

Reg. No

Name

18P422

M. COM DEGREE END SEMESTER EXAMINATION - MARCH 2018
SEMESTER 4 : COMMERCE
COURSE : 16P4COMT17EL ; DIRECT TAXES - ASSESSMENT AND PROCEDURES
(For Regular - 2016 admission)

Time : Three Hours

Max. Marks: 75

Section A
Answer any 10 (2 marks each)

1. What is Book Profit?
2. What is 'Foreign Company'?
3. What do you mean by 'Widely-held Company'?
4. What is the treatment in case of dissolution of a firm or discontinuance of business?
5. What is a declared company as per CBDT?
6. What is revised return of Income?
7. What do you mean by regular assessment?
8. What is the power to retain assets
9. What is Revision by the Commissioner?
10. What is DTAA?
11. What is Tax Holiday?
12. What is commutation of pension?

(2 x 10 = 20)

Section B
Answer any 5 (5 marks each)

13. X, Y and Z are partners sharing profits and losses in the ratio of 3:2:1. The firm satisfies the condition of Sec 184. The profit and loss account of the firm shows a net profit of ₹ 2,00,000 for the year ending 31.03.2017 after adjusting the following:

a. Items debited to Profit and Loss Account:

- i. Salary to partners: X ₹ 50,000, Y ₹ 30,000, Z ₹ 30,000.
- ii. Interest on capital at 20% p.a. : X ₹ 20,000, Y ₹ 10,000, Z ₹ 15,000.
- iii. Rent of a shop building paid to Y ₹ 25,000, but its fair rental value is ₹ 20,000.
- iv. Interest paid on Y's Loan at 15% p.a. ₹ 15,000.
- v. Loss of stock in trade by theft ₹ 5,000.
- vi. Repairs include ₹ 5,000 being repairs to building hired from X for business.
- vii. Miscellaneous expenses include ₹ 1,000 being fine imposed for late filing of returns.

b. Items credited to Profit and Loss Account:

- i. Interest on fixed deposits with bank (gross) ₹ 10,000.
- ii. Interest on listed debentures of the company (gross) ₹ 10,000.
- iii. Interest on Savings Bank Account ₹ 3,680.

Mr. Z is a dormant partner and others are active partners. Compute the partnership firm's total income for the year 2016-17

14. How is assessment done after succession of a firm by another firm?

15. The book profit of a company u/s 115JB is ₹ 12,55,00,000. However total income of the company after setting off past years brought forward losses amounts to ₹ 1,55,20,000 only. Compute tax payable by the company for the year 2016-17.
16. How is income taxed when the share of members of AOP is ascertainable?
17. Write a note on due date for filing return.
18. Explain the requisites for submitting appeal
19. What are the major features proposed by GAAR?
20. Distinguish between 'tax planning' and 'tax evasion'

(5 x 5 = 25)

Section C
Answer any 3 (10 marks each)

21. X and Y are partners of a firm of chartered accountants. The deed provides for salary and interest to partners as follows:

i) Monthly Salary X - ₹ 8,000 and Y - ₹ 12,000 ii) Interest on capital – 24%

The income and expenditure account of the firm for the year 2016-17 was as follows:

Office Expenses	2,10,000	Receipts from clients	7,00,000
Salary to employees	70,000	Gift from a client	3,000
Official tour expenses	42,000		
Salary - X	96,000		
Salary - Y	1,44,000		
Interest on capital - X	16,000		
Interest on capital - Y	19,000		
Net Profit	1,06,000		
	7,03,000		7,03,000

Out of expenses ₹ 18,800 is not deductible. During the year the firm sold a capital asset for ₹ 7,10,000, indexed cost being ₹ 1,45,865. Personal income and investments of partners are as given below.

	X	Y
Interest on Govt. Securities	4,70,000	4,23,000
Bank Interest	6,00,000	1,02,000
Deposit in PPF	70,000	45,000
Medical Insurance premium paid	12,000	11,000

Compute the net income and tax payable by the firm if:

a) the firm satisfies section 184 and b) the firm does not satisfy section 184.

Also compute the taxable income of partners in cases a) and b)

22. A, B and C are partners in a firm, sharing in the ratio of 5:3:2. The P&L a/c of the firm for the year ending 31.03.2017 was as follows:

Rent Rates and Taxes	6,000	Gross Profit	40,000
Salaries	9,000	Interest on Securities	3,000
Electricity charges	1,200		

Interest on capital			
A	2,000		
B	1,500		
C	1,000		
Depreciation	2,500		
Reserve for Bad debts	500		
Interest on Loan from B	300		
Commission to C	1,000		
Surplus:			
A	9,000		
B	5,400		
C	3,600		
	43,000		43,000

Further information:

- i. Salary includes ₹ 2,000 paid to C.
- ii. Depreciation allowable ₹ 2,400
- iii. Rent ₹ 2,000 paid to C has been included in rent and taxes.

Ascertain the total income of the firm under section 185, since the firm failed to comply with the conditions of section 184. Also compute the tax payable by the firm.

23. The following details are available from the accounts and records of Bright Ltd, a widely held company, for the financial year 2016-17.
- a. General expenses include ₹ 4,560 spent in relation with the termination of a disadvantageous trade relationship and ₹ 7,550 as compensation paid to an accountant who had to be removed from service in the interest of business.
 - b. ₹ 3,000 included in the legal expenses were incurred for defending a criminal case against the manager of the company.
 - c. Admissible depreciation as per Income Tax Act ₹ 37,000.
 - d. Bad debt recovered were not allowed as deduction by the assessing officer in the earlier assessment for lack of proof.

The P&L a/c of the company as on 31.03.2017 is given below:

General Expenses	29,350	Gross Profit	1,70,710
		Profit on sale of building (business building)	20,000
Office Salaries	5,000	Bad debts recovered	6,200
Bad debt	2,000	Refund of Income tax	4,750
Motor car expenses	4,500	Dividend on preference shares (Indian Company)	7,000
Commission for raising loans	8,200		
Petty expenses	5,000		
Legal expenses	7,560		
Donations (approved)	2,500		
Donation (PM's relief fund)	6,000		
Preliminary expenses	8,500		
Depreciation	34,500		

Repairs	4,200		
Net Profit	89,950		
	2,08,660		2,08,660

You are required to compute the total income and tax payable by the company for the year 2016-17.

24. What are the different types of assessments? Briefly explain each of them.
25. Mention the different aspects of tax management.

(10 x 3 = 30)