

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**B.Com – VI SEMESTER**

**SEMESTER EXAMINATION: April 2023**

**(Examination conducted in May 2023)**

**BCDEA6518 - CORPORATE TAXATION**

**(For current batch students only)**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains three printed pages and four parts**

**Section A**

**I Answer any five of the following (5 X 2 = 10 marks)**

1. State whether the following expenses are admissible or not, while computing PGBP
   1. Donation of Rs. 50,000 paid to trader’s association to favor the business in getting an order.
   2. Income tax appeal expenses Rs. 10,000.
2. Highlight the provisions of section 8OLA
3. Mention two exemptions to provisions of section 79
4. State to whom provisions of section 115JB (MAT) are not applicable
5. State the extent of deduction that can be claimed for following donation as per section 80G
   1. Swachh Bharat Kosh Rs. 10,00,000
   2. Rajiv Gandhi Foundation Rs. 25,00,000
6. What is balancing charge?

**Section B**

**II Answer any three of the following (3 x 5 = 15 marks)**

1. Briefly explain the procedure of identifying residential status of a company
2. Following are the details of X Pvt Ltd, determine the brought forward loss available for set off during the previous year 2022-23 relevant to the assessment year 2023-24:

| Previous Year 2021-2022 | Previous Year 2022-23 |
| --- | --- |
| Business Loss = Rs. 12 lakh | Business Profit = Rs. 25 lakh  (Before adjusting brought forward loss and  unabsorbed depreciation) |
| Unabsorbed depreciation: Rs. 2 lakh |
| Details of Shareholders as on 31-03-2022 | Details of Shareholders as on 31-03-2023 |
| A = 30%|B = 25% |C = 20% | D = 25% | E = 30% | F = 25% | C = 20% | D = 25% |

How shall your view will differ, if Mr. B had gifted the shares to Mr. F, a relative of Mr. B.

1. Tata power Projects is a power generating unit. On 1st April 2020 it purchased a plant for Rs. 50,00,000 eligible for depreciation at 15% on SLM. Compute balancing charge or terminal depreciation assuming the plant is sold on 21st April 2022 for:
2. If sold for Rs. 33,00,000
3. If sold for Rs. 47,00,000
4. If sold for Rs. 55,00,000.
5. XYZ Ltd has the taxable income as per normal provisions of the income tax Act Rs 40 lakhs and Book profits of Rs 75 lakhs for the FY 2022-23. Compute the final tax liability and MAT credit (if applicable). What is the carried forward period for MAT Credit?

**Section C**

**III Answer any two of the following** (**2 x 15 = 30 marks)**

1. Following is the profit and loss account of Z Ltd. for the year ended on 31-3-2023

| **Particulars** | **Amount** | **Particulars** | **Amount** |
| --- | --- | --- | --- |
| To Raw material consumed | 20,00,000 | By Sale |  |
| To Rent | 5,00,000 | * Export | 50,00,000 |
| To Depreciation | 5,00,000 | * Domestic | 30,00,000 |
| To Salary & Wages | 10,00,000 | By Closing Stock | 10,00,000 |
| To Provision for contingencies | 75,000 |  |  |
| To Wealth Tax of earlier year | 50,000 |  |  |
| To Loss of subsidiary co. | 50,000 |  |  |
| To Custom Duty | 40,000 |  |  |
| To Proposed dividend | 1,00,000 |  |  |
| To Provision for Income tax | 1,05,000 |  |  |
| To Net Profit | 45,80,000 |  |  |
|  | **90,00,000** |  | **90,00,000** |

Additional Information

1. Interest on bank loan relating to year 2018-19 has been paid during the previous year Rs.1,00,000.
2. Whole of Custom duty is unpaid.
3. Company is entitled to get deduction u/s 80G Rs. 1,00,000
4. For the purpose of Income tax, depreciation is Rs. 4,00,000.
5. Turnover of the company during the previous year was Rs. 65 crores and it is life time highest turnover achieved by the company.
6. In past few years, company had suffered losses, following balances are still unabsorbed:

|  | As per Income tax Act | As per books of Accounts |
| --- | --- | --- |
| Depreciation | NIL | Rs. 3,50,000 |
| Losses | Rs. 42,50,000 | Rs. 4,00,000 |

Compute tax liability of the company as per the MAT Provisions.

1. Honest trading company submits the following P&L a/c for the year ended 31.3.2023

| **Debits** | **Amt** | **Credits** | **Amt** |
| --- | --- | --- | --- |
| To opening stock | 1,10,000 | By sales | 36,00,000 |
| Purchases | 14,00,000 | Closing stock | 2,20,000 |
| Wages | 3,00,000 |  |  |
| Gross profit | 20,10,000 |  |  |
|  | **38,20,000** |  | **38,20,000** |
| To advertisement | 2,00,000 | Gross profit b/d | 20,10,000 |
| Salary to staff | 6,60,000 | Rent from staff quarters | 2,40,000 |
| Income tax | 1,20,000 | Commission | 1,50,000 |
| Audit fees | 60,000 | Bad debts recovered (earlier allowed) | 70,000 |
| Bad debts | 40,000 | Dividends | 30,000 |
| Reserve for bad debts | 50,000 |  |  |
| General expenses | 2,50,000 |  |  |
| Municipal tax of staff quarters | 24,000 |  |  |
| Fire insurance premium of goods | 26,000 |  |  |
| Depreciation | 78,000 |  |  |
| Patents purchased | 1,60,000 |  |  |
| Staff welfare fund | 40,000 |  |  |
| Contribution to employee RPF | 50,000 |  |  |
| GST | 1,90,000 |  |  |
| Donation | 1,00,000 |  |  |
| Premium staff group insurance | 36,000 |  |  |
| Net profit | 4,16,000 |  |  |
|  | **25,00,000** |  | **25,00,000** |

**Other information**

1. Opening stock and closing stock were overvalued by 10%
2. Advertisement includes Rs. 1,00,000 spend on ads printed in brochures of political parties
3. Business income of Rs. 70,000 was not recorded in P&L a/c
4. General expenses include Rs. 50,000 paid for securing business orders and Rs. 60,000 spent on purchase of land.
5. Depreciation allowable on all assets including sign board but excluding patents as per IT rules is Rs. 90,000
6. Patents were purchased on 11.10.2022 on which depreciation allowable is 25%.
7. Purchases include two patents of Rs. 3,00,000 and Rs. 10,000 paid in cash to a supplier

Compute income from business for the assessment year 2023 -24.

1. A company wants to raise capital of Rs. 40,00,000 for a project wherefrom earnings before tax would be 30% of the capital employed. The company can raise debt finance @ 12% p.a. The following three alternatives for raising capital are available for the company:

(i) Rs. 40,00,000 by equity capital

(ii) Rs. 20,00,000 by equity capital and Rs. 20,000,000 by loans

(iii) Rs. 8,00,000 by equity capital and Rs. 32,00,000 by loans.

Assume that the company would distribute the entire amount of profits and dividend. The tax rate is 30% and dividend distribution tax rate is 20%. (Ignore surcharge and cess). Work out which one of the above three alternatives should the company opt to minimise its tax liability?

**Section D**

**IV** **Compulsory Question (1 X 15 = 15 marks)**

1. ‘Bhorku’ Limited is engaged in the business of manufacturing computer hardware since 2015. During the previous year 2022-23, the following assets are acquired and put to use.

| # | Particulars | Block | | |
| --- | --- | --- | --- | --- |
| I | II | III |
| 1 | Rate of depreciation | 15% | 20% | 40% |
| 2 | No. of assets in the block | 23 | 18 | 16 |
| 3 | WDV as on 1-4-22 | 16,00,000 | 50,00,000 | 10,00,000 |
| 4 | Additions made [Plant and Machinery]   1. Plant M 2. Plant N 3. Plant O | 28,50,000 | -  2,00,000 | -  8,50,000 |
| 5 | Sale of old plants (5 in each block) | 90,000 | 14,45,000 | 21,00,000 |

* Plant M, N and O were acquired in Aug 2022 and put to use on 30th Sep 2022. However, plant N which is acquired in Aug 2022 was put to use during last week of March 2023.

You are required to compute.

1. Normal and additional depreciation as per section 32 for AY 23-24.
2. WDV of the block as on 1-4-2023.
3. Capital gain or loss in any for AY 23-24.