



K25U 0282

Reg. No. :

Name :

**Sixth Semester B.Com. Degree (C.B.C.S.S. – OBE – Regular/
Supplementary/Improvement) Examination, April 2025
(2019 to 2022 Admissions)
Core Course
6B16COM (Finance – IV) : CORPORATE TAX PLANNING**

Time : 3 Hours

Max Marks : 40

PART – A

(Very Short Answer)

Answer **any six** questions from the following. **Each** question carries **1** mark. **(6x1=6)**

1. What is a 'subsidiary company' ?
2. What is 'tax avoidance' ?
3. What do you mean by 'Lease' ?
4. List any two tax benefits available on the basis of location, nature or size of business under Income Tax Act.
5. Define 'Partnership firm'.
6. List any 2 tax incentives to demerged company.
7. What do you mean by 'dividend' ?
8. List any two modes of 'business restructuring'.

P.T.O.



PART – B
(Short Essay)

Answer **any six** questions from the following. **Each** question carries **3** marks. **(6×3=18)**

9. Distinguish between Tax management and Tax evasion.
10. What tax concessions are available in case of demerger to Shareholders of a demerged company ?
11. Trapti Limited wants to raise capital of Rs. 20,00,000 for a project where earnings before tax shall be 40% of the capital employed. The company can raise debt fund @ 18% p.a. suggest, which of the following 3 alternatives should it opt for :
 - a) Rs. 20,00,000 to be raised by equity capital.
 - b) Rs. 16,00,000 by Equity and Rs. 4,00,000 by Loans.
 - c) Rs. 4,00,000 by Equity capital and Rs. 16,00,000 by Loans.

Assume the company shall distribute the entire amount of profits as dividend and tax rate is 27.28%.

12. Write notes on the following :
 - a) Dividend policy
 - b) Bonus shares.
13. List out main tax planning strategies in respect of managerial remuneration.
14. K Ltd., whose existing capital is Rs. 1 crore all in Equity shares, proposes to expand its business for which an additional investment of ₹ 50 lakh would be needed. The entire money can be raised either by issue of Equity shares or by issue of 10% debentures. They decide in favour of issue of Equity shares. As a tax consultant do you approve the proposal ? Assume that rate of return is 20% and rate of income tax is 26% including cess.
15. Discuss the following terms :
 - a) Minimum Alternate Tax
 - b) Slump sale.
16. What is Tax planning ? Discuss its need.



PART – C
(Long Essay)

Answer **any two** questions from the following. **Each** question carries **8** marks. **(2x8=16)**

17. A company requires 20,000 units of a component every year for next five years. The component can either be manufactured by the company in its factory or purchased from the market. From the following information, suggest to the company whether it should make the component or buy it from the market :

- 1) Material cost per unit Rs. 4
- 2) Labour cost per unit Rs. 6
- 3) Variable overhead cost per unit Rs. 2
- 4) If the company manufactures the part, it has to purchase a machine by taking a loan from the bank. The present value of net cash outflows in this regard in five years will be Rs. 1,00,000.
- 5) The component is available in the market at (a) Rs. 12.50 (b) Rs. 14 per unit.

18. Discuss the following :

- a) Tax management
- b) Minimum Alternate Tax
- c) Deemed dividend
- d) Double taxation relief.

19. Singur Ltd. is a widely held company. It is considering major expansion of its production facility and is expected to improve the profitability from the present rate of 20% to atleast 25% (Before tax).

The finance manager has the following proposals:

Proposal	(Rs. in Lakhs)			
	1	2	3	4
Equity capital	40,00,000	15,00,000	30,00,000	50,00,000
14% Preference share capital	20,00,000	25,00,000	—	10,00,000
12% debentures	—	20,00,000	—	40,00,000
14% Bank loan	—	40,00,000	70,00,000	—
20% Lease Finance	40,00,000	—	—	—
Total	1,00,00,000	1,00,00,000	1,00,00,000	1,00,00,000

Evaluate the proposal and determine the most suitable one for the company.