

B/JI/07  
PG CO-XVI

POST-GRADUATE COURSE

Term End Examination — December, 2009

M.Com.

CORPORATE TAX PLANNING & MANAGEMENT

PAPER XVI

Time — 2 hours

Full marks—50

(Weightage of marks—80%)

*Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.*

**Module – 1**

(Answer *any two* questions)

1. (a) “It is said that distinction between tax planning and tax avoidance is very thin and delicate” — Discuss.  
(b) Distinguish between ‘tax evasion’ and ‘tax avoidance’. 8+4½
2. Describe the relevance of corporate planning in relation to planning ? Show with a diagram the areas where the corporate planner may take the help of a tax planner. 12½

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(2)

3. (a) What do you mean by ‘Demerged’ company and ‘Resulting’ Company ?  
(b) What are the concessions in case of demerger available to :  
(i) demerged company, (ii) resulting company. 4+8½
4. (a) What do you understand by capital mix ?  
(b) What factors should be considered by a company in deciding optimum capital mix ? 4+8½

**Module – 2**

(Answer *any two* questions)

5. Discuss the provisions of the Income Tax Act 1961 relating to inquiry before assessment ? 12½
6. ABC Ltd. may purchase or lease a machine costing Rs. 2,00,000. If purchased, the cost of the machine would be recovered using straight line method of depreciation over its 5-year life. The corporate tax rate is 35% and the weighted average cost of capital is 10%. A loan of Rs. 1,50,000 can be had by accepting public deposits at the interest rate of 18% for financing the investments in plant. On the other hand, the asset can be obtained on lease. The lease rentals are at the rate of Rs. 68,000 p.a for the lease period of 5 years.  
Advise the company whether it should purchase the machine or take on lease under the following situations :  
(i) Purchase with borrowed funds &  
(ii) Taking asset on lease. 12½

(3)

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7. What are the tax considerations to be taken into account in arriving at decision relating to repair / renewal or replacement of an asset. 12½
8. (a) What are the provisions of Income Tax Act regarding Tax Audit u/s 142 (2A to 2D).
- (b) What do you mean by 'mistake' which can be rectified u/s 154. 8+4½
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