

17 MAR 2017
EASTERN UNIVERSITY, SRI LANKA

Eastern University, Sri Lanka
Faculty of Commerce and Management
Third Year Second Semester Examination in Bachelor of Business Administration
2013/2014 (September/ October 2016) Proper/Repeat
MGT 3053 Advanced Taxation & Auditing – Taxation Part

Answer all the questions

Time: 1 ½ Hours

Any assumption should be stated clearly

Q.01

NILKAM & Co. is a partnership commenced its business with effect from 01.04.2013, which involves in buying & selling of cosmetic products at the local market. Nimal & Kamal are the partners, sharing profits & losses in the ratio of 2:1. Statement of income & expenditure for the year ended 31.03.2015 is given below.

	Rs.	Rs.	Rs.
Total Sale			21,655,500
Less : Expense:			
Partner's salaries:			
Nimal		400,000	
Kamal		200,000	
Interest on Partner' capital:			
Nimal	120,000		
Kamal	80,000	200,000	
Salaries (Staff)		1,345,000	
EPF & ETF (Staff)		170,000	
Weighing Machine		900,000	
Rent Paid		300,000	
Electricity		95,000	
Telephone		143,000	
Bank Overdraft Interest		75,000	
Interest paid on Bank Loan		250,000	
Entertainment – Hotel Bills		140,000	
Water		24,000	
Printing & Stationery		11,000	
NBT		150,000	
Charity & Donations		85,000	
Transport		17,000	
New packing machine		2,000,000	
Advertisement		800,000	
Insurance		40,000	
Depreciation		294,000	
Bad debt written off (all allowable)		26,000	7,665,000
Net Profit			14,000,500

Note

- Rent was paid to Nimal's wife, who is the owner of the business premises, which was taken for two years period from 01.04.2014. Monthly rent is Rs.10, 000/-.
- Income Tax paid by the partnership under Self Assessment basis Rs.100,000/-
- The following additional information in relation to Property, plant and equipment is also provided. (*All these assets were purchased at the beginning of the business*)
- Details of property, plant and equipment as at 01.04.2014 are as follows:

Type of Asset	Cost(Rs.)
Land	1,500,000
Office Equipment	90,000
Lorry	3,000,000
Furniture	30,000
Computer Equipment	310,000
Computer Software – Developed in Sri Lanka	<u>140,000</u>
Total	<u>5,070,000</u>

Other income of each partner

Mr.Nimal

1. As Mr. Nimal was an ex government Accountant he received pension for the year Rs: 54,000
2. Agriculture income (adjusted for tax purpose) from his own paddy land Rs: 754,000/

Mr.Kamal

Mr. Kamal has two houses one at Batticaloa and the other one at Colombo, He resides at the house in Batticaloa and the house at Colombo has been rented out for residential purpose for monthly rent of Rs: 50,000/-, rate paid at 10% of the annual value of Rs: 200,000/-.

You are required to compute:

- I. The divisible profit of NILKAMAL & CO. for the year of assessment 2014/15.
- II. The apportionment of divisible profit between Nimal & Kamal.
- III. The partnership Tax payable by NILKAMAL & CO. for the Y/A 2014/15.
- IV. The apportionment of the Partnership tax between Nimal & Kamal.
- V. Income tax payable each partner

(50 Marks)

Q 02.

Proviso to section 163(3) of the Inland Revenue Act, No 10 of 2006 reads as follows: "provided that where the Assessor does not accept the return made by any person for any year of assessment and **make an assessment or an additional assessment** on such person for that year of assessment he shall **communicate to such person in writing his reason/s** for not accepting the return".

What you mean by "reason" in this context? What are the consequences of failure to give reason/s? Explain by reference to cases decided by the superior Courts of Sri Lanka.

(30 Marks)

Q 03. Write short notes on the following:

- a. What particulars should a valid "tax Invoice" contains according to the provisions of the value added Tax Act?
- b. List the **due dates** for an individual to file his Income Tax (IT) return, VAT returns, ESC return and NBT returns and the **due dates for payment** under Self Assessment (SA) system for the Year of Assessment 2015/2016.

(10x2 = 20 Marks)