

Eastern University, Sri Lanka
Faculty of Commerce and Management
Third Year Second Semester Examination in Bachelor of Business
Administration (BBA)/ BBA Specialization in Human Resource
Management/ BBA Specialization in Marketing Management
2016/2017 (July/August 2019)
Proper/Repeat
MGT 3053 Advanced Taxation and Auditing (Taxation Part)

Answer all the questions

Time: 1 1/2 Hours

Any assumption should be stated clearly

Pages: 02

01.

Dine More & Co is a partnership business carried out by two brothers, **Dilan** and **Mohan**, sharing profits and losses equally. They are engaged in manufacturing and selling ice cream for the domestic markets in the Northern and Eastern provinces.

As per the financial statements for the year ended 31st March 2018, the turnover and net profit of the partnership were **Rs.51, 870, 300** and **Rs.17, 290,100** respectively.

(1) The following expenses have been deducted when arriving at the net profit:

	Rs
Salaries paid to partners (1.1)	1,440,000
Salary paid to Mohan's wife (1.2)	600,000
Rates on the building	24,000
Rent paid to Dilan	720,000
Depreciation on machines purchased for Rs. 1,200,000/- during the Y/A 2017/2018	130,500

(1.1) Both partners participate to manage the business and each of them draws a monthly salary of Rs. 60,000/-.

(1.2) A salary of Rs. 50,000/- per month is paid to Mohan's wife who is the Accountant of the partnership.

(2) The business premises is owned by Dilan and the partnership pays him a rent of Rs.60,000/- per month and rates of the premises of Rs. 24,000/- was borne by the partnership.

- (3) Net profit of the partnership includes a net interest income of Rs. 108,000/- which received from the NSB on a fixed deposit. (WHT has been deducted on this interest)
- (4) All assets as at 01st April 2017 are fully depreciated for tax purposes and all other expenses are allowable expenses for tax purposes.

You are required:

- (a) Compute the income tax liability of the partnership
- (b) Prepare a statement of distribution of profit and other income of the partners arising from the partnership.

(45 Mar)

02

Mr. Guruge is the owner of the business called “**Paper products**” who manufactures plates and cubs for the local market. He is a registered person for VAT. The transactions for the quarter ending 31st March 2019 are as follows.

Sales

Sale of Manufactured paper Plates and Cubs Rs. 33,500

Purchase of Goods (Values given are without VAT)

Raw Material (from persons registered for VAT) 5,900

Raw Material (from persons **not** registered for VAT) 2,500

Purchase of Machines (from persons registered for VAT) 2,500

Purchase of a car (from persons registered for VAT) 2,900

Purchase of Services from Registered Persons

Other Services 900

Rent paid to office 120

Brought forward input credit from previous period 100

You are required:

Compute the VAT payable by Mr. Guruge for the quarter ended 31st March 2019.

(25 Mar)

03

- (1) State what is “**Self-Assessment**” and “**Volunteer Compliance**” (Tax & Return)
- (2) Brief any **four** recovery actions against default taxes.
- (3) Brief the stages of an **appeal** that, how it leads to a **tax case** at the Court of Appeal.

(3×10= 30 Marks)