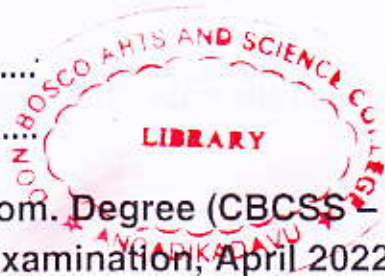




K22U 0341

Reg. No. :

Name :



VI Semester B.Com. Degree (CBCSS – OBE – Regular)

Examination, April 2022

(2019 Admission)

Core Course

6B16COM : FINANCE – IV – CORPORATE TAX PLANNING

Time : 3 Hours

Max. Marks : 40

PART – A

Answer **any six** questions from the following. **Each** question carries **1** mark.

1. What is meant by tax planning ?
2. What is meant by double taxation ? Make a note on how double taxation arises.
3. "Payment of part of salary to employees in the forms of perquisites and allowances rather than consolidated payment is beneficial to the employer". Do you agree ? Justify your answer.
4. Make a note on the corporate tax rate applicable in India for the assessment year 2021-22.
5. What is amalgamation ?
6. What is meant by slump sale ?
7. Make brief notes on the identification of the residential status of a company and how the residential status can be used for tax planning.
8. Differentiate tax avoidance and tax evasion. (6×1=6)

PART – B

Answer **any six** questions from the following. **Each** question carries **3** marks.

9. Make a brief note on Minimum Alternate Tax.
10. Make a brief note on the procedure for conversion of sole proprietorship into a company.

P.T.O.



11. Assuming that a company has three alternatives for raising capital for expansion of its business . They are :

- a) use of equity shares alone,
- b) use equity shares and debentures and
- c) use of equity shares, debentures and loan from a financial institution.

What are the different points to be considered while deciding on the optimum capital structure ?

12. Explain the tax planning considerations with respect to sale of assets used for scientific research.

13. Define a company as per the Income Tax Act, 1961. Make a brief note on the classification of companies for income tax purposes.

14. Mr. Ravi wants to start an eligible business and to opt Section 44AD for the purpose of computation of taxable income. After evaluating the following information, suggest him whether he should run the business as sole proprietary concern or a partnership firm :

- a) Estimated sales - ₹ 90,00,000/-
- b) Estimated profit u/s 44AD - ₹ 7,20,000/-
- c) If the business is run as sole proprietary concern, he will pay ₹ 10,000/- per month as salary to his son.
- d) If the business is run as partnership firm, Mr. Ravi and his son will be the partners and each will receive a monthly salary of ₹ 10,000/-.
- e) Capital of the business will be ₹ 3,00,000/- contributed equally.
- f) The firm will pay interest @ 12% per annum to the partners on their capital contribution.



15. X Ltd. requires 40,000 units of a component every year for the next five years. The component can either be manufactured by the company in its factory or be purchased from the market. From the following information, suggest the company whether to manufacture the component or to purchase it from the market.

- a) Material price per unit-₹ 8/-
- b) Labour cost per unit-₹ 12/-
- c) Variable overhead per unit - ₹ 4/-
- d) If the company decides to manufacture the component, it has to purchase a machine by borrowed capital and the net cash outflow to the company in next five years will be ₹ 2,00,000/-
- e) The component is available in the market for ₹ 28/- per unit.

16. Define 'Demerger' as per the Income Tax Act, 1961.

(6×3=18)

PART – C

Answer **any two** questions from the following. **Each** question carries **8** marks.

17. "Amalgamation, a corporate practice for enhanced growth, results in tax incentives to amalgamating company as well as amalgamated company". Elaborate.

18. Mr. Manu and Mr. Sanu want to start a business. They have two options for selecting the form of organization, viz. partnership firm or private company. The estimated profit of the business entity is ₹ 6,96,000/- before making deductions in relation to the following :

- a) Remuneration ₹ 20,000/- per month each by the firm and ₹ 25,000/- per month each by the company.
- b) Each will give a loan to the business of ₹ 2,00,000/- @ 12% annual interest.



c) Contribution as capital ₹ 2,00,000/- each. On this interest will be provided @ 12% per annum. However, the company cannot pay interest on it.

d) The profits after tax will be distributed equally as profits / dividends.

Assume that the company is liable to pay income tax @ 25% + applicable surcharge and cess. Suggest whether they should form a partnership firm or a private company. Justify your answer.

19. Mr. Thomas, Mr. Shanthanu and Mr. Abu are offered the following salary packages by their employer in New Delhi.

Components	Mr. Thomas	Mr. Shanthanu	Mr. Abu
Basic Pay	96,000.00	96,000.00	96,000.00
DA	96,000.00	96,000.00	96,000.00
HRA	24,000.00	60,000.00	1,00,000.00

They have to pay ₹ 30,000/-, ₹ 96,000/- and ₹ 96,000/- respectively as rent for residential accommodation. The company gives them the option to choose whether DA is to be as per the terms of employment. Help them to decide whether they should opt it as per terms of employment or not. Justify your suggestions.

(2×8=16)