29/12/07

B/JI/05
PG CO-XVI

POST-GRADUATE COURSE

Term End Examination — December, 2007

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.

Answer **one** question from **each group**

Group – A

1. The objectives of tax planning cannot be regarded as offending any concept of taxation laws.
(a) Give definition of the term 'Tax planning'.
(b) Discuss the prime objectives of tax planning. 5+10

2. Q Ltd., a domestic company, went to liquidation on 1.1.2005. On that date Q Ltd. had the following balances —Share Capital Rs. 8,00,000 (including capitalized reserve Rs. 1,00,000), General Reserve Rs. 4,00,000. The company (Q. Ltd.) distributed investments amounting to Rs. 7,00,000 (market value Rs. 6,00,000) among its shareholders.

R Ltd holding 10% equity shares in X Ltd (acquired on 1.4.2004 for Rs. 50,000) received investments of the market value of Rs. 60,000.
State the tax implication of the distribution :
(a) for Q Ltd.
(b) for R Ltd. 7½+7½

Group – B

3. Tax consideration in respect of employees' remuneration is an essential aspect of corporate management—Discuss. 10

4. Your client Priya Ltd acquired a plant for in-house research a few years back. The plant so no longer required for research purpose but can be used in its business proper.
It has two options before it—
Option I : To sell the asset immediately
Option II : To use it in the business proper and then to sell off in the same year.
You are requested to advise the company as to which option will usefull in more tax saving. 10

35
105

Group – C

5. Of the various considerations to be taken for setting up a new business, income tax is by for the most important one—Discuss, giving reasons, the implications of the statement. 15

6.(a) Bad Luck Ltd, an indian company, went to liquidation on 1.1.2005.
On that date the company had
(i) Equity Share Capital Rs. 10,00,000
(ii) Accumulated profit Rs. 5,00,000
(iii) Investments in shares of Dunlop India Ltd (held for 10 months) costing Rs. 3,00,000 (market value Rs. 9,00,000).

The liquidator of the company wants to choose out of the following two alternatives :

Alternative I : Distribute the investments among the equity share holders

Alternative II : Sell the investments and distribute the proceeds among the equity sharesholders.

Your advice is solicited. 10

(b) What do you understand by "Reorganisation" of an existing business to overcome sickness ? 5

Group – D

7.(a) What are the transactions where PAN are to be quoted in the document related to such transactiosns ? 5

(b) What are the appealable order before commission (Appeals). 5

8. X Ltd. needs to acquire an asset costing Rs. 2,00,000. There are two-alternatives available to the company :

Alternative I : Buying the asset by taking a loan of Rs. 2,00,000 repayable in five equal instalments of Rs. 40,000 each along with interest @ 14% p.a.

Alternative II : Acquiring the asset under a lease agreement with lease rental Rs. 60,000 p.a. for five years. The lessor charges 1% as processing fees in the first year.

Assume :

(i) lease rentals, processing fees, interest as well as principal amounts are payable at the year end.

(ii) Internal rate of return 10%. Suggest which alternative is better.

Given : Present value factor at 10%

Year :	1	2	3	4	5
P.V. Factor	·909	·826	·751	·683	·621

10