

**MBA (FM) Semester – IV
Examination, 2019-20**

COMMERCE

Paper : MFM-521

(Corporate Tax Planning and Management)

Time : Four Hours]

[Full Marks : 70

Instructions :

- (i) The Question Paper contains **08** questions out of which you are required to answer any **04** questions. The question paper is of **70** marks with each question carrying **17.5** marks.
- (ii) The total duration of the examination will be **4** hours (Four hours), which includes the time for downloading the question paper from the Portal, writing the answers by hand and uploading the hand-written answer sheets on the portal.
- (iii) For the students with benchmark disability as per Persons with Disability Act, the total duration of examination shall be **6** hours (six hours) to complete the examination process, which includes the time for downloading the question paper from the Portal, writing the answers by hand and uploading the hand-written answer sheets on the portal.

- (iv) Answers should be hand-written on a plain white A4 size paper using black or blue pen. Each question can be answered in upto 350 words on 3 (Three) plain A4 size paper (only one side is to be used).
- (v) Answers to each question should start from a fresh page. All pages are required to be numbered. You should write your Course Name, Semester, Examination Roll Number, Paper Code, Paper title, Date and Time of Examination on the first sheet used for answers.

Q.1. "Tax management is essential for every assessee but tax planning is optional." Comment. How is tax planning different from tax evasion ? Explain in brief.

Q.2. Sun 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 31st March, 2019 :

	₹
(1) New Business :	
(a) Profit before allowing Depreciation	50,000
(b) Depreciation admissible	40,000
(2) Old Manufacturing Business :	
(a) Profit before allowing 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) Profit/Loss on sale of assets :	
(a) Long-term (Indexed)-Profit	1,00,000
(b) Short-term Loss	60,000

(5) Dividend from India Company :	
(a) Gross	1,00,000
(b) Expenses incurred	20,000

Q.3. You are required to compute the total income of assessee for the assessment year 2019-20 "From tax point of view it is always better to form a partnership firm and not a company". Do you agree with the statement ? If not, enumerate a case where formation of a company is economical from tax point of view as compared to a partnership firm.

Q.4. There are two members A and B in a Joint Hindu Family having a capital of ₹ 12,50,000. They can run business :

- (i) As a business of an individual joining the other member as employee and money-lender or
- (ii) As a HUF
 - (a) If the business is run as an individual, the other member will receive salary of ₹ 2,00,000 and interest @ 12% p.a. on ₹ 6,25,000.
 - (b) If the business is run as a HUF each member will receive ₹ 1,50,000.

Suggest which form of business organisation should be adopted from tax point of view, if expected business income is ₹ 6,00,000.

Q.5. Explain the following :

- (i) Tax Planning Vs Capital Structure Decision,
- (ii) Tax Planning Vs Bonus Share.

Q.6. A company has share capital of ₹ 1 crore and is planning to invest an additional fund of ₹ 80 lakh towards its expansion programme. Suggest the best option from the following from tax planning point of view :

- (i) To issue share capital of ₹ 80 lakh
- (ii) To borrow ₹ 20 lakh @ 18% p.a. and to issue debenture of ₹ 20 lakh @ 11% and balanced amount be collected by issuing shares in the public.
- (iii) To issue debentures of ₹ 50 lakh @ 11% and balanced amount be collected by issuing shares in the public.
- (iv) Rate of return is 30% before paying interest and tax.
- (v) Rate of tax is 30% and HEC @ 4%.

Q.7. When does the liability to pay advance tax arise ? When is such a tax to be paid and how is it calculated and paid ? Explain in brief.

Q.8. Mr. Jain estimates his income for the current financial year 2019-20 as under :

	₹
(i) Income from house property (Taxable)	26,500
(ii) Income from business (Taxable)	5,47,500
(iii) Interest on securities and other interest	18,000
(iv) Tax deducted at sources	1020

He donated ₹ 4,500 to Prime Minister National Relief Fund (PMNRF) by cheque. Calculate advance tax and find out instalments for the financial year 2019-20.