

VPM's
DR VN BRIMS, Thane
Program: PGDM (2018-20) (Finance)
Fourth Trimester Examination October 2019

Subject	Fiscal Policy & Corporate Tax Planning		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	09.10.2019

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q. 1 (a) Case Study 1:

Following is the summarized Balance Sheet of Super Limited as on 31st March, 2019:

Liabilities	Rs. in Lakhs
Share Capital:	
Equity Shares of Rs. 10 each fully paid up	17.00
Reserves & Surplus:	
Revenue Reserve	23.50
Securities Premium	2.50
Profit & Loss Account	2.00
Infrastructure Development Reserve	1.50
Secured Loan:	
9% Debentures	22.50
Unsecured Loan	8.50
Current Maturities of Long term borrowings	15.50
	93.00
Assets:	
Fixed Assets	
Tangible Assets	58.50
Current Assets	
Current Assets	34.50
	93.00

Super Limited wants to buy back 35,000 equity shares of Rs. 10 each fully paid up on 1st April, 2019 at Rs. 30 per share.

Buy back of shares is fully authorized by its articles and necessary resolutions have been passed by the company towards this. The payment for buy back of shares will be made by the company out of sufficient bank balance available as part of the current assets.

Comment with calculations, whether the Buy Back of shares by the company is within the provisions of the Companies Act, 2013. **10 marks**

(b) Case Study 2:

A domestic Company, ABC Limited, furnishes the following particulars in respect of AY 2019-20 and solicits your advice on the application of Section 115 JB. You are also required to compute the total income tax payable.

Particulars	Rs. Lakhs
Profit as per Profit & Loss Account as per Cos. Act, 2013	215
This includes:	
a) Credit of Dividends from Indian Cos.	20
b) Excess realized on sale of land held as investment	30
c) Depreciation on SLM basis	100
d) Provision for losses of subsidiaries	60
Depreciation allowable as per Income Tax Rules, 1962	150
Profit on sale of land as mentioned above	40
Brought forward losses	50
Unabsorbed Depreciation	60
Annual Turnover	4000

The company has also represented to you that the excess realized on sale of land can't form part of the book profits u/s 115 JB. **10 marks**

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain with examples difference between tax evasion, tax avoidance and tax planning.
- b) State various stakeholders in the financial market.
- c) Neel Limited, an Indian Company derived following income during the AY 2019-20;
Taxable Income as per Income- Tax Act: Rs. 40 Lakhs
Book profit as per Section 115JB: Rs. 60 Lakhs
Compute the tax Liability of Neel Limited in respect of above incomes.

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the various instruments of credit policy.
- b) X Limited, a domestic company has distributed on 1.11.2008, dividend of Rs. 230 lakh to its shareholders. On 1.10.2018, X Limited has received dividend of Rs. 60 lakh from its domestic subsidiary company Y Limited, on which Y Limited has paid dividend distribution tax under section 115-O. Compute the additional income tax payable by X Limited under section 115-O.
- c) India is currently facing the challenge of silent financial crisis. Comment.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the role of Financial Market in Economic Development of our Country.
- b) Expand the following abbreviations:
- MAT
 - CII
 - WPI
 - SEBI
 - AMFI
- c) Discuss SEBI Guidelines on Buy-back of shares by management of a listed company.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the difference between Wholesale Price Index and Consumer Price Index.
- b) Yaman Limited is a company in which 60% of the shares are held by Piloo Limited. Yaman Limited declared a dividend amounting to Rs. 35 lacs to its shareholders for the financial year 2017-18 in its AGM held on 10th July, 2018. Dividend distribution tax was paid by Yaman Limited on 21st July, 2018. Piloo Limited declared an interim dividend amounting to Rs. 50 lacs on 15th October, 2018.
Compute the amount of tax on dividend payable by Piloo Limited. What would be your answer, if 58% shares of Piloo are held by Kafi Limited, an Indian company?
- c) Explain the various objectives of Credit Policy.

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Write a short Note on Cost Inflation Index.
- b) PQR Limited is a company in which the whole of its share capital was held by LMN Limited. Both PQR Limited and LMN Limited are Indian Companies. PQR Limited has made investment in shares of Berkley Limited in 1992 for Rs. 7 Lakhs, which it sold to LMN Limited on April 1, 2010 for a consideration of Rs. 42 Lakhs.
The fair market value of these shares of Berkley Ltd. as on April 1, 2001 is Rs. 32 Lakhs. LMN Ltd. disinvested 7% of the shares held by it in PQR Ltd. in November 2018 by sale to public. It sold the shares in Berkley Ltd. acquired by it from PQR Ltd. in February, 2019 for a sum of Rs. 95 Lakhs.
Examine the capital gains tax effect of these transactions in the hands of PQR Ltd. and LMN Ltd. in the relevant assessment years, assuming that the shares of Berkley Ltd. are unlisted shares.
Given that the cost inflation index for the FY 2010-11 is 167 & FY 2018-19 is 280.
- c) Discuss the independence of RBI Governor in Indian democracy.

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the techniques employed by the US Federal Reserve as a part of Fed Policy.
- b) Satpura Limited is an Indian company in which 52% of shares are held by Vindhya Limited. Satpura Limited declared a dividend amounting to Rs. 60 lakhs to its shareholders for the FY 2017-18 in its AGM held on 29th May, 2018. Dividend distribution tax was paid by Satpura Ltd. on 5th June 2018. Vindhya Ltd. declared an interim dividend amounting to Rs. 48 Lakhs on 2nd December, 2018.
- i) Compute the amount of tax on dividend payable by Vindhya Ltd., an Indian Co.
- ii) Would your answer change, if Vindhya Ltd. held 48% of shares of Satpura Ltd.? Justify.
- c) Discuss various recent initiatives (including tax reforms) taken by the Government of India in order to give boost up to Indian economy, in light of current situation of economic slowdown.