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for ₹ 7,00,000. He was not owning any other residential house. Cost inflation indices are: 1988-89-161; 1991-92-199; 2010-11-711; 2013-14-939.

Compute Capital gains for the Assessment year 2014-15. Is there further any scope of tax planning?

A

(Printed Pages 8)

Roll. No. \_\_\_\_\_

**MS-3137**

M.B.A.(MS) Sem-IV (FE)

Examination, 2015

Tax Planning Management

MS(A)-043

*Time Allowed : Three Hours ] [ Maximum Marks : 70*

Note : Question No.1 is compulsory and carries 30 marks. Select one question carrying 10 marks from each unit.

1. Answer the following questions in brief:

3 × 10 = 30

- (a) What is 'Tax Management'? Explain.
- (b) What are the limitation of tax planning?
- (c) Is debt capital a better source of financing than equity capital from tax planning point of view?
- (d) What do you understand by Permanent

(2)

Account Number (PAN)?

- (e) "Long-term capital gains are generally better than short-term capital gains from tax planning point of view." Comment.
- (f) Give the names of ten incomes fully exempt from tax.
- (g) How is residential status of a company determined?
- (h) Explain the tax considerations to be kept in mind, while making a decision regarding 'Repair or Replace'.
- (i) Explain tax planning provisions relating to hospital.
- (j) State the provisions regarding set-off of losses.

UNIT-I

- 2. What is the Tax Planning? Explain its characteristics and importance. Distinguish between 'Tax Planning' and 'Tax Evasion. 10
- 3. Write the comprehensive note on 'Tax Audit. 10

MS-3137

(7)

Unit-IV

- 8. Write notes on any two of the following:  
 $5 \times 2 = 10$ 
  - (a) Deduction under Section 80C.
  - (b) Tax Planning regarding residential status.
  - (c) Rebate under section 89.
- 9. Mr. Ram Prakash purchased 3,000 equity shares of ₹ 10 each for ₹ 70 per share on 1st January, 1989 and paid brokerage ₹ 2000 and transfer fees ₹ 3,000. On 1st September, 1991 the company issued him 500 bonus shares. In November, 2010 the company again issued 700 bonus shares to him. On 1st January, 2014 he sold all the shares @ ₹ 900 per share and paid brokerage at 2% on sales consideration. He had purchased some Jewellery in 1991-92 for ₹ 1,20,000. He sold this Jewellery on 1st March, 2014 for ₹ 10,00,000. He purchased a residential house on 25<sup>th</sup> March, 2014

MS-3137

P.T.O.

(4)

5. Mohan Prakash has been offered an employment by Reliance Ltd. in Mumbai with the following two alternative packages: 10

	First Package	Second Package
Basic Salary	12,00,000	12,00,000
Dearness Pay	2,00,000	2,00,000
Bonus	50,000	50,000
City Compensatory Allowance	20,000	-----
Academic Allowance	-----	20,000
Medical Allowance	15,000	-----
Reimbursement of medical bills	-----	15,000
Education Allowance for one child	10,000	-----
Education facility in Companies' school	-----	10,000
Lunch Allowance	-----	20,000
Lunch facility by the Company	20,000	-----

MS-3137

(5)

Facility of rent free house (Fair rental Value)	1,20,000	-----
House Rent Allowance (Rent to be paid @ 16,000 per month)	-----	1,20,000
Telephone Allowance	20,000	-----
Telephone facility	-----	20,000

Which of the two above packages should MohanPrakash opt from tax planning point of view?

Unit-III

6. Write a note on "Tax Planning in relation to amalgamation of companies." 10
7. Sun Light Company Limited is a manufacturing company at Mumbai. It proposes to expand its business and for this it needs an additional capital of ` 3 crores. The Company proposes the following three alternatives for additional capital.

MS-3137

P.T.O.

(6)

	First	Second	Third
Source of Capital	Alternative	Alternative	Alternative
Equity share capital	30,00,000	1,00,00,000	50,00,000
12% Debentures	-----	1,00,00,000	1,50,00,000
Long-term loan from bank @ 15%	-----	1,00,00,000	1,00,00,000
Total	3,00,00,000	3,00,00,000	3,00,00,000

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 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 shareholders.

MS-3137

(3)

Unit-II

4. A and B want to start a business, the estimated profits of which for the year are ₹ 20,00,000. They have two options for selecting a form of organisation:

(a) Partnership firm :

- (i) 12% interest on capital of ₹ 15,00,000 each.
- (ii) Salary ₹ 4,00,000 per annum each.
- (iii) Equal distribution of remaining profits.

(b) Company :

- (i) ₹ 10,00,000 each as share capital and ₹ 5,00,000 each as loan @ 15% interest.
- (ii) Salary ₹ 4,00,000 per annum each.
- (iii) Distribution of remaining profits as dividend equally.

Which option is better from tax point of view?

MS-3137

P.T.O.