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Name.....

Reg. No.....

**FOURTH SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2025**

(CBCSS)

M.Com.

MCM4C15—INCOME TAX LAW, PRACTICE AND TAX PLANNING—II

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

*Answers should be written in **English** only.***Part A***Answer any **four** questions.**Each question carries 2 weightage.*

1. Explain the term Book profit in relation to the assessment of firms ?
2. When a person is liable to pay advance tax ?
3. State the two conditions to be fulfilled for the partnership firm to be assessed as firm.
4. What do understand by Alternate Minimum tax (AMT) ?
5. Mr. Abdu purchased equity shares on 20th January 2017 for Rs. 16,000. FMV of the shares was Rs. 11,000 as on 31st January 18. He sold the shares on 26th April 2018 for Rs. 26,000. What will be the long-term capital gain/ loss ?
6. What are the salient features of assessment of joint stock companies ?
7. How a trust can be created ?

(4 × 2 = 8 weightage)

Turn over

Part B

*Answer any **four** questions.*

Each question carries 3 Weightage.

8. During the previous year, a charitable Trust earned an Income of Rs. 3,00,000 from property held for charitable purpose and Rs. 3,00,000 from voluntary contributions. The trust utilised the amount during the previous year is as follows :

	Rs.
Spent for charitable purpose in India	... 2,00,000
Spent for charitable purpose outside India.	... 30,000
Repaid the loan taken for contributions of building for charitable purposes	... 3,00,000

Compute the taxable Income of the Trust.

9. Write any *four* powers of the Central Board of Direct Taxes.
10. Explain the types of Income tax returns.
11. Define Tax planning. How is it different from tax avoidance and tax evasion ?
12. Seagul Electronics Ltd. Is a domestic company in which public are substantially interested. The following are the particulars of income in respect of the Previous Year 2022-23 :

	Rs .
(i) Interest on Government securities	... 20,000
(ii) Income from business	... 4,90,000
(iii) Short term capital gains	... 15,000
(iv) Long term capital gains	... 33,000
(v) Dividend from an Indian Co. (Gross)	... 20,000
(vi) Book profits u/s 115 JB	... 9,00,000

Compute company's total income and its tax liability.

13. M/s. Chatterji and Singh is a firm of Chartered Accountants in which Singh, Jain and Chatterji are working partners, sharing profits and losses in the ratio of 2 : 1 : 1. The firm showed a net surplus of Rs. 57,000 for the year ended 31st March 2023. Following items are found debited in the Income and Expenditure Account of the firm :

- (i) Salary to Jain—Rs. 7,000
Salary to Chatterji—Rs. 9,800
- (ii) Commission to Singh—Rs. 6,000
Commission to Chatterji— Rs. 4,800
- (iii) Interest on Capital @ 20 % : Singh Rs. 6,000
 Jain Rs. 4000
- (iv) Customs penalty paid—Rs. 3,000.
- (v) Rent of Rs. 3,600 paid to Jain in respect of the house let out by him to the firm.

Compute the total income of the firm for the Assessment Year 2023-24. The firm fulfils the conditions of Sec.184

14. DB Co-operative Society Hosur had the following incomes during the year ended 31-03-2023 :

- (a) Income from college canteen—Rs. 20,000.
- (b) Income from merchandise business—Rs. 55,000.
- (c) Income from credit facilities given to members—Rs. 9,000.
- (d) Interest on Government securities—Rs. 25,000.
- (e) Interest on debentures (Gross)—Rs. 10,000.
- (f) Taxable Income from House property—Rs. 12,000.
- (g) Dividend (Gross) on shares held in another co-operative society—Rs. 5,000.

Compute The gross Total income and the total income of the society for the Assessment Year 2023-24

(4 × 3 = 12 weightage)

Turn over

Part C*Answer any **two** questions.**Each question carries 5 weightage.*

15. X, Y and Z are equal partners in a firm with X being a non -working partner. The profit and Loss account for the year ended 31st March, 2023 is as under :

	Rs.		Rs.
To Rent	... 20,000	By Gross Profit	... 4,05,000
” Office Expenses	... 25,000	” Discount	... 10,000
” Salaries	... 1,00,000	” Bad Debt Recovered	... 2,000
” Advertisement	... 15,000	” Bank Interest	... 3,000
” Goods and Service Tax	... 30,000		
” Charity and Donations	... 5,000		
” Bad Debt Reserve	... 10,000		
” Bad Debts	... 15,000		
” Sundry Expenses	... 20,000		
” Dep. Allowed by the Department ...	25,000		
” Interest on Capital :			
X	... 50,000		
Y	... 25,000		
Z	... 25,000		
To Commission			
X	... 15,000		
Y	... 10,000		
Z	... 5,000		
To Net Profit	... 25,000		
	<u>4,20,000</u>		<u>4,20,000</u>

- (i) Salaries include partners salaries Y—Rs. 15,000, and Z—Rs. 10,000.
- (ii) Bad Debts admissible by the Department— Rs. 12,500.
- (iii) Furniture purchased by X for personal use— Rs. 10,000 has been debited to sundry expenses.
- (iv) Donation includes donations to a local school Rs. 3,500 by cheque, to a club Rs. 1,000 and to trade association Rs. 500.
- (v) Capital Account of the partners at the beginning of the Previous Year as on 1-4-2022 were as follows :

X	Rs. 2,00,000	
Y	Rs. 1,00,000	
Z	Rs. 1,00,000	Rs. 4,00,000

- (vi) Office expenses include bonus to partners :

X	Rs. 1,000	
Y	Rs. 2,500	
Z	Rs. 1,500	Rs. 5,000

Compute the profit from business and total income of the firm for the relevant assessment year and also compute the share of each partner in the firm. The firm does not fulfil the conditions of section 184

16. Company requires a component. From the following information suggest to the company whether it should make the component or buy it from the market.

- (A) Making the component :

- (i) A new machine will be purchased for—Rs. 10,00,000. After five years it will be sold for —Rs. 2,00,000, If there is any loss on sale of machine, it will be set off against any other short term capital gains.
- (ii) Rate of depreciation 15 %.
- (iii) Manufacturing cost of component :

I year Rs. 14,00,000, II year Rs. 16,00,000 ; III year Rs. 18,00,000 ; IV year Rs. 20,00,000, Vth year Rs. 24,00,000 ; and (iv) Rate of tax 30 %.

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(B) Buying the component :

Cost 1 year Rs. 20,00,000 ; II year Rs. 22,00,000 ; III year Rs. 24,00,000 ; IV year Rs. 26,00,000; and V year Rs. 30,00,000.

17. Three Companies raised capital as under :

	<i>Companies</i>		
	<i>Sun</i>	<i>Moon</i>	<i>Mars</i>
	Rs.	Rs.	Rs.
Capital	2,00,000	1,60,000	40,000
Loans		40,000	1,60,000
Total Investment	2,00,000	2,00,000	2,00,000

Rate of Interest on loan 10 %

Rate of Return 20 %, 10 %, 8 %

Rate of tax 26 % including cess

Explain whose capital structure is best and why ?

18. Discuss the important points which should be considered at the time of establishment of new business regarding the place from tax planning point of view.

(2 × 5 = 10 weightage)