1200</td> <td>1000</td> <td></td> <td>125</td> <td>1015</td> <td></td> </tr> <tr> <td>2018-19</td> <td>1200</td> <td>1400</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						Previous Year	Tax payable as per normal provisions of income tax (Rs. Lakhs)	Tax payable as per MAT (Rs. Lakhs)	MAT Credit	MAT credit set off	Net tax payable	MAT credit C/F	2010-11	500	400			500		2011-12	600	700	100		700	100	2012-13	800	750		50	750	50	2013-14	650	700	50		700	100	2014-15	900	825		75	825	25	2015-16	1000	1200	200		1200	225	2016-17	800	700		100	700	125	2017-18	1200	1000		125	1015		2018-19	1200	1400					3 marks for gross total income, 7 marks for tax computation	18 Minutes
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Part C

(1Q x 18M = 18Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question																		
7	<p>If they do not enter into partnership and carry their own businesses</p> <table border="1"> <thead> <tr> <th></th> <th>X</th> <th>Y</th> </tr> </thead> <tbody> <tr> <td>Taxable income</td> <td>1000000</td> <td>1200000</td> </tr> <tr> <td>Tax payable</td> <td>112500</td> <td>172500</td> </tr> <tr> <td>Education cess @ 4%</td> <td>4500</td> <td>6900</td> </tr> <tr> <td>Net tax payable</td> <td>117000</td> <td>179400</td> </tr> <tr> <td>Combined tax</td> <td colspan="2">269400</td> </tr> </tbody> </table>		X	Y	Taxable income	1000000	1200000	Tax payable	112500	172500	Education cess @ 4%	4500	6900	Net tax payable	117000	179400	Combined tax	269400		9 marks each part	35 Minutes
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Combined tax	269400																				

If they enter into partnership, Tax payable by firm

Profit as per Profit and Loss Account	1400000
Add interest $400000/20 * 8$ to Y	160000
Add Salary to X	400000
Book profit	1960000
Remuneration allowed u/s 40(b)	400000
Taxable profit	1560000
Tax @ 30%	468000
Education cess @ 4%	18720
Net tax payable	486720

If they enter into partnership, Tax payable by partners

	X	Y
Interest $400000/20*12$		240000
Salary	400000	
Total income	400000	240000
Net tax payable	7500	Nil
Education cess	300	
Net tax payable	7800	Nil
Combined tax	7800	
Combined tax of firm and partners	$7800 + 486720 = 494520$	

Decision: They should not continue with partnership

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Roll No																			
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**PRESIDENCY UNIVERSITY
BENGALURU**

SCHOOL OF LAW

END TERM FINAL EXAMINATION

Semester: Odd Semester: 2019 - 20

Date: 24 December 2019

Course Code: BCL 203

Time: 1:00 PM to 4:00 PM

Course Name: CORPORATE TAX PLANNING AND MANAGEMENT

Max Marks: 80

Program & Sem: B.Com., LL.B. (Hons) & V

Weightage: 40%

Instructions:

- (i) Read the all questions carefully and answer accordingly.
- (ii) Use of Non-programmable calculator is allowed

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries 4 marks.

(5Qx4M=20M)

1. Elaborate the concept of "Tax Planning" and differentiate it with Tax Management. (C.O.No.1) [Knowledge]
2. How is taxable income of a Limited Liability Firm computed? (C.O.No.2) [Knowledge]
3. Explain any two items to be added and two items to be deducted for computing MAT (C.O.No.3) [Knowledge]
4. Explain how tax impacts different locations of business differently? (C.O.No.4) [Knowledge]
5. Explain tax implications of bonus shares issued by a company. (C.O.No.5) [Knowledge]

Part B [Thought Provoking Questions]

Answer all the Questions. Each Question carries 10 marks.

(4Qx10M=40M)

6. How is taxable income of a partner of a Firm computed? Alok and Raja are two equal partners in a firm. Their capital contributions in the firm are ₹ 5,00,000 and ₹ 7,00,000 respectively. As per partnership deed they are entitled to interest on capital at the rate of 16% p.a. Further Alok is to be given a salary of ₹ 50,000 per month and Raja ₹ 20,000 per month. During the year they made a profit of ₹ 7,00,000 after allowing salary and interest to partners. You are required to compute:
(C.O.No.3) [Comprehension]
 - a) Taxable income of firm and partners for the Assessment year 2019-20
 - b) Tax payable by firm and partners for the Assessment year 2019-20
7. What is deemed dividend? Mr. Ravi holds 2000 preference of ₹ 100 each in a company. Company has reserves worth ₹ 50,00,000. Out of these reserves it issued bonus shares in the ratio 1:4. Market value of these shares amounting to ₹ 126 per share. Discuss the taxability in the hands of Ravi and company. What will be your answer if Mr. Ravi is holding Equity shares instead of Preference Shares and company issues bonus equity shares?
(C.O.No.3) [Comprehension]

8. Explain the impact of capital structure on tax planning. MINGA Limited is looking for fund for expansion. It has three options: (C.O.No.3) [Comprehension]

a) Equity ₹ 30,00,000, 9% Debenture ₹ 30,00,000 12% loan ₹ 15,00,000

b) Equity ₹ 15,00,000, 9% Debenture ₹ 20,00,000 12% loan ₹ 40,00,000

The expected rate of return is 25%. Applicable rate of tax is 30% with education cess of 3%. Suggest better option for the company

9. Elaborate the benefits and exemptions available to a new business having regard to its nature as per income tax law in India. (C.O.No.4) [Comprehension]

Part C [Problem Solving Questions]

Answer the Questions. This Question carries 20 marks.

(1Qx20M=20M)

10. I) How is operating lease different from Finance Lease? [5M]

II) B Limited wants to acquire a Machinery worth ₹ 10,00,000 for five years. [15M]
It has following two options: (C.O.No.5) [Application]

a) To acquire the Machinery by taking a loan of ₹ 10,00,000 repayable in 5 installments of ₹ 2,00,000 together with interest @ 13%. Life of Machinery is five years at the end of which it will fetch an amount equal to its book value. The loan repayment starts from the end of first year.

b) To take it on lease for 5 years at an annual lease rent of ₹ 3,20,000 which is payable at each year end.

Other information

- Tax rate applicable to company is 30%
- Company discounts cash flow at 13%
- The normal rate of depreciation applicable to Machinery is 15% on WDV basis. Additional depreciation @20% of actual cost is also available in the first year of acquisition
- The present value factor @ 13%

Year	1	2	3	4	5
Discounting factor	0.885	0.783	0.693	0.613	0.543

You are required to state better alternative



SCHOOL OF LAW

END TERM FINAL EXAMINATION

Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (% age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type [Marks allotted]	Total Marks
			[Marks allotted]	[Marks allotted]		
			Bloom's Levels	Bloom's Levels		
			K	C	A	
1	25%	I	4			4
2	33%	II	4			4
3	10%	III	4			4
4	20%	IV	4			4
5	25%	V	4			4
6	10%	III		10		10
7	10%	III		10		10
8	5%	III		10		10
9	40%	IV		10		10
10	33%	IV			20	20
Total Marks			20	40	20	80

K = Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines.

Faculty Signature:

Reviewer Comment:

Format of Answer Scheme



SCHOOL OF ENGINEERING

SOLUTION

Semester: Odd Sem. 2019-20
Course Code: BCL-203
Course Name: Corporate taxes planning and Mgt.
Program & Sem: B.Com LLB (H) V Semester

Date: xx.12.2019
Time: 3 HRS
Max Marks: 80
Weightage: 40%

Part A

(5Q x 4M = 20Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question
1	<p>Tax planning means planning to minimize the taxable income and tax payable there on such that full benefit may be claimed for every deduction, exemption, rebate and relief as intended by income tax law. A good tax planning should reduce litigation, should reduce tax liability and should be beneficial to the economy.</p> <p>Tax management means effective implementation of tax planning by making timely investments, filing proper returns in time and paying proper taxes thereon.</p>	<p>3 Marks for explanation 1 mark for example</p>	6 Minutes
2	<p>Taxable income of LLP is computed based on Book profits. Book profit means that part of profit of firm from which remunerations to partners are deducted to arrive at business profit. It is computed after disallowing interest on capital in excess of 12% per annum and remuneration debited in profit and loss account</p>	<p>3 Marks for explanation 1 mark for example</p>	6 Minutes
3	<p>Items to be added for computing MAT</p> <p>a) Income tax b) Dividend c) Reserves</p> <p>Three items to be deducted for computing MAT</p> <p>a) Reserves b) Exempted income c) Brought forward loss or depreciation whichever is less</p>	<p>3 Marks for explanation 1 mark for example</p>	6 Minutes
4	<p>Different location of Business pays different taxes in India. Government of India provides various benefits and exemptions based on location. For example FTZ, STP, SEZ etc.</p>	4 Marks	6 Minutes

5	Bonus affects the tax payable by a company. If it declares bonus to preference shareholders it is deemed to be a dividend up to the extent of accumulated profits.	4 Marks	6 Minutes
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Part B

(0Q x 0M = 0 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question																														
6	<p>Share of income from firm are exempted in the hands of partners, however interest up to 12% and Remuneration to the extent allowed is taxable in the hands of partners.</p> <p align="center">a) Computation of taxable profit of firm</p> <table border="1"> <tr> <td>Profit as per profit and loss account</td> <td>700000</td> </tr> <tr> <td>Add interest in excess of 12% p.a. Alok-20000 Raja- 28000</td> <td>48000</td> </tr> <tr> <td>Add Salary to partners Alok-600000 Raja- 240000</td> <td>840000</td> </tr> <tr> <td>Book Profit</td> <td>1588000</td> </tr> <tr> <td>Less Salary lower of a) Maximum – 1042800 b) Actual - 840000</td> <td>(840000)</td> </tr> <tr> <td>Business profit of firm</td> <td>740000</td> </tr> <tr> <td>Tax payable @ 30%</td> <td>222000</td> </tr> <tr> <td>Add education cess @ 4%</td> <td>8880</td> </tr> <tr> <td>Net tax payable by firm</td> <td>230880</td> </tr> </table> <p align="center">b) Computation of taxable income of partners and tax payable</p> <table border="1"> <thead> <tr> <th>Partners</th> <th>Alok</th> <th>Raja</th> </tr> </thead> <tbody> <tr> <td>Interest on capital @ 12%</td> <td>60000</td> <td>84000</td> </tr> <tr> <td>Salary to partners</td> <td>600000</td> <td>240000</td> </tr> <tr> <td>Total taxable income</td> <td>660000</td> <td>324000</td> </tr> </tbody> </table>	Profit as per profit and loss account	700000	Add interest in excess of 12% p.a. Alok-20000 Raja- 28000	48000	Add Salary to partners Alok-600000 Raja- 240000	840000	Book Profit	1588000	Less Salary lower of a) Maximum – 1042800 b) Actual - 840000	(840000)	Business profit of firm	740000	Tax payable @ 30%	222000	Add education cess @ 4%	8880	Net tax payable by firm	230880	Partners	Alok	Raja	Interest on capital @ 12%	60000	84000	Salary to partners	600000	240000	Total taxable income	660000	324000	3 Marks for theory and 7 Marks for Numerical	20 Minutes
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		Tax payable	44500	nil																													
		Add cess @ 4%	1780																														
		Net tax payable	46280																														
7	<p>Bonus to preference shareholders are deemed to be dividend under section 2(22)(b). As such market value of bonus shares $500 \times 126 = ₹ 63000$ shall be deemed to be dividend. Bonus issue to equity shareholders are not deemed as dividend</p>				3 Marks for theory and 7 Marks for Numerical	20 Minutes																											
8	<p>Debt and Equity mix in capital structure affects tax liability. Debt is desirable in capital structure because of deductibility of interest for tax purposes.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Option-I</th> <th>Option-II</th> </tr> </thead> <tbody> <tr> <td>EBIT</td> <td>1875000</td> <td>1875000</td> </tr> <tr> <td>Less Interest</td> <td>(270000)</td> <td>(180000)</td> </tr> <tr> <td></td> <td>(180000)</td> <td>(480000)</td> </tr> <tr> <td>EBT</td> <td>1425000</td> <td>1215000</td> </tr> <tr> <td>Less Tax</td> <td>(440325)</td> <td>(375435)</td> </tr> <tr> <td>PAT</td> <td>984675</td> <td>839565</td> </tr> <tr> <td>Equity Capital</td> <td>3000000</td> <td>1500000</td> </tr> <tr> <td>ROE</td> <td>32.82%</td> <td>55.97%</td> </tr> </tbody> </table> <p>Option II is better</p>				Particulars	Option-I	Option-II	EBIT	1875000	1875000	Less Interest	(270000)	(180000)		(180000)	(480000)	EBT	1425000	1215000	Less Tax	(440325)	(375435)	PAT	984675	839565	Equity Capital	3000000	1500000	ROE	32.82%	55.97%	3 Marks for theory and 7 Marks for Numerical	20 Minutes
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9	<p>TAX PLANNING IN NATURE OF THE NEW BUSINESS</p> <ol style="list-style-type: none"> 1. Sec. [10(1)] : Agricultural Income– fully exempted (100%. 2. Sec. [10(23FB)] : Dividend or Long-Term Capital Gain (LTCG) accruing to Venture Capital or a Venture Company – 100% tax exempted. 3. Sec. [33 AB] : Tea Development Account, Coffee Development Account and Rubber Development Account 4. Sec. [35 D] : Amortization of Certain Preliminary Expenses 5. Sec. [35 E] : Profits from Prospecting Certain Minerals 6. Sec. [35 ABB] : Expenditure for obtaining licence to operate telecommunication services 				2 Marks for one point	20 Minutes																											

- | | | |
|---|--|--|
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Part C

(1Q x 20M = 20Marks)

Q No	Solution										Scheme of Marking	Max. Time required for each Question																																										
10	Year end	Principle	interest	Total interest plus principle	Depreciation	Interest plus depreciation	Tax saving	Post-tax outflow	Discounting factor	Present values	10 Marks for Buy and 10 marks for lease	40 Minutes																																										
	1	200000	130000	330000	350000	480000	144000	186000	0.865	160890																																												
	2	200000	104000	304000	97500	201500	60450	243550	0.783	190699.7																																												
	3	200000	78000	278000	82876	160876	48262	229738	0.693	159208.4																																												
	4	200000	52000	252000	70444	122444	36734	215266	0.619	133249.7																																												
	5	200000	26000	226000	59878	85878	25764	200236	0.543	108728.1																																												
										752775.9																																												
<p>Option: Taking Asset on lease</p> <table border="1"> <thead> <tr> <th>Year end</th> <th>Lease rent</th> <th>Tax saving</th> <th>Post-tax outflow</th> <th>Discounting factor</th> <th>Present values</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>320000</td> <td>96000</td> <td>224000</td> <td>0.865</td> <td>193760</td> </tr> <tr> <td>2</td> <td>320000</td> <td>96000</td> <td>224000</td> <td>0.783</td> <td>175392</td> </tr> <tr> <td>3</td> <td>320000</td> <td>96000</td> <td>224000</td> <td>0.693</td> <td>155232</td> </tr> <tr> <td>4</td> <td>320000</td> <td>96000</td> <td>224000</td> <td>0.619</td> <td>138656</td> </tr> <tr> <td>5</td> <td>320000</td> <td>96000</td> <td>224000</td> <td>0.543</td> <td>121632</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>784672</td> </tr> </tbody> </table> <p>Decision: Since present value of cash outflow is less in first option. Company should go for borrow and buy option.</p>													Year end	Lease rent	Tax saving	Post-tax outflow	Discounting factor	Present values	1	320000	96000	224000	0.865	193760	2	320000	96000	224000	0.783	175392	3	320000	96000	224000	0.693	155232	4	320000	96000	224000	0.619	138656	5	320000	96000	224000	0.543	121632						784672
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Roll No

**PRESIDENCY UNIVERSITY
BENGALURU**

SCHOOL OF LAW

END TERM FINAL EXAMINATION

Semester: Odd Semester: 2019 - 20

Course Code: BCL 203

Course Name: CORPORATE TAX PLANNING AND MANAGEMENT

Program & Sem: B.Com., LL.B. (Hons) & V

Date: 24 December 2019

Time: 1:00 PM to 4:00 PM

Max Marks: 80

Weightage: 40%

Instructions:

- (i) Read the all questions carefully and answer accordingly.
- (ii) Use of Non-programmable calculator is allowed

Part A [Memory Recall Questions]

Answer all the Questions. Each Question carries 4 marks.

(5Qx4M=20M)

1. Elaborate the concept of "Tax Planning" and differentiate it with Tax Management. (C.O.No.1) [Knowledge]
2. How is taxable income of a Limited Liability Firm computed? (C.O.No.2) [Knowledge]
3. Explain any two items to be added and two items to be deducted for computing MAT (C.O.No.3) [Knowledge]
4. Explain how tax impacts different locations of business differently? (C.O.No.4) [Knowledge]
5. Explain tax implications of bonus shares issued by a company. (C.O.No.5) [Knowledge]

Part B [Thought Provoking Questions]

Answer all the Questions. Each Question carries 10 marks.

(4Qx10M=40M)

6. How is taxable income of a partner of a Firm computed? Alok and Raja are two equal partners in a firm. Their capital contributions in the firm are ₹ 5,00,000 and ₹ 7,00,000 respectively. As per partnership deed they are entitled to interest on capital at the rate of 16% p.a. Further Alok is to be given a salary of ₹ 50,000 per month and Raja ₹ 20,000 per month. During the year they made a profit of ₹ 7,00,000 after allowing salary and interest to partners. You are required to compute: (C.O.No.3) [Comprehension]
 - a) Taxable income of firm and partners for the Assessment year 2019-20
 - b) Tax payable by firm and partners for the Assessment year 2019-20
7. What is deemed dividend? Mr. Ravi holds 2000 preference of ₹ 100 each in a company. Company has reserves worth ₹ 50,00,000. Out of these reserves it issued bonus shares in the ratio 1:4. Market value of these shares amounting to ₹ 126 per share. Discuss the taxability in the hands of Ravi and company. What will be your answer if Mr. Ravi is holding Equity shares instead of Preference Shares and company issues bonus equity shares? (C.O.No.3) [Comprehension]



SCHOOL OF LAW

END TERM FINAL EXAMINATION

Extract of question distribution [outcome wise & level wise]

Q.NO	C.O.NO (% age of CO)	Unit/Module Number/Unit /Module Title	Memory recall type	Thought provoking type	Problem Solving type	Total Marks
			[Marks allotted]	[Marks allotted]	[Marks allotted]	
			Bloom's Levels	Bloom's Levels	[Marks allotted]	
			K	C	A	
1	25%	I	4			4
2	33%	II	4			4
3	10%	III	4			4
4	20%	IV	4			4
5	25%	V	4			4
6	10%	III		10		10
7	10%	III		10		10
8	5%	III		10		10
9	40%	IV		10		10
10	33%	IV			20	20
Total Marks			20	40	20	80

K = Knowledge Level C = Comprehension Level, A = Application Level

Note: While setting all types of questions the general guideline is that about 60%

Of the questions must be such that even a below average students must be able to attempt, About 20% of the questions must be such that only above average students must be able to attempt and finally 20% of the questions must be such that only the bright students must be able to attempt.

I hereby certify that all the questions are set as per the above guidelines.

Faculty Signature:

Reviewer Comment:

Format of Answer Scheme

5	Bonus affects the tax payable by a company. If it declares bonus to preference shareholders it is deemed to be a dividend up to the extent of accumulated profits.	4 Marks	6 Minutes
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Part B

(0Q x 0M = 0 Marks)

Q No	Solution	Scheme of Marking	Max. Time required for each Question																														
6	<p>Share of income from firm are exempted in the hands of partners, however interest up to 12% and Remuneration to the extent allowed is taxable in the hands of partners.</p> <p align="center">a) Computation of taxable profit of firm</p> <table border="1"> <tr> <td>Profit as per profit and loss account</td> <td>700000</td> </tr> <tr> <td>Add interest in excess of 12% p.a. Alok-20000 Raja- 28000</td> <td>48000</td> </tr> <tr> <td>Add Salary to partners Alok-600000 Raja- 240000</td> <td>840000</td> </tr> <tr> <td>Book Profit</td> <td>1588000</td> </tr> <tr> <td>Less Salary lower of a) Maximum – 1042800 b) Actual - 840000</td> <td>(840000)</td> </tr> <tr> <td>Business profit of firm</td> <td>740000</td> </tr> <tr> <td>Tax payable @ 30%</td> <td>222000</td> </tr> <tr> <td>Add education cess @ 4%</td> <td>8880</td> </tr> <tr> <td>Net tax payable by firm</td> <td>230880</td> </tr> </table> <p align="center">b) Computation of taxable income of partners and tax payable</p> <table border="1"> <thead> <tr> <th>Partners</th> <th>Alok</th> <th>Raja</th> </tr> </thead> <tbody> <tr> <td>Interest on capital @ 12%</td> <td>60000</td> <td>84000</td> </tr> <tr> <td>Salary to partners</td> <td>600000</td> <td>240000</td> </tr> <tr> <td>Total taxable income</td> <td>660000</td> <td>324000</td> </tr> </tbody> </table>	Profit as per profit and loss account	700000	Add interest in excess of 12% p.a. Alok-20000 Raja- 28000	48000	Add Salary to partners Alok-600000 Raja- 240000	840000	Book Profit	1588000	Less Salary lower of a) Maximum – 1042800 b) Actual - 840000	(840000)	Business profit of firm	740000	Tax payable @ 30%	222000	Add education cess @ 4%	8880	Net tax payable by firm	230880	Partners	Alok	Raja	Interest on capital @ 12%	60000	84000	Salary to partners	600000	240000	Total taxable income	660000	324000	3 Marks for theory and 7 Marks for Numerical	20 Minutes
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