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(b) Fair price Limited is a manufacturing company at Lucknow. It proposes to expand its business and for this purpose it needs an additional capital of ₹ 2 crores. The company proposes the following three alternatives for additional capital:

Source of capital	First Alternative (₹)	Second Alternative (₹)	Third Alternative (₹)
Equity Share capital	2,00,00,000	1,00,00,000	40,00,000
10% Debentures	—	50,00,000	60,00,000
Loan from Long-term Financial Institution @ 12%	—	25,00,000	38,00,000
Loan from Commercial Banks @ 14 %	—	25,00,000	62,00,000
Total	2,00,00,000	2,00,00,000	2,00,00,000

The expenditure relating to raising of both equity and loan capital is estimated to be 2% of funds raised. The expected rate of return on capital employed is 25% (before interest and tax).

Assuming that the company shall distribute the entire amount of profit after payment of tax as dividend, advise the company as to which alternative it should select for the capital structure so as to pay maximum dividend to the share holders.

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Roll No. _____

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M.B.A. (C.M.) (Fourth Semester)

Examination, 2015

Taxation Laws & Planning

(CM-043)

Time Allowed : Three Hours] [Maximum Marks : 70

Note : Attempt five questions in all. Question No. 1 is compulsory and carries 30 marks. Attempt one question from each unit carrying 10 marks.

1. Answer the following questions in brief :

3 × 10 = 30

- What is Gross Taxable Income?
- Give the names of ten incomes taxable under the head Income from other sources?
- Explain the term 'Tax Avoidance'.
- What deductions are available under section 80 D of the income-tax Act, 1961?
- What do you understand by Permanent Account Number (PAN)?

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(2)

- (f) How is House Rent Allowance treated for income tax purposes?
- (g) Distinguish between long-term and short-term capital gains.
- (h) Is debt capital a better source of financing as compared to equity capital from tax planning point of view? Explain.
- (i) What is partial agricultural income?
- (j) What do you understand by deemed incomes?

Unit - I

- 2. How is residential status of different assesseees determined for income-tax purposes? Explain the incidence of residential status on tax liability. 10
- 3. Explain the provisions of Income-tax Act, 1961, with respect to the following: 10
 - (a) Facility of Accommodation
 - (b) Provident Fund
 - (C) Gratuity

Unit - II

- 4. Mr Mohan Submits the following particulars about sale of assets during the year 2013-14 : 10

	Jewellery (₹)	Plot (₹)	Gold (₹)
Sale Price	14,00,000	36,48,000	10,00,000
Expenses on sale	NIL	48,000	NIL
Cost of acquisition	1,50,000	4,00,000	2,00,000
Year of acquisition	1987-88	1984-85	1999-2000

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(3)

He has purchased a house for ₹ 30 lakh on 1.3.2014. He is not owning any other house. Calculate the amount of taxable capital gain if cost inflation index for 1984-85, 1987-88, 1999-2000 and 2013-14 are 125, 150, 389 and 939 respectively.

- 5. Discuss the provisions of Income-tax Act, 1961 relating to set-off and carry forward of losses. 10

Unit - III

- 6. (a) What is dividend tax? 5×2=10
(b) Explain the provisions for payment of tax by companies under section 115 J.B. of the Income-tax Act, 1961.
- 7. What is meant by the expression 'Best Judgment Assessment'? Under what circumstances can recourse be had to this method of assessment? Are there any remedies open to the assessee against such assessment? 10

Unit - IV

- 8. Explain the concept of 'Tax Planning' and highlight the role of tax planning in socio-economic development of a country. How is it different from tax evasion? 10
- 9. (a) Write a note on "Tax incentives to amalgamated company". 5×2=10

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